Reward And Employee Retention In Non Governmental Organizations: A Comparative Study Of Plan International And Save The Children By

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Abstract: Despite apparent high remuneration by Non-Governmental Organisations, they still experience retention challenges of key talent. This study examined the relationship between rewards and employee retention in Non-Governmental Organisations. Specifically, it sought to establish the different rewards administered as well as the relationship between rewards and employee retention using Plan International and Save the Children, both operating in Uganda. A cross-sectional comparative study design using both quantitative and qualitative approaches was employed. Questionnaires, interviews and focus group discussions sourced the information. Quantitative and qualitative data was analysed using Pearson’s coefficient, ANOVA, content, logic and inference methods respectively. Results showed a positive correlation between rewards and employee retention in NGOs. The NGOs administered a reasonable base pay, some allowances and benefits. There however was lack of job evaluation, inflexible reward policies, rigid pay structures and consequently, extra effort from high performers was not catered for. It was recommended that NGOs carry out Job evaluation and adopt flexible reward policies to incorporate contingency pay and bonuses to cater for the extra effort put in by high performers.

Key Words: Employee Reward, Retention, Non Governmental Organisations

1 BACKGROUND TO THE STUDY

Every organization desires to keep top notch talent. As a result, ideal and strategic managers work towards acquisition and retention of excellent human resources, Non Government Organizations being no exceptions. Historically, several studies were carried out to demonstrate the challenge of job retention. Delloite (2012) in their survey done in the United States revealed that the global race to attract and retain top talent is foremost on the employer’s mind especially in a challenging economy. The competition for leading talent around the world is more intense as the rush for the global market continues. Western Compensation and Benefits Consultants (2006) also revealed that three-quarters (74%) of Canadian organizations were concerned with their ability to retain employees, and that two-thirds (66%) of the organizations from across Canada experienced challenges in retaining employees. In Belgium, reports from SD Worx (2008), a large Belgian human resource and payroll company, revealed that employee turnover rate lingered around 39% in several organizations. This means that they had challenges in retaining employees. Even in Pakistan, the Institute of Interdisciplinary Business Research (2011), revealed that they were facing problems in retaining key talent due to rewards. This was attributed to improper salaries and rewards given to the employees. Generally, there are other innumerable ways to fascinate the employees other than relying on the concept that money is the only single motivator to retain the workers for a longer time (Armstrong, 2007, Dhar, 2008, Phillip & O’Connell, 2003). Management of organizations could advocate for other reward packages like recognition, training and development to motivate employees to stay with the organization (WorldatWork, 2007). Hence, the top challenge before Human Resource Leadership across the globe is talent; finding it, motivating it and keeping it. As a matter of emphasis, SumHR (2016) advises that organizations should endeavour to match expectations, responsibilities and rewards. In the Non Governmental Organization (NGO) world, as well, rewards play an important role in the retention of employees. Rewards are supposed to enhance organizational goals, values and culture. The aim of rewards in NGOs is to align the reward practices with business goals and with employee values and needs. Rewards influence a variety of work-related behavior as well as the retention of employees. For example, they are used to guide behavior and performance in an attempt to attract and retain the best qualified employees. However, NGOs tend to face a dilemma when it comes to rewarding and retaining their employees because of the competitive environment in which such NGOs are situated. The expertise of the employees exposes them to such competition in the labour market, that they can be swayed to other organizations anytime. Therefore, retention of key employees has become a difficult task for managers as they are being attracted by more than one organization at a time with various kinds of rewards (Armstrong, 2007). Reports from Human Resource Manager’s Association of Uganda (HRMAU, 2011) also reveal that NGOs, including Plan International and Save the Children, have experienced challenges in retaining employees, despite what seems to be a good reward package. There arises need to establish reasons why employees are leaving NGOs despite such good rewards. The study’s theoretical background was provided by Adams’ (1965) equity theory, as presented in Spector (2008) and the Herzberg’s two-factor theory. The equity theory posits that employees seek to maintain equity between the input that they bring into a job including education, time, experience, commitment and effort and the outcome they receive from the job such as increased salary, recognition, work life balance and development, against the perceived inputs and outcomes of other employees. Thus the equity theory proposes that individuals who perceive that they are under-rewarded tend to experience distress, which leads to separation with the current organization. It is assumed that when high performers separate with the organization, the organization could fail to meet its mandate. Furthermore, Herzberg’s two factor theory considers the organization-based motivational variables which are, mainly, responsible for ensuring employee’s job satisfaction (Teck
and Waheed, 2011). Job satisfaction or dissatisfaction is one of the predictors for employee retention. The theory states that satisfaction and dissatisfaction are driven by different factors that are motivation and hygiene factors. Motivators are aspects of the job that make people want to perform and inform their decision either to stay or leave an organization. The motivators are called intrinsic to the content of the job and they include variables like work life balance, recognition, training and development, among others. Likewise, the hygiene factors result from extrinsic factors which are non job related such as salary, contingent pay, bonuses among others. Conceptually, rewards and employee retention are a global phenomena. Globally, organizations are striving and struggling to ensure that they attract and retain their most valued employees. Rewards are all the employer’s available tools that may be used to attract, motivate, satisfy and retain such employees (WorldatWork, 2006). Rewards embrace everything that employees value in the employment relationship (Maicibi, 2007). Rewards are of two types: the extrinsic reward and the intrinsic reward (Silbert 2005). Another word to extrinsic and intrinsic rewards is financial and non-financial rewards, sometimes called monetary and non-monetary rewards. Extrinsic rewards are the tangible rewards in form of cash compensation and benefits, while intrinsic rewards are intangible rewards internalized by individual employees as a result of their participation in specified activities. Cash Compensation includes basic pay, contingent pay, cash bonuses and allowances (Armstrong, 2007). A combination of rewards offered by an employer represents a system of inducements, where different reward elements drive different behaviors and outcomes to achieve the organizational objectives. Some rewards are strong attractors, while others play a more important role in motivating or engaging employees (Hewitt’s 2012). Many business leaders and human resource practitioners believe that when rewards are properly aligned, designed and delivered; organizations will be able to retain their employees. For the purpose of this study, rewards are financial and non financial in nature and are given to employees to entice them to stay with the organization. Financial rewards in particular include cash compensation and benefits, and non financial rewards include work life balance, recognition, training and development. Employee retention is the ability to hold onto those employees you want to keep for longer than your competitors (Johnson, 2000). Employee retention is measured using the employee turnover rate that is the total number of leavers over a particular period, divided by the average number of employees employed over a particular period multiplied by one hundred percentage (Armstrong, 2007). Managing employee turnover is a challenge to organizations since different organizations are using different approaches to retain employees (American Management Association, 2001, Hewitts Associates, 2006). Retention is considered to be an all-round module of an organization’s human resource strategies. It commences with recruiting of the right people, all through to practicing programs, to keeping them engaged and committed to the organization (Freyermuth, 2004). Low employee retention is linked to managers who pay less attention to the issues of retention (Armstrong, 2009, Hewitts Associates, 2006, Chaminade, 2007). Since replacing valued employees can be problematic; the researchers, in the present study, assumed that NGOs have not been able to correctly identify and apply those reward variables that could increase employee retention. Contextually, Plan International and Save the Children NGOs were used as research bases for the study. Plan International is one of the oldest and largest children’s development organization in the world. The organization works in 49 developing countries across Africa, Asia and America to promote child rights and lift millions of children out of the crippling effects of poverty. Plan International is politically and religiously neutral and non sectarian. In Uganda, Plan international has a total number of 169 employees and operates in the Northern region in the towns Gulu, Lira and Kitgum, Eastern Region in Kamuli and Tororo and the Central region of in Luwero. Save the Children (SC), on the other hand, is the world’s leading independent organization for children and has program presence in over 120 countries. The aim of Save the Children is to envision a Uganda in which every child attains the right to survival, protection, development and participation. In Uganda, Save the Children implements programmes in six thematic programme areas of Child Protection, Child Rights Governance, Education, Livelihoods & Food Security, Health and Nutrition and HIV/AIDS, in development and emergency contexts. Save the Children delivers programs in over 36 districts of Uganda that is in the North, the Rwenzori, North-Eastern and Central regions of Uganda. Non Governmental Organizations (NGOs) offer better rewards to employees compared to the public service sector. This helps them to attract high caliber employees. However, for many years now, NGOs have reported increased difficulty in retaining employees, particularly those in critical skill areas and top performing employees (HRMAU, 2009, 2010 and 2011, Plan Uganda Auditor’s report, 2012). This has happened even with the presumed attractive pay schemes as shown in table 1 below.

