The 21st century is a new era of great globalization and great competency among organisations. Due to incompetency, organisations that cannot adapt to changes have been forced to halt operations (Latif, Sumaira, Sadidiqui & Yousuf, 2014). In order to survive, organisations should remain competitive and innovative and make changes where necessary. Latif et al. (2014), stated that in order to stay competitive, organisations have made changes to the employee reward system. Besides financial rewards, company must also consider the non-financial benefits that can be rewarded to their employees.

Generally, compensation is all form of financial returns and benefits for employees hard work. Based on Milkovich,
Newman, and Gerhart (2010), compensation can be referred as financial returns, tangible services, and benefits given to the employees as part of the employment contract. According to Milkovich et al. (2010), the definition of compensation differs between society, stockholders, managers, and employees.

Some people view compensation as a measure of justice. This has been found true within the context of Korea (Nyaga, 2015). They believe that employees should be compensated for the time and effort spent on the job. From the stockholder’s perspective, the stockholders award the company based on employees’ performance (Milkovich, Newman, & Gerhart, 2010). For the managers, compensation has a great influence on their success as it creates the pressure to be competitive among the employees and influence the employees behavior. From the employee's perspective, compensation is the individual’s pay which is received from the work they have performed.

Employees will continuously serve the company if the company pays attention to their needs and welfare. Compensation not only consists of financial, but also non-financial rewards (Milkovich, Newman, & Gerhart, 2010). Providing compensation which include financial and non-financial rewards is one way to retain employees in the organisation. Compensation which can also be defined as Total Rewards, refer to all the rewards earned by employees in return for their labor. The most convenient way to retain employee is through compensation par-ticularly non-financial compensation (Grimsley, 2015). The more the organisation knows about non-financial compensation, the easier it will be for them to retain talented employees.

STATEMENT OF PROBLEM

Most organisations or companies have yet to realize the importance of non-financial compensation towards the employees and company. This study is important as it aims to identify the effect of compensation system has on employees retention. The non-financial compensation influence the employees in many ways especially employees retention (Sons, 2015). From the literature, it has been found that only a few organisations are aware about the aspects of non-financial compensation. There are only a few research conducted on non-financial compensation (Adeoti, & Isiaka, 2006; Bari, Arif & Shoaib 2013; Nyaga, 2015; Tan, 2009). Most of the research that were conducted focused on financial compensation. The impact of non-financial compensation was not given due consideration. However, some organisations are not able to apply the reward system which includes non-financial compensations as they do not have the awareness and knowledge of non-financial compensations and the impact it has on the company (Yousaf, Latif, Aslam, & Saddiqui, 2014). Nyaga (2015) stated that limited studies conducted on non-financial compensations have contributed to the company’s lack of exposure on non-financial aspects. The attention was only given on financial compensation such as wages, salary,
bonuses, allowances, commissions which are used to keep, retain, and attract employees in a company (Ling, 2010). The departure of employees that have the ability, capability and talent brings loss to the company. Most researchers agree that non-financial compensation can retain employees even though it may not be the main reason for the employees to stay (Tan, 2009). This clearly identifies the need to conduct more studies on the effect of non-financial compensations on employees retention.

RESEARCH OBJECTIVES AND HYPOTHESIS

This research aims to do the following.

1. To examine the relationship between training opportunities and employees retention.
2. To examine the relationship between job challenges and employees retention.
3. To examine the relationship between the opportunity to promote oneself and employees retention.
4. To examine the relationship between recognition and employees retention.
5. To examine the relationship between working environment with employees retention.
6. To identify the most dominant factor that influences employees retention.

To achieve these research objectives, several research hypotheses have been formulated:

Ha1: There is a significant relationship between training opportunities and employees retention.
Ha2: There is a significant relationship between job challenges and employees retention.
Ha3: There is a significant relationship between the opportunity to promote oneself and employees retention.
Ha4: There is a significant relationship between recognition and employees retention.
Ha5: There is a significant relationship between working environment with employees retention.
Ha6: There is a dominant factor that influences employees retention.

