

**COMPENSATION, PERFORMANCE
MANAGEMENT PRACTICES AND EMPLOYEE
TURNOVER INTENTION OF READY-MADE
GARMENT (RMG) INDUSTRY IN BANGLADESH**

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GARMENT (RMG) INDUSTRY IN BANGLADESH**

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ABBREVIATION AND ACRONYMS

RMG	Ready-made Garment
HR	Human resource
HRD	Human Resource Department
HRM	Human Resource Management
GDP	Gross Domestic Product
BGMEA	Bangladesh Garment Manufacturer and Exports Association
SEDF	South Asia Enterprise Development Facility
IFC	International Finance Corporation
POS	Perceived Organizational Support
SEM	Structural Equation Modeling
PLS	Partial Least Square
SIT	Social Identity Theory
SET	Social Exchange Theory
TRA	Theory of Reasoned Action
HPWP	High Performance Work Practice
SPSS	Statistical Package for the Social Science
CMV	Common Method Variance

**AMALAN PAMPASAN, PENGURUSAN PRESTASI DAN NIAT BERHENTI
KERJA PEKERJA INDUSTRI PAKAIAN BELI-SIAP (RMG) DI
BANGLADESH**

ABSTRAK

Kajian ini bertujuan untuk menyiasat hubungan antara amalan pampasan, pengurusan prestasi dan niat berhenti kerja pekerja dan kesan pengantara POS dan kepuasan kerja ke atas hubungan itu. Kajian ini di rekabentuk dengan menggunakan reka bentuk kajian keratan rentas dan medium borang soal-selidik sebagai cara pengumpulan data. Data untuk kajian termasuk tinjauan persepsi pengusaha pakaian beli-siap daripada negara Bangladesh berkaitan dengan skop amalan pampasan, pengurusan prestasi, kepuasan bekerja dan niat berhenti kerja bagi pekerja pengendali pakaian beli-siap. Populasi kajian pula terdiri daripada semua pengendali pakaian beli-siap yang berdaftar di Dhaka, Bangladesh. Kajian menggunakan teknik persampelan pertimbangan, sebahagian daripada teknik persampelan bertujuan dari persampelan bukan kebarangkalian. Teknik ini digunakan, sesuai dengan faktor masalah kekurangan rekod senarai pengendali pakaian beli-siap dari negara Bangladesh yang berdaftar. Sebanyak 430 soal selidik telah dikumpulkan dari industri RMG di Bangladesh dengan kadar respons sebanyak 43.0%. Pendekatan Kuasa Dua Terkecil Separa (PLS) perisian generasi kedua bagi pemodelan persamaan struktur telah digunakan untuk menguji hubungan hipotesis yang disarankan. Hasil kajian ini menunjukkan bahawa kedua-dua amalan pampasan dan pengurusan prestasi mempunyai pengaruh yang signifikan ke atas niat berhenti kerja pekerja. Kesan secara langsung pampasan ke atas kepuasan kerja dan amalan

pengurusan prestasi ke atas POS telah didapati signifikan. Di samping itu, ujian pengantaraan menunjukkan bahawa kepuasan kerja memainkan peranan pengantara yang positif dalam hubungan antara amalan pampasan dan niat berhenti kerja dan antara POS dan niat berhenti kerja. Akhir sekali, kajian ini memberikan beberapa implikasi dan cadangan kepada pengurus and pemimpin RMG sedia ada, yang bertujuan untuk menambahbaik usaha mereka dalam mengurangkan niat berhenti kerja pekerja.

**COMPENSATION, PERFORMANCE MANAGEMENT PRACTICES
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ABSTRACT

The present study aims to examine the relationship between compensation, performance management practices and employee turnover intention and how perceived organizational support (POS) and job satisfaction mediate that relationship. This study followed cross-sectional research design in which questionnaire survey method was employed to collect data. Data for this study included the perceptions of Ready-made Garment (RMG) operators of Bangladesh on the link among compensation, performance management practices, POS, job satisfaction and employee turnover intention. The population of the study comprised of all the operators working in the registered RMG organizations in Dhaka, Bangladesh. The sample was taken using judgmental sampling technique, a part of the purposive sampling of nonprobability sampling design, because of the lack of a complete list of operators. A total of 430 useable questionnaires were found with a response rate of 43%. Partial Least Square (PLS) second generation structural equation modeling (SEM) software was employed to test the hypothesized relationship. The result of the present study revealed that both compensation and performance management practices have significant influence on employee turnover intention. The direct effects of compensation on job satisfaction and performance management practices on POS were found to be significant. In addition, the mediation test showed that only job satisfaction played a positive mediating role in

the relationship between compensation practices and turnover intention and between POS and turnover intention. Finally, the present study provides several implications and recommendations to existing RMG managers, owners and leaders, aiming to improve their efforts in reducing employees' turnover intention.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

In order to survive and grow in today's highly volatile and competitive business environment, proper utilization of human resources (HR) is crucial for organizations. Recognizing the significance of HR, organizations employ development strategies to empower their workforce to achieve organizational goals as well as nurture, motivate and retain their workforce. Hence, organizations are interested to invest in HR with specific focus on development program that will enhance employee performance and retention. Employee quitting especially in critical areas often becomes a major threat to the survival of an organization. As such employee turnover is one major concern for organizations.