**Table 1: Salary and benefits for the NGOs Under study**

<table>
<thead>
<tr>
<th>Positions</th>
<th>NGO A</th>
<th>NGO B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director. This is an expatriate position</td>
<td>Minimum</td>
<td>Mid</td>
</tr>
<tr>
<td>Managers</td>
<td>6,000,000</td>
<td>6,666,78</td>
</tr>
</tbody>
</table>

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The table above shows that the two NGOs (Plan International and Save the Children) undertook to offer attractive pay to their key employees. This attractive package includes basic pay band, health insurance for employees, spouse and children, lunch and tea, severance pay and different types of leaves. However management reports for the years 2008, 2009, 2010 and 2011 from the two NGOs indicate that several employees left the organizations as shown in table below 2.

**Table 2: Showing number of employees who separated with the NGOs under study**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Redundancy</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Termination of contract</td>
<td>8</td>
<td>0</td>
<td>20</td>
<td>5</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Career Move (Resignation)</td>
<td>14</td>
<td>11</td>
<td>22</td>
<td>15</td>
<td>30</td>
<td>23</td>
</tr>
<tr>
<td>Dismissal</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>11</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Passed away</td>
<td>22</td>
<td>17</td>
<td>52</td>
<td>110</td>
<td>127</td>
<td>74</td>
</tr>
<tr>
<td>Total No. of staff who separated with the NGOs</td>
<td>22</td>
<td>17</td>
<td>52</td>
<td>110</td>
<td>127</td>
<td>74</td>
</tr>
</tbody>
</table>

Source: Plan and Save the Children Management Reports, 2013

These are relatively high numbers of employees leaving the organization over the years. NGOs need to understand why they are unable to retain key employees despite what initially appears to be a good reward package.

**Statement of the problem**

Plan International and Save the Children offer attractive rewards such as cash compensation (basic pay and allowances) and benefits like medical insurance, life insurance, death benefits, severance pay, leave or vacation, refreshments to their employees. These rewards are aimed at enticing employees to remain with the organization. Despite the organizations efforts to offer the attractive rewards mentioned above, Plan International and Save the Children have both been experiencing a high level of employee turnover, constraining program implementation to the needy beneficiaries. For example, in the financial year 2008/2009, Save the Children staff leaving the organization increased from 22 to 52 while in Plan International, staff leaving the organization increased from 17 to 110. If this trend is to continue unabated, the NGOs image could be destroyed, while the
remaining employees would be de-motivated and would also plan to exit the NGOs sector. While there could be many other factors affecting staff retention, financial and non financial rewards could be playing a big role. It was imperative that a study is conducted to establish why despite the apparent good pay, NGOs were failing to retain their valued employees and identification of strategies for enhancing employee retention in NGOs.

2 OBJECTIVE OF THE STUDY
The general objective of the study was to determine the relationship between rewards and employee retention in NGOs, with an ultimate aim of proposing remedies. Specifically, the study set out to examine the different rewards administered, establish the relationship between financial rewards and employee retention at Plan and Save the Children and source suggestions to curb the challenge.

3 REVIEW OF RELATED LITERATURE
Rewards are the reason people search for and get engaged to work. Employee rewards are all the employer’s available tools that may be used to attract, motivate, satisfy and retain employees. Rewards include financial and non financial rewards. Financial rewards include cash compensation and benefits. Cash compensation includes basic pay, contingent pay, allowances and bonuses. Non financial rewards include work life balance, recognition, training and development (Armstrong, 2007 & Maicibi, 2007).