LITERATURE REVIEW

Non-financial Compensation

Non-financial compensation is the type of compensation that does not involve any payment (Barbeito & Bowman, 1998). According to Sons (2015), non-financial compensation is also known as non-profits rewards. Nowadays, a lot of employees do not seek for financial compensation alone. They also prefer non-financial compensation (Sons, 2015) for example, training opportunities, job challenges, opportunity to be promoted, recognition and conducive working environment. In Japan, compensations given to employee prioritize the employees’ inner satisfaction (Nyaga, 2015). This type of compensation will give advantages to the employees in their work (Barbeito & Bowman, 1998). For example, training given to employees can help improve their talents and contribute to
better work performance. This is true as it studies have shown that employees do prefer to be given further training in their work (Sons, 2015).

Organisations should place more emphasis on non-financial compensation. However, most organisations are unaware of the information on non-financial compensation (Milkovich, Newman, & Gerhart, 2010). Most organisations have the perception that employees are only concerned about money making. According to Barbeito, and Bowman (1998), the more organisations focused on financial compensation, the more employees will leave the organisations. Employees still find intrinsic rewards as more appealing than extrinsic rewards (Barbeito & Bowman, 1998). Employees also seek for nonprofit rewards in the organisation. Therefore, in order to retain employees, the rewards given should strike a balance between the two types of compensation.

**Maslow’s Theory**

Maslow’s Hierarchy of Needs is the theory used to understand factors that motivate people (Maslow, 2000). He believed that people possess a set of motivation systems unrelated to rewards or unconscious desires. Maslow (1954) stated that people are motivated to achieve certain needs. Maslow's theory is used in this research to determine the motivating factor that influence employees retention.

Employees will remain in the organisation if the working environment is conducive (Pearce & Simanowitz, 2004). Positive relationship with peers and safety at the work place will motivate the employees to stay in the organisations. The next factor that influences employee retention is the opportunity for training and recognition. Both of these factors sit at the fourth level of Maslow's theory of needs (Simanowitz & Pearce, 2003). At this level, the employees will be motivated to reach personal mastery, and respect from others. Personal mastery is something that all employees want to achieve as it helps to improve our skills. Personal mastery can only be achieved through training and recognition from organisation and colleagues, will motivate employee to continue working at the organisation (Papalia & Feldman, 2012).

Promotion and job challenges are at the top of the hierarchy which motivate employees to stay in their job (Maslow, 2000). Employees are motivated to get a promotion as it shows their personal achievement (Papalia & Feldman, 2012). This will fulfill their needs for self-actualization. Through job challenges, employees will be able to discover their true potential. An employee will stay in their position if they can achieve these levels as they will be satisfied and get to keep what they have worked for (Simanowitz & Pearce, 2003). This clearly showed that Maslow's theory of needs is relevant to analyse the factors in employees retention. Based on the theory, it can be asserted that once the employees are able to fulfill their needs at the lower level, they will strive to achieve their needs at a higher level and continuously work in the same organisation.
Employees Retention

Employees retention plays a big role in maintaining organisational goals (Govaerts, Kyndt, Dochy, & Baert, 2011). The goals of the organisations will be achieved if all the employees are motivated in their work (Govaerts, Kyndt, Dochy, & Baert, 2011). Employees will be motivated to work if their effort is recognized and are given the opportunities to be promoted. Indirectly, this will have a positive effect to the organisation to achieve their organisational goals.

METHODOLOGY

Research Design

This study used survey methodology for data collection.

Population and Sample

The population of this study consisted of 154 employees at Tanjung Jara Resort in Dungun, Terengganu. A formula devised by Krejcie & Morgan (1970) was used to determine the minimum required sample size for the survey to guide in the sampling process. Based on the calculation using this formula, the minimum required sample size for the survey should be a 120 person, or approximately 40.0 percent of the total population.

Research Instrument and Data analysis

The questionnaire that was used in this study was adapted from Ling (2010). The data was analyzed using IBM SPSS package, version 22. Both descriptive and inferential statistics were used to analyze the data. Descriptive statistic was used to describe selected demographic characteristics while Pearson Correlational analysis was used to test the relationships between the independent and the dependent variables. Multiple linear regression was used to determine the best dominant factor that contributes to employee retention.