Conceptual Review
Conceptually, the main dimensions of this study were developed and modified from the model of rewards by WorldatWork (2006). In this study, the independent variables were rewards conceptualized as financial and non financial rewards. Financial rewards were further conceptualized as Cash Compensation which includes Basic pay, Contingent pay, Allowances and Bonuses. Basic pay is the fixed salary or wage that constitutes the rate for the job. It may be varied according to the grade of the job or the level of skill required (Armstrong, 2009). Contingent pay is the additional cash compensation provided that is related to performance, competence, contribution, skill or experience (Armstrong, 2007). Allowances are paid in special circumstances. For example overtime payments for working more hours, hardship allowances for employees who work in hard to reach areas, acting allowance for employees who are requested to act in positions which are above their positions, relocation allowances, when management decides to transfer an employee from one location to another, airtime allowances and others (Silbert, 2005). Bonuses include Christmas bonus, spot bonuses, 13th month and others. Contingent pay, allowances and bonuses are paid in addition to base pay. Benefits are conceptualized as medical cover, insurance cover, death benefits, severance pay, refreshments (lunch and tea) and leave or vacation and airtime (Armstrong, 2007; Phillips & Connell, 2003). Non Financial rewards are also conceptualized as work-life balance, Recognition, training & development. All the rewards are expected to have a positive relationship with employee retention. The dependent variable is employee retention measured in terms of employee turnover. Low employee turnover in this study means that the organization is able to retain the key employees and high employee turnover means that the organization is unable to retain its employees. The indicators of employee turnover include resignation, retirement, dismissal, redundancy, termination and death. Furthermore, there are intervening or moderating variables, for example macro-economic factors, reward structures and personal factors among others which may have a negative effect on employee retention. However, the important variables in the study were the independent variables as they influence the dependent variables.

Financial Rewards
Financial rewards include cash compensation and benefits (WorldatWork, 2006). Financial rewards are used to attract key talent into the organization, enhance the organization’s financial performance, retain high performers, enhance employee engagement, enhance financial performance of organization, help to differentiate across performance levels, enhance employment brand, improve customer satisfaction and improve or governance of all Human Resource programs. McQuerry (2017) sums them as motivators that compel employees to soar beyond their job performance. Financial rewards include cash compensation and benefits

Employee Retention
Retention is a voluntary move by an organization to create an environment which engages key employees for long term (Chaminade, 2007). It refers to the ability to hold on to those employees you want to keep for long and deny your competitors from the benefit of their goodness (Johnson, 2000). Key employees include those who are top performers, have high potential or are in critical jobs. The main purpose of retention is to prevent the loss of key employees from the organization as this could have adverse effect on productivity and service delivery. In this study, the indicator for a failed retention is the rate of employee turnover. However, retention of key employees has become more challenging for managers as this category of employees frequently move from one job to another as they are being attracted by more than one organization at a time (WorldatWork, 2012; Gordon, 2009; Allen, 2008; O’Connell & Kung, 2007). Organizations will continue to lose the key employees to competitor organizations until managers are able to identify and apply appropriate retention strategies that will help in reducing the frequent turnover of key employees. Retention in this case was measured by looking at employee turnover.

Employee turnover
Employee turnover occurs when employees leave their jobs and must be replaced. Replacing existing employees is costly to organizations and destructive to service delivery. It is therefore imperative for management to reduce, to the minimum, the frequency at which employees, particularly those that are crucial to its operations leave. High turnover can be detrimental to the organization’s productivity. This can result in the loss of business patronage and relationships, and can even jeopardize the realization of organizational goals. High turnover also damages the organization through decreased
innovation, delayed services, improper implementation of new programs and degeneration productivity (Abassi and Hollman, 2000). Stovel and Bonitis (2002) considered employee turnover in isolation while paying less attention to the issues of retention, but at the end of the day, it was difficult to look at each of the concepts in isolation. Turnover is caused when employees resign, retire; voluntarily or by mandate, get dismissed or due to death. Some of the reasons causing high employee turnover rates in Non Governmental Organizations include lack of work-life balance programmes, conflicts or problems with immediate supervisors, lack of training, development and promotional opportunities, feelings that pay levels are unfair relative to employee’s performance and contribution, inadequate use of employee skills and abilities, feelings that pay levels are unfair relative to others outside the organization, opportunity to earn more pay elsewhere, opportunities for a better health care package amongst others (Hay Group, 2012; WorldatWork, 2011; Armstrong, 2010; Hewitts Associates, 2006; Abassi and Hollman, 2000). Other non job-related factors leading to high employee turnover rates include macro economic factors where there is high inflation leading to increase in the cost of living. Due to the scarce resources, organizations cannot afford to reward employees to match the high inflation. Reward structures; where organizations have rigid salary grades and steps for each position in the organization and employee factors like a female employee resigning to look after the children, health problems, going back to school (Hay Group, 2012; WorldatWork, 2012).

Rewards administered in NGOs

The approach to reward in organizations differs considerably and there are no universally accepted effective or ineffective reward practices (Armstrong & Brown, 2006). The rewards administered in NGOs include financial and non financial rewards. These rewards increase the retention of employees because they are getting the opportunities to enhance their careers in a friendly working environment through available opportunities (Tropman, 2001; Phillips & Connell, 2005). Like in all organizations, rewards in NGOs are used to attract key talent into the organization, enhance the organization’s financial performance, retain high performers, enhance employee engagement, enhance financial performance of organization, help to differentiate across performance levels, enhance employment brand, improve customer satisfaction and improve or governance of all Human Resource related programs (Armstrong & Brown, 2006). A number of rewards were considered.

Basic pay

Financial rewards include basic pay, the amount received by the employee in lieu of the work done for a certain agreed period say a month. It is calculated on time worked rather than on results achieved and tend to reflect the value of the job as measured by a form of job evaluation. Basic pay is usually based on the organization’s pay philosophy and structure. Basic pay demonstrates commitment on the part of the organization that creates a greater likelihood of employee commitment to the organization. Basic pay is used to attract good employees in the organization and to reward them for continuing value (Maicibi, 2007, Silverman, 2004).

Contingent Pay

Contingent pay refers to payments linked to the achievement of the previously anticipated targets which are designed to motivate employees to achieve high levels of performance. Contingent pay is paid on top of basic pay. Targets are usually quantified in such terms as output. Contingent pay is used to stimulate human effort by rewarding the person, over and above the time-rated remuneration for improvement in the present or targeted results. NGOs give contingent pay to employees who consistently exceed expected performance. Contingent pay is used to recognize and reward better performance, to retain high-quality people, to improve organization performance, to encourage innovation and creativity, to deliver a message about the importance of performance and motivate people to continue with the good performance (Armstrong and Brown, 2006; Schuster & Zingheim 2004; Lawler, 2000).

Allowances

Furthermore, allowances are also offered in NGOs as mentioned by Brown and Armstrong (2006), Schuster & Zingheim (2004) & Lawler (2000). Allowances are programs an employer uses to supplement the cash compensation that employees receive. Allowances include overtime pay for official duty, extra time worked for those in that category, relocation allowance for employees who are relocating from one region to another, risk pay for employees working in insecure areas among others. Allowances enhance employee’s desire to remain with the organization because they are compensated for extra efforts (Brown and Armstrong, 2000). Sometimes, allowances may be finances given to facilitate work such as communication, transport or accommodation fees.

Bonuses

In addition, some NGOs give cash bonuses to individuals, teams or organizations for high levels of performance or special achievements. Cash Bonuses include 13th month payments, Christmas bonuses, sports bonus and others. In NGOs, cash bonuses are used to supplement the high inflation rates where management is unable to increase the basic pay to match the inflation rates. Bonuses are geared towards employee satisfaction, commitment leading to increased employee retention and attaining expected and desirable performance standards (Maicibi, 2007 & Lawler, 2000).

Benefits

Benefits are programs an employer uses to supplement the cash compensation that employees receive. They include medical insurance where employees and their dependents access free medical services, Life or accident insurance which covers employees in case of accidents. Death benefit is a contribution made by the organization towards the burial arrangements in case of death of an employee or an immediate family member. Severance pay is given to the employee when they separate with the organization. Amenities such as refreshments including lunch and tea given to employee to allow them concentrate while on duty as well as leave or vacation given to employees to
rest. These benefits aim at providing protection from life and health hazards, protecting employee’s income flow when not actively engaged at work, help to keep the employees focused on their work and improve the job performance (WorldatWork 2006; Armstrong, 2007). Indeed, Vos & Meganck, (2008) also confirmed that NGOs offer benefits to employees. In support of the above, Phillip & Connell (2005) & Tropman (2001) highlighted several flexible benefits offered by organizations including medical insurance, car and transport allowances, severance pay among others. In conclusion, there are several sorts of rewards administered to employees in the NGO sector as mentioned by different authors. However, there are gaps in the effectiveness of the rewards administered due to inflexibility in the policies, management philosophy and lack of job evaluation. There is need for flexibility in policies to allow employees enjoy the rewards administered in NGOs. Furthermore, management would critically look at the category of employees and identify rewards which are effective and also carry out job evaluation to identify the relative worthy of the job with an aim of putting it in the right salary grade.