DEMOGRAPHIC BACKGROUND

The demographic data include gender, age, marital status, races, and length of service. The number of workers who took part in this study for both female and male were equal. Forty-six workers or 38.3 percent out of 60 participants who took part in this study are between 30-39 years old. Eight participants or 6.7 percent are from the age group of 50-59 years old.

FINDINGS AND DISCUSSION

Pearson correlation and Multiple Linear Regression were used in this study to conduct the analysis. Table 1 indicates the relationship and effect of training opportunities, job challenges, opportunity to be promoted, recognition and working environment on employees retention.

Ha1: There is a significant relationship between training opportunities and employees retention.
employees retention was not significant. Hence, the first alternative hypothesis is rejected. The value of $r = .116$ indicated that there is a weak positive relationship between training opportunities and employees retention. In this context, training opportunity will not give any effect to employees retention. The results differ from a study that was conducted in the past as it involved population from the manufacturing sector. In the manufacturing sector, the training conducted will only involve some of the employees. On the other hand, employees in the hospitality sector receive a lot of training regardless of their position (Yousaf, Latif, Aslam, and Saddiqui, 2014). Thus, this has resulted in the weak positive relationship between training opportunities and employee retention found in this study.

**Table 1: Pearson Product-Moment Correlations**

<table>
<thead>
<tr>
<th>Variables</th>
<th>$r$</th>
<th>$p$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training opportunities</td>
<td>.166</td>
<td>.69</td>
</tr>
<tr>
<td>Job challenges</td>
<td>.280</td>
<td>.002</td>
</tr>
<tr>
<td>Opportunity to promote</td>
<td>.243</td>
<td>.008</td>
</tr>
<tr>
<td>Recognition</td>
<td>.222</td>
<td>.015</td>
</tr>
<tr>
<td>Working Environment</td>
<td>.340</td>
<td>.000</td>
</tr>
</tbody>
</table>

Maslow (2000) stated that based on the hierarchy of needs, individuals will work on fulfilling their needs starting with the needs at the lower level. Once the employees have fulfilled their needs at the lower level, then they will be motivated to move to a higher level of needs (Papalia & Feldman, 2012). Training opportunities sit at the fourth level of Maslow’s hierarchy of needs. In the context of this study, the weak positive relationship between training opportunities and employee retention implied that the employees in this organisation aim to fulfill their needs at the lower level first before requesting for any training.

**Ha2: The relationship between job challenges and employees retention.**

Table 1 revealed a positive relationship between job challenges and employees retention, with $p < .05$ with the value of $r = .280$. Hence, the second alternative hypothesis is accepted. The positive relationship showed that an increase in job challenges will also increase the rate of employees retention. This finding is supported by Ling (2010) who found that employees who have job challenges are encouraged to stay within an organisation. Additionally, the challenges in their job will give them the experiences, and indirectly make them more knowledgeable. Subsequently, employees will also mature after going through all the experiences (Grimsley, 2015). The employees also know that job challenges will give them a deeper understanding of their job. Taking up the challenges will help them to face future challenges. If the job is mundane and offers no challenges, the employees will easily feel bored and may decide to move to a different organisation in order to improve themselves. These workers will not remain in the company if they keep on doing the same job continuously without gaining any new experiences (Bari, Arif, & Shoaib, 2013). According to Maslow (2000), job challenges falls at the highest level of needs. This shows that self-actualization is important to the
employees in this organisation. The employees need the challenges to gain experiences and knowledge (Pearce & Simanowitz, 2004). This is also to make sure they are able to achieve inner satisfaction. As stated by Drye, Levin, Chargar, and Zerjav (2010), intrinsic satisfaction is really important and having challenges in their work will motivate the employees to remain within the organisation.