The relationship between financial rewards and employee retention in NGOs

Financial rewards are monetary rewards given to employees in exchange of work done (Armstrong, 2007). They include cash compensation and benefits. Cash compensation refers to an employee’s pay, including short and long term incentives, performance bonus and cash bonuses among others. Benefits encompass all programs an employer uses to supplement employee’s cash compensation. Benefits include medical, insurance, death benefits, lunch and tea and others. Financial rewards such as base pay and benefits, remain important fundamentals that companies must get right in order to compete for and retain key talent (Armstrong, 2009). Similarly, a survey by Hewitt Associates (2006) revealed that over one-third of organizations believe that financial rewards play an important role to enhance recruitment and retaining of employees. Indeed, Higginbottom (2001) cites a survey of 300 organizations conducted by the recruitment agency Office which demonstrated that over 50 per cent of employees preferred financial rewards to other non financial rewards like training and development. This position is also supported by Silverman (2004) who noted that organizations use financial rewards as mechanisms to recruit and retain talent. Further support on the relationship between financial rewards and employee retention is found in the opinion that due to the turbulent forces in the external environment, organizations are offering financial rewards in order to recruit and retain high quality workforce in organizations. Retention can be possible in many ways but one of the most used in organizations is paying more than they are earning (Silverman, 2004; Riley, 2005). Hansen (2002) urged that organizations offer financial rewards to employees in order to achieve better financial a position and retain those employees who lead from the front to attain business goals. In essence therefore, once the employee are well paid, goals are achieved the organization performs and its finances improve as a result. Kochanski & Ledford (2001) posits that there are several reasons causing turnover, however, the major reason is uncompetitive financial rewards. In the words of Lawler (2000), financial rewards are very effective in employee retention. He mentioned that financial rewards like incentives, basic pay, cash bonuses can be immediately converted into things that people want and this leads to low employee retention. In support of the above, WorldatWork (2006), contents that Financial rewards are essential because several employees want enough money to meet their living costs, arguably making good remuneration the most influential factor for retaining employees. WorldatWork added that financial incentives tend to have dramatic and immediate results, either slowing the exit of workers or attracting them to the system. Furthermore, Johnson (2000) suggests that improving financial rewards is an obvious measure to address retention, but often depends on wider economic factors, such as those that determine the government revenue and the organization’s ability to pay. Phillips & Connell (2005) also contends that pay is often a dominant factor in the choice of employer, and pay is an important consideration when people are deciding whether or not to stay with an organization. Despite the fact that many studies show financial rewards to be a poor motivating factor, it remains a tactic used by many organizations to commit their employees to the organization by means of remuneration packages (Cappelli, 2001; Woodruffe, 1999). Therefore, a properly managed financial reward system leads to employee job satisfaction and their subsequent feeling to remain in the organization (Maicibi, 2007, Armstrong, 2007). In support of the above, Dhar (2007), highlighted that when you show the employees financial rewards like money, other companies will not hire them away with big increases. The use of financial rewards has generated a lot of debate. For example Kimnear and Sutherland (2001) assert that managers should not be deceived that money no longer matters in retaining employees any longer. He further reiterated the importance of financial rewards in attracting, motivating and retaining quality employees in the organization and concluded that skilled employees are achievement oriented and want their achievements rewarded by financial rewards. A survey carried out by Chew (2005) indicated that financial rewards like competitive compensation, allowances and generous fringe benefits like annual leave, health services, severance pay helped organizations in Malaysian society to retain the key employees. Even Kochanski & Ledford (2001) confirmed that financial rewards like basic cash and benefits contribute to low employee retention in organizations. Chiboiwa & Chipunza (2010) revealed that while management of private organizations in Zimbabwe crafted its retention strategies around non financial values, employees preferred monetary rewards like pay rise that would commensurate with the inflationary trend in the country. However, financial rewards alone cannot retain employees in the organizations. The Institute for Employment Studies (Bevan, 2003) revealed that only ten percent of people who had left their employer gave dissatisfaction with financial rewards as the main reason for leaving. Moreover, due to the trend towards benchmarking, it is becoming increasingly difficult for companies to set themselves apart from their competitors by means of remuneration, which reduces the impact of
financial rewards on employee retention (Cappelli, 2001). In the words of Schmidt (2010), retaining talent is essential for companies and the actions that a leader takes to promote retention must be ones that are meaningful to the employee. The solution of throwing money at people is not a bad problem for employees, but research shows that if pay meets two qualities (fair and adequate), it no longer serves as a retention tool. When pay is both fair and adequate, leaders and managers must look to others areas to promote retention. Pay must be fair related to what others in similar positions in the organization and outside the organization are receiving. If the pay is fair, a higher pay does not tend to be what most people are looking for to be happy at work. Pay must be adequate: if an employee is able to live as he or she wants to live with the pay received, then an increase in pay will not be a meaningful retention tool. In addition, emphasizing pay as the primary reward encourages people to join and remain with organizations for the wrong reasons, meaning that intrinsic motivation is undermined. Organizations that emphasize on financial rewards neglect and ignore other non financial aspects (Schmidt, 2010 & Langley, 2008). In conclusion, several NGOs use financial rewards as strategies to retain their valued employees, yet they have different categories of employees who are motivated by different rewards. The researcher concludes by quoting the Herzberg’s theory which emphasis both the hygiene factors which are non job related such as salary, contingent pay, bonuses among others and motivators which are intrinsic to the content of the job and they include variables like work life balance, recognition among others as key variables for employee retention. NGOs, should therefore provide a mix of financial and non financial rewards in order to retain the key employees in the organization.

4 RESEARCH METHODOLOGY

Research Design

The study followed a cross-sectional comparative study design using both quantitative and qualitative approaches. The cross-section study design was used because the study was to collect data from a sample population at a particular time (Amin, 2005). The quantitative approach using questionnaires was used to collect data on financial, non financial rewards, employee retention and their quantification using descriptive statistics of frequency, percentage and correlation between financial, non financial and employee retention. In the qualitative approach, interviews and focus group discussions were used to gain data on the sorts of rewards, strategies on improving employee retention and explanation of financial and non financial rewards in the NGOs. When combined, the methods presented a lucid picture and offered clear answers to the research questions in line with Mugenda and Mugenda (1999). The methods gave the research an opportunity to carry out an in-depth study and analysis of rewards management and their effect on employee retention in NGOs. The study was conducted at Save the Children and Plan International. All levels of employees in both organizations were sampled. The organizations were used because they were the leading international child rights-based nongovernmental organizations which have been in the country for over 20 years but were experiencing a high employee turnover despite the apparent attractive financial rewards. A total population of 309 staff from both organizations comprising of senior management, middle management and lower staff who design, implement and benefit from the reward systems in the NGOs were eligible to give information. Of these, a total sample of 223 from both NGOs were selected for the study by use of Yamane (1967) formula. Leary (2004) defines sampling as, “the process by which a researcher selects a sample of participants for a study from the population of interest. Purposeful and simple random sampling were used to select the sample from the field. For the simple random sampling, the list of all employees was arranged according to their levels as received from the Heads of Department and the lottery approach was used, where names for each category were written on tags, put in basket and one picked at a time until the required number was reached as suggested by Amin (2005). A set of predetermined questions were set to guide the discussions. Information was gathered using self administered questionnaires, interview guides and Focus Group Discussion (FGD) guides were used. All tools were pre-tested for relevancy and consistency before actual data collection.

Validity and Reliability

Validity of the instrument was secured by integrating the remarks from supervisors on set questions as designed for each of the dimensions of the independent and dependent variables using Content Validity Index (CVI) on a five scale of “Strongly Agree”=1, “Agree”=2, “Disagree”=3 and “Strongly disagree”=4 “Not Sure”=5, and the results were presented using the formulae below;

\[
\text{Content Validity Index (CVI) } = \frac{(\text{Number of items declared valid})}{(\text{Total Number of items on the tool})} \times 100
\]

Table 3: Reliability results

<table>
<thead>
<tr>
<th>Variable</th>
<th>No of items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial rewards</td>
<td>14</td>
<td>0.86</td>
</tr>
<tr>
<td>Non financial rewards</td>
<td>15</td>
<td>0.76</td>
</tr>
<tr>
<td>Employee retention</td>
<td>5</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Source: SPSS Reliability tests on Primary data, 2013

The financial reward yielded an alpha value of 0.86, non financial rewards yielded an alpha value of 0.76, while employee retention yielded an alpha value of 0.80. Since all variables yielded an alpha value above 0.70 accepted for social sciences (Amin, 2005), it was declared that the instrument had a high reliability.
Data Analysis
Data Analysis was broadly categorized into quantitative and qualitative means (Amin, 2005) and used as explained below.

Quantitative analysis
The study used descriptive statistics of frequency and percentage for demographic data as well as financial, non financial rewards and employee retention. Pearson’s correlation statistics r and p were used to establish the relationship between financial rewards and employee retention and non financial rewards and employee retention. A positive correlation means that variables are directly related to the extent that an increase in the independent would result into an increase in the dependent variable. A negative correlation implies that the variables are inversely related. The regression analysis using ANOVA was used to show the extent to which the independent variables predicted the variance in the dependent variable. The Likert scale of five category response continuums , namely; not sure, strongly disagree, disagree, agree and strongly agree was employed to measure the variables under study.

Qualitative analysis
On the other hand, qualitative data from the open ended questions of the questionnaire was also edited, examined, sorted and grouped together to generate common themes in relation to the objectives of the study. Content analysis, logical inference and critical analysis methods were used to analyze qualitative data. The emerging consistent themes were presented and interpreted in support of or against the outcomes of the quantitative data as presented and interpreted in the results. In a similar way, the responses from the interview and focus group discussion and document review were edited and categorized into the sub themes of the variables. The interpretation from the data analysis was used to draw conclusions and make recommendations. The suggestions from the participants and employees were in addition used to draw recommendations on how to manage rewards in line with employee retention in NGOs.

• Results of the study
Both male and female respondents were equally represented in the study and there was no evidence of a person’s gender status being linked to retention. This tallies with Griffith et al. (2003) who examined various personal characteristics that may be linked to employee retention. They concluded that there were no differences between the quit rates of men and women.

Tenure of service in the NGOs
The researcher studied the period of service for the employees in their respective NGOs. The study established that majority of the employees working in NGOs spent between 3 and 5 years, with a very negligible number, 5.9%, staying for more than 5 years. This is indication that there was low employee retention in the two NGOs.

The rewards administered in the NGOs under study
Cash Compensation
Regarding cash compensation it was revealed by all respondents that both NGOs offered basic pay and some allowances as detailed below. This was confirmed during meetings with the heads of human resource departments and participants from the focus group discussions. A senior member of staff was quoted saying;
“their basic pay is influenced by both internal and external factors. Under internal factors, they determine the relative worth or size of the job which provides a basis for designing an equitable grade structure, grading jobs in the structure and managing relativities. For external factors, salary surveys are carried out to define the market rate. The above information helps to design appropriate salary structures”.

Basing on the above finding, it can be noted that although the managers talked about determining the relative worth or size of the job, there was no clear indication that they carry out job evaluation to determine the relative worth of jobs. On top of basic pay, several allowances were also mentioned as administered in the NGOs. Allowances included overtime allowances administered in NGO B, as mentioned by 34.3% of the respondents. In an interview with one of the managers, they said:
“overtime is given to Drivers and Office Assistants because of the nature of the work they are doing. Office Assistants report very early to clean the offices. Likewise, the drivers are required to take officers anytime they are called upon.”

Another type of allowance given was resettlement allowances as mentioned by 61.9% of the respondents from NGO A and 63.7% from NGO B. The sources revealed that resettlement allowance is given to employees who are transferred by management to other regions to help them settle in their new locations. The participants from the focus group discussions revealed that new employees are not given resettlement allowances to settle in their new locations and this contributes to low employee retention. One participant from the focus group in NGO A said that:
“some employees join the organization without enough money, yet they are required to report to their new locations and start work immediately. When they fail to settle in the new location, some decide to leave the organization”.

Another participant from the same focus group said that:
“Three new employees left the organization last year because they failed to settle in the new locations due to lack of resettlement allowance”.

Furthermore, transport allowance was reportedly administered in NGO A only. The allowance was given to employees who were authorized to work on weekends and public holidays. It was revealed during discussions with
the participants from the focus group discussions that in the NGO Sector, few employees were recruited, the workload was much and donors had strict deadlines. This necessitated one to put in extra time in order to meet the deadlines. Therefore, majority of the employees worked over weekends and public holidays to reduce the workload. Transport allowance helped employees to reduce on the transport cost which they would have incurred and this led to increased employee retention.

Benefits
Employee benefits were also part of the rewards administered in the NGOs under study. Such benefits included health insurance, accident insurance, death benefits, severance pay, per diem, refreshments, leave or vacation and airtime. Organizations use benefits as retention tools in that they supplement the salary offered by the organization. Furthermore, organizations operate under unstable macroeconomic environment where there is high inflation and organizations cannot increase employee’s salaries to match the high inflation. Therefore benefits help to close the economic gap. This is in line with Silverman (2004) who said that organizations that offered flexible benefits were bound to keep their employees longer. Both NGOs offered health insurance to employees. Management confirmed that medical insurance is given to employees, spouse and four biological children who are less than 18 years of age for NGO B and less than 24 years for NGO B. For NGO A, registration to access medical services is subject to submission of birth certificates while NGO B did not require the document. In addition, NGOs offered accident insurance as mentioned by 86.7% of the respondents from NGO A and 94.1% from NGO B. Meetings with Heads of Department and participants from the Focus Group Discussions revealed that all employees were covered under group personal accident policy and workmen’s compensation policy. Group Personal Accident Policy was a 24 hour cover in both NGOs. The policy covered body injury, permanent or temporary disablement. The Workmen’s Compensation Policy covered employees where death, body injury or illness arose out of and in the course of employment. Death benefits were also offered as mentioned by 88.5% of the respondents from NGO A and 95.1% from NGO B. The sources revealed the benefits were given in case of death of an employee, spouse biological children as well as biological parents. Severance pay was given to employees who were declared redundant due to phase out or restructuring and those who voluntarily retired in good faith as mentioned by 75.2% of the respondents from NGO A and 97.1% NGO B. Meetings with Heads of Department revealed that employees who were dismissed for disciplinary reasons were not eligible for severance pay and the organizations had different rates. Per diem was paid when an employee spent an overnight in another region on official duty as mentioned by respondents from both NGOs. The meetings with Heads of Department and participants from the focus group discussions revealed that NGO A gave per diem in form of cash whereas NGO B used pre-qualified hotels for accommodation and employees were given cash for only meals. Employees were also reportedly given refreshments which included lunch and tea. The different types of leave administered in the NGOs included annual leave, compassionate leave, maternity leave, paternity leave, examination or study leave, rest & relax and sick leave to employees. The meetings with Heads of Human Resource Department revealed that NGOs offered different types of leave for different reasons. On top of the above, NGO B provided rest and relax leave to employees who worked in insecure or hard to reach areas. On the overall, NGO A provided better leave terms than B. Lastly, 57.5% of the respondents from NGO A and 60.8% from NGO B mentioned that NGOs offered airtime to employees to facilitate both internal and external communication. The NGO’s offerings were in line with Armstrong (2007) who outlined some rewards given to employees including basic pay, annual bonuses like 13th cheque, performance related bonuses, medical aid contribution, education loan for dependants, housing allowances, subsidized meals among others.