**Ha3: The relationship between the opportunity to get promotion and employees' retention.**

The results revealed that there is a weak positive significant relationship between the opportunities to be promoted and employees retention, $p < .05$, $r = .243$. Hence, the third alternative hypothesis is accepted. The positive relationship shows that an increase in promotion will increase the rate of employees retention. This finding is also supported by Bari, Arif, and Shoaib (2013). According to Bari, Arif, & Shoaib (2013), promotion plays a great role to the employees. They believe that employees have the desire for promotion in the organisation. Employees know that promotion will grant them some power and authority (McDonell, 2015). According to Yousaf, Latif, Aslam, and Saddiqui (2014), promotion is an effective way to motivate, satisfy, and retain employees. This is because every employee wants to move to the upper level. Nobody wants to stay working at the same position for the next ten years. According to Grimsley (2015), the power that comes with promotion is ultimately the power of autonomy. More employees want this power so they will have a say in everything the organisation does. Promotion will also give employees more access to the organisation management (McDonell, 2015). This will make the employees feel that they are an important asset to the organisation. They will feel that all their hard works are paid off, and they are appreciated by the organisation. Promotion will also make employees work harder in their work. Based on Maslow (2000), promotion is at the highest level of needs. Maslow (2000) also stated that people will be satisfied if they can fulfill their highest needs. Promotion can be a good factor to motivate the employees to stay in the organisation. The majority of the employees want to get a promotion as this will be used to display their improvement (Ling, 2010).

**Ha4: The relationship between recognition and employees retention.**

The results indicate that there is a weak significant relationship between recognition and employees retention showed by the $p$-value, $p=0.015$, $r=0.222$ (Table 1). The positive relationship indicates that the increase in recognition will increase employees retention. The weak relationship however explained that recognition is not a major factor for employees retention in this study. The results corroborate a study by Ling (2010) who stated that recognition is a proof to employees ability and capability. Recognition given by the organisation is evident to the employees capability in doing his/her job. Recognition is a level of appreciation to signify employees achievement.
According to Bari, Arif, and Shoaib (2013), recognition can affect employees satisfaction, motivation, and retention. The effect of recognition cannot be taken lightly. Many employees decided to leave the company after working for a long period of time because they do not feel appreciated by the organisation (Aktar, Sachu, & Ali, 2012). Grimsley (2015), said that recognition is better than any allowance. In Maslow’s Theory, recognition is at the fourth level. According to Maslow (2000), employees who have reached this point are seeking respect from others. Recognition from peers, colleagues, employers, and organisation motivate the employees to remain in the organisation. Recognition is a token for them to be recognized for their hard work, ability, and capability. According to Grimsley (2015), recognition will give a sense of satisfaction to the employees. They will feel more appreciated in the organisation they work at. This indirectly will motivate them to retain their employment at the organisation.

Ha5: The relationship between working environment with employees retention.

The results revealed there is a moderate significant relationship between working environment and employees retention with $p < .05$ and $r = 0.340$. Since the p-value is smaller than 0.05 ($p < 0.05$), the above hypothesis is accepted. It shows that the improvement in the working environment will increase employees retention rate, and it will affect employees retention gradually. The findings correspond with the study conducted by Yousaf, Latif, Aslam, and Saddiqui (2014). According to them, the working environment is not only the physical aspect of the workplace but include other factors too. A comfortable working environment is important to employees as it allows the employee to work comfortably (Grimsley, 2015). Working environment is not only a workstation but an indication of the employees relationship with their superior. According to Bari, Arif, & Shoaib (2013) most managers neglect this aspect as they thought this will not affect employees decision to remain in the organisation. As said by McDonell (2015), a superior should not assert their power without thinking about employees acceptance. They should know when to become strict and demanding as this may cause the employees to feel uncomfortable in their work place. According to Maslow (2010), the needs for safety and security within the working environment is important. Therefore, employees will seek for a comfortable working environment above all things that they wish to achieve within the organisation. According to McDonell (2015), a working environment can either compliment or bring down the employees. A comfortable and healthy working environment plays a big role in motivating the employees to remain in the organisation. Thus, the organisation should provide a comfortable and healthy working environment to sustain employees retention.
The most dominant factor that contributes to employees retention.