Relationship between financial rewards and employee retention in the NGOs under study
The study had conceptualized that financial rewards include cash compensation (basic pay & Allowances) and benefits. In order to establish the relationship between financial rewards and employee retention, a correlation matrix was done.

Table 5: Relationship between financial rewards and employee retention in the NGOs under study

<table>
<thead>
<tr>
<th>NGO A</th>
<th>Financial Rewards</th>
<th>Employee Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Rewards</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Retention</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
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<td></td>
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</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed). P<0.05
Source: Primary data

As shown in the table above, the Pearson’s correlation coefficient r = 0.418 for NGO A and r = 0.308 for NGO B suggesting that there was a moderate significant relationship between financial rewards and employee retention in the NGOs. Despite the fact that both relationships are significant, it should be noted that the relationship between the financial reward and employee retention is slightly stronger in NGO B than in NGO A. The findings could imply that the more frequently the
employee looks at the rewards as fair and equitable, the more employees will be enticed to stay longer with the organization. This leads to increased level of employee retention. The policy implication was that the management of NGOs could enhance the financial rewards in order to ensure increased employee retention. The study findings on financial rewards and employee retention in the NGOs under study, are supported by Armstrong (2007), who stated that when financial rewards are administered fairly and equitably, employees decide to stay longer with the organization. To establish the extent to which financial rewards predicted the variance in employee retention, a regression analysis was conducted using the Analysis Of Variance (ANOVA) technique and the findings are shown below.

Table 6: Regression results between financial rewards and employee retentions in the NGOs under study

<table>
<thead>
<tr>
<th>Mode</th>
<th>Un standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(NGO A)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² = 0.168</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.684</td>
<td>.370</td>
<td>1.850</td>
</tr>
<tr>
<td></td>
<td>Financial Rewards</td>
<td>.707</td>
<td>.146</td>
<td>.418</td>
</tr>
<tr>
<td>(NGO B)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² = 0.086</td>
<td>Un standardized Coefficients</td>
<td>Standardized Coefficients</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.106</td>
<td>.429</td>
<td>2.580</td>
</tr>
<tr>
<td></td>
<td>Financial Rewards</td>
<td>.552</td>
<td>.171</td>
<td>.308</td>
</tr>
</tbody>
</table>

Dependent Variable: Employee Retention
Source: Primary data

The table above shows adjusted R² of 0.168 between financial rewards and employee retention in NGO A suggesting that financial rewards predicted 16.8% of the variance in employee retention while other variables predicted the bigger variance of 83.2% in employee retention. The adjusted R² of 0.168 also meant that improving on financial rewards by 100% would result into retention of 17 employees in NGO A. Similarly, the same table shows adjusted R² of 0.086 between financial rewards and employee retention for NGO B suggesting that financial rewards predicted 8.6% of the variance in employee retention while other variables predicted the bigger variance of 91.4% in employee retention. The adjusted R² of 0.086 also meant that improving on financial rewards by 100% would result into retention of 9 employees in NGO B.

During interviews, one of the heads of department was quoted saying:

“The organization has a rigid salary structure and there is no proper job evaluation system, that is why some employees are not rewarded fairly. He added that when a new position is created, the head of human resource department tries to fix the new position in the salary structure regardless of its complexity and uniqueness. The employees who are handling more activities are dissatisfied with the salary and this has contributed to the low employee retention”

Basing on the above finding, it was noted that salary satisfaction is all about rewarding employees in relation to their contribution to the organization. When employee’s salaries are not commensurate to their contribution, some decide to leave the organization for better offers. In support of these findings, Armstrong (2007) suggested fairness in pay where people should not receive less pay than they deserve by comparison with their fellow workers. The line managers from both NGOs revealed that high performers were not compensated for their efforts. High Performers are individual employees who always exceed expected performance but they are paid the same as other employees in the same grade. A Head of Department from NGO A gave an example of the position of Specialists who were placed in one grade regardless of the dynamics of their projects and the workload. A head of department said that:

“some projects are too demanding, yet others are not and the employees in that category are placed in one grade. He added that organizations should look for other ways of rewarding the different categories of employees to avoid losing them.”

This is in line with Carrahel et al (2006) who advocated for effective reward systems that can accommodate all categories of people like high performers and that a reward should be related to their productivity.

Provision of high quality health services

Results indicated that 6 out of 10 employees were likely to leave the organization due to poor health services provided because they did not enjoy that benefit yet the organization spends a lot of money on it. This was confirmed by the participants from the focus group discussions from both NGOs who said that “several employees were dissatisfied with the medical services offered by the two contracted service providers” and that employees had complained about the services but nothing had been done”. The Heads of Human Resource Department revealed that the medical services were limited to employees and five biological children who were below 18 years for NGO B and 24 years for NGO A. The senior managers pointed out that:

“employees who do not have children or those above the age limits, missed out on this benefit,
yet they looked after other dependants for whom they must spend”.

One participant from the focus group discussions also pointed out that;

“the reason why the organization does not increase employee’s salaries is that the organization spends a lot of money on medical and the services are not accessed by the staff because they are poor. She added that it is the service providers who benefit”.

Basing on the above finding, it can be noted that employees who value high quality health services and they incur a lot of expenses on the above service, are likely to leave the organization for better services.