Based on Table 2, the results reveal that the working environment is the most dominant factor that contributes to employees retention. The prediction equation is \( y = mx + C \). Employees retention = 1.318 (\( B \)) + 0.273 (WE). The results on Beta-value determine the working environment as the dominant factor. The Beta-value for working environment is the highest at 0.231. The result of the findings corresponds with Bari, Arif, and Shoaib (2013). According to them, the working environment has a great impact on the employees. Most of the employees want comfort when they are at work. This does not only involve the physical aspect of the workplace, but include relationship with peers, colleagues, managers, and superiors. Employees will feel uncomfortable if there is a conflict with their peers at the workplace (Nyaga, 2015). The same thing was said by McDonell (2015). He said that employees are willing to resign if the problem with peers and superior exist within the organisation. So, it is clear that the working environment has an effect on employees retention. Maslow (2000) stated that, people will not be satisfied if they are unable to fulfill their needs starting with the ones at the lower level. Based on the theory, working environment is placed at the second level which essentially influence the employees decision to retain their employment at the organisation.

### IMPLICATION OF THE STUDY

This research describes the degree of influence non-financial compensation factors have on employees retention rate. The research has enabled the researchers to apply Maslow’s theory of needs in this research and contribute to a greater understanding of the theory. Other practitioners in the field of human resources can refer to this research as a guideline for improvement in the aspect of non-financial compensation in employees retention. The research can also help the human resources department to effectively manage the human resources team. In addition, this research aims to increase the awareness on aspects of non-financial compensation in employee retention. With the knowledge about
non-financial compensation, the human resources department can focus on factors that can help retain employees within the organisation.

This research helps the organisation to understand the effect of non-financial compensation factors toward employees retention. It also enables the organisation to determine the most dominant factor of non-financial compensation. Hence, the company can pay more attention to the factors that can retain talented employees in their organisation. Input from this research can be used to formulate new remuneration policy that can include the non-financial compensation aspect. This research has also helped to improve the research instrument used in this study. The validity and reliability of the instrument used in this study will be more precise. The questionnaire that contain double-barreled questions were amended to allow only one answer. This has increased the number of items in the question, but have made the questions easier to answer which ultimately improve the validity of the questionnaire. It is hoped that the output from this study may be used as a reference by future studies conducted in the field of human resources.

RECOMMENDATION

Several recommendations have been formulated for future studies based on the findings from this study. The present findings suggest that the organisation should improve the policy for non-financial compensation. Non-financial compensation is important as it can be used to influence employees retention. Non-financial compensation not only act as a tool to retain employees, but also motivate employees to work harder and improve their performance. Non-financial compensation is a reward that is awarded to employees for their excellent performance. The organisation should also pay more attention on the working environment in order to retain their employees. Previously, the human resources have only focused on financial compensation. From this research, it can be seen that a reward policy that includes non-financial compensation can further benefit the organisation. Human resources practitioners must also put in the effort to inform and provide adequate information about non-financial compensation to their employees so that they can be motivated to improve their performance.

Future research on compensation and rewards should include more non-financial compensation components. The non-financial compensation factors which have been analysed in this study included training opportunities, job challenges, promotion, recognition and working environment. The effect of other non-financial factors has not been analysed and future research on this will be able to better inform practitioners in the field of human resources.

This research was conducted using quantitative method. Future studies on non-financial compensations are recommended to use qualitative approach as it will be able to provide in depth information on employees’ thoughts and opinions on the factors that contribute to employee retention. Future research on this topic
CONCLUSION

Overall, the findings indicate that there is a significant relationship between the factors that have been analysed with employees retention. Within the context of this study, it has been found that there is no significant relationship between training opportunities and employees retention in the hospitality industry. In addition, the results also revealed that the working environment is the most dominant factor that contributes to employees decision to remain in the organisation. On a final note, it can be asserted that the increasing knowledge of non-financial compensation will help employees to recognize non-financial compensation factors that can motivate, satisfy, keep, and retain talented and valuable employees in the organisation.

REFERENCES