**Provision of good severance pay**

Severance pay is given to employees who resign or those who are declared redundant due to phase out or restructuring. While respondents from NGO A were not happy with the severance pay those from NGO B were. The participants from the focus group discussions from NGO A revealed that employees who were on fixed term contracts did not benefit from the severance pay because of the nature of their contracts. In order to retain them, management should reconsider revising the severance package to cater for employees who are on fixed term contracts.

**Per diem**

Per diem was given to employees who traveled to work outside their respective stations on official duty. It was revealed that 62% (mean of 2.41 & S.D of 0.75) of the respondents from NGO A were happy with the per diem whereas 65.7% (mean of 3.17 & S.D of 0.91) from NGO B were not happy with the per diem, meaning that 4 out of 10 employees from NGO A and 7 out of 10 employees from NGO B were likely to leave due to dissatisfaction with the per diem. The heads of department revealed that NGO A provided per diem in form of cash whereas NGO B had pre-qualified hotels where employees who were on official duty were booked. One participant from the focus group discussions was quoted saying that;

“employees prefer per diem in form of cash instead of booking them in hotels”.

In addition;

“a line manager from NGO A mentioned that the issue of pre-qualified hotels has contributed to low employee retention because employees end up using their money while in the field on official duties”.

Dhar (2008) mentioned that on top of good salaries, organizations should offer good and flexible benefits to employees to allow them stay with the organization. Annual Cost of Living Adjustment (COLA). Of the respondents, 54% (mean of 2.53 & S.D of 0.82) from NGO A were happy with the annual cost of living adjustment whereas 58.8% (mean of 2.58 & S.D of 0.53) from NGO B were unhappy. This finding implies that 5 out of 10 employees from NGO A and 6 out of 10 employees from NGO B were dissatisfied with the annual cost of living adjustment. Meetings with heads of human resource department revealed that cost of living increment was given based upon the organization’s ability to pay and was not dependent upon the inflation rate. Several participants from the focus group discussions from both NGOs showed dissatisfaction with the cost of living adjustment figures because it did not match the inflation trend. This is in line with Armstrong (2007) who urges that organizations that use salary as a retention tool, must constantly and continually review the salaries in order to match inflation trend. This could be achieved through periodic market surveys.

**Provision of competitive financial rewards to employees**

Majority of the respondents 65.7% (mean of 2.3 & S.D of 0.68) from NGO A and 64.7% (mean of 2.18 & S.D of 0.68) from NGO B agreed that the organization offered competitive financial rewards to employees, meaning that 4 out of 10 employees from both NGOs were likely to leave due to dissatisfaction with the financial rewards. The meeting with the Heads of Human Resource Departments revealed that both NGOs participate in salary surveys and results indicated that they offered better financial rewards compared to the public sector. A head of human resource department from NGO B indicated that;

“the organization is at 75th percentile which is next to the highest percentile of 100% offered by United Nations, that means that the organization offers a competitive financial rewards”.

In support of these findings, Lawler (2000) points out that competitive pay is one of the greatest factors for the retention of employees and it plays a significant role in attracting and retaining good employees especially those who give outstanding performance or have unique skill which is indispensable to the organization.

**Figure 1:** Respondent’s views on the employee turnover rate

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Source: Field Research, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Both NGOs agreed that the employee turnover rate was high. This implies that there is high staff turnover in both NGOs, meaning there were low employee retention rates. This was supported by the data on employee tenure where 6 out of 10 employees from both NGOs had stayed with the organization for a maximum of three years.</td>
</tr>
</tbody>
</table>

5 **CONCLUSION AND RECOMMENDATIONS**

- **Rewards administered in the NGOs under study**

  Both NGOs offered some rewards such as basic pay which was determined by the organization’s management philosophy and structure, some allowances like overtime, resettlement allowances for staff who worked in hard to reach areas. The benefits like medical insurance for staff, spouse and four children, death benefits for employees and their immediate family members, severance pay, annual leave, maternity leave, paternity leave, accident insurance among others. However, other components of
basic pay like contingent pay and cash bonuses were lacking in both NGOs.

- This implies that employees in the same grades were rewarded equally irrespective of the extra efforts. For example there was no motivation for high performers, innovation and creativity was not rewarded and employees who were carrying out unique activities were not compensated.

The study recommends that NGOs should consider giving contingent pay and other bonuses to recognize and reward high performers and extra effort in general.

**Relationship between financial rewards and employee retention in NGOs**

The study also set out to establish the relationship between financial rewards and employee retention in NGOs. The Pearson Correlation Coefficient was r=0.418 for NGO A and r=0.308 for NGO B suggesting that there was a moderate significant relationship between financial rewards and employee retention in both NGOs. This implies that the more frequently employees look at the rewards as fair and equitable, the more employees will be committed to stay longer with NGOs. The NGOs provide competitive salaries and benefits to employees as strategies to increase employee retention. However, due to lack of proper job evaluation, rigid salary structures and inflexible policies among others, some employees were dissatisfied with the pay. Some positions like Project Coordinators and Specialists were placed in the same pay grade irrespective of the uniqueness of a project and the activities undertaken. It was noted that although some employees held the same positions, others were handling much work compared to their counterparts in the same position. Likewise, high performers who consistently exceed expected performance and those who carried out extra work were not rewarded for their efforts. Furthermore, some employees were dissatisfied with the health services; which in turn lessened their motivation to work in the said NGOs. The study recommends that NGOs should carry out job evaluation to identify the relative worth of a job with an aim of placing jobs in the right grades in the salary structure. In addition, management would ensure flexibility in policies to ensure that all employees are rewarded fairly and equitably and critically look at the uniqueness of positions before placing them in the salary structure. Furthermore, NGOs would develop a clear definition of what is considered as high performers and make sure those individuals are identified and rewarded. Likewise, there is need to review the conditions under which the medical services are offered to employees in order for the employees to benefit from the services. In addition, ensure that quality services are provided to employees. All the above were presumed to lead to improved reward and increased employee retention in NGOs.

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