Given the high costs associated with employee turnover, research efforts undertaken to investigate why employees leave their organization have found many predictors to employee turnover (Moynihan & Pandey, 2007; Huffman, Casper and Payne, 2014). Turnover intention has been studied as a valuable predictor to turnover in turnover literature (Bhatnagar, 2012). Turnover intention is employee based cognition having the potential to lead to actual turnover in the organizations. Chen, Lin, and Lien (2011) recognized low employee turnover intention is desirable in order to obtain high organizational performance and avoid the potential cost related to repeated recruitment and training. The actual cost would be even higher when turnover intention leads to actual turnover (Limyothin and Trichun, 2012). Some influential turnover costs include recruiting, selecting (Bambacas & Kulik, 2013) socializing and training new employees repeatedly (Hinkin & Tracey, 2000;

Davidson, Timo, and Wang, 2010; Chen et al., 2011). According to Mitchell, Holtom, Lee, Sablinski, and Erez (2001) departing employees take away the knowledge and wisdom gained from experiences in the organizations which results in huge costs for the repetition of induction and training of new employees as replacements. Cascio (2006) reported that the total costs of one employee turnover could lead to a salary 1.5 to 2.5 times higher than the salary paid to the departing employee.

Employee turnover has a negative effect on an organization's productivity as well (Roche, Duffield, Humer, Buchan, & Dimitrelis 2014; Sowmay & Panchanathan, 2012). In view of the high negative cost effect of turnover, it is therefore important to study what factors cause turnover intention to better understand the reasons of actual turnover (Bordia, Restubog, Jimmieson, & Irmer, 2011; Liu & Onwuegbuzie, 2012). Indeed, researchers such as, Price and Mueller (1981), Chen and Francesco (2000) and Rayton and Yalabic (2014) have highlighted the need for additional research on turnover intention as this psychological state can result in actual turnover.

Steel and Ovalle (1984) conducted a meta-analytical review and found turnover intention to be the foremost antecedent of measuring actual turnover of employees. Based on an analysis of a weighted average correlation of 50 studies, Steel and Ovalle (1984) also commented that employee turnover intention is more predictive of attrition than overall job satisfaction, satisfaction with work itself or organizational commitment. Another meta-analytical review of employee turnover carried out by Griffeth, Hom, and Gaertner (2000) illustrated that turnover intention is one strong predictor to turnover. A multivariate analysis conducted by Arnold & Feldman, (1982), found turnover intention to be an important predictor of actual

turnover and this finding is supported by recent studies undertaken by Babajide (2010), Benjamin (2012), Surlenty, Ramayah, Lo, and Tarmizi (2013), Kabungaidze, Mahlatshana, and Ngirande (2013), Kuo, Lin, and Li (2014). Therefore, the present researcher considers turnover intention as the focus of the study.

Previous researchers have also studied what makes employees think about leaving the organization (Guchait & Cho, 2010; Sam Gnanakkan, 2010; Lee & Jimenez, 2011). In this respect, Human Resource Management (HRM) practices are studied as causes of turnover intention (Allen, Shore, & Griffeth, 2003; Hemdi & Nasurdin, 2006; Sam Gnanakkan, 2010; Kim, 2012; Bambacas & Kulik, 2013; Maneesatitya & Fongsuwan, 2014). The role of HRM practices is found to be significant in analyzing employee turnover cognition and other related attitudinal outcome (Whitener, 2001; Guchait & Cho, 2010; Altarawneh & Al-Kilani, 2011; Kim, 2012; Juhdi, Pa'Wan, & Hansaram, 2013). Hemdi and Nasurdin (2006) found a negative relationship between development oriented HRM practices (training and development, career development opportunity and performance appraisal) and turnover intention. Mudor and Tooksoon (2011) highlighted the influences of HRM practices (supervision, job training, and pay practices) on employee job satisfaction and turnover intention. Therefore, HRM practices have also gained researchers' attention as causes of employee behavioral intention and outcomes such as turnover intention and actual turnover where compensation and performance management are represented as two important practices of HRM (Chew & Chan, 2008; Kehoe & Wright, 2010; Malik, Danish, & Munir, 2011; Bambacas & Kulik, 2013).

In HRM-employee behavioral outcome relationship, compensation gains special attention because of its centrality to HRM practices. Namasivayam, Miao, and Zhao (2007), Kline and Hsieh (2007) argued the importance of suitable

compensation plan in HRM practices, and its implementation in order to achieve organization success. According to Willis (2000, p. 20), compensation is "the most critical issue when it comes to attracting and keeping talents". Igalens and Roussel (1999) asserted that compensation is central to analyze the job satisfaction and work motivation of both exempt and nonexempt employees. Further, compensation-turnover intention relationship was also studied by early researchers, for example Murphy and Williams (2005) found a significant relationship between current compensation plan and general managers' attitudes toward turnover intention. Thozhur, Riley, and Szivas (2006) and Shields (2006) considered money as the prime focus for employee turnover intention. Similarly, other scholars have also mentioned the significance of pay with other variables in analyzing turnover intention, for instance, pay level satisfaction and withdrawal cognition (Heneman & Judge, 2000; Pitts, Marvel, & Fernandez, 2011; Wang, Chen, Hyde, & Hsieh, 2010) and, competitiveness of pay and IT employees turnover intention (Thatcher, Stepina, & Boyle, 2003).

Another HRM practice that is addressed in this study is performance management practice. Aslam and Sarwar (2010) asserted that performance management practice can enhance employee performance, decrease job dissatisfaction, turnover intention and actual turnover. Gruman & Saks (2011) commented that performance management can create and sustain employee engagement, which leads to improved employee performance. Lee and Jimenez (2011) argued that performance management has a negative link with turnover intention of the government sector employees. Brown, Hyatt, and Benson (2010) found that experiences of low quality performance appraisals (PA) impacted employees' intention to quit.

Local researchers from Bangladesh such as Tabassum, Rahman, and Jahan (2012) have commented that quality of work life approached in HRM can enhance job satisfaction to reduce prevailing turnover rate of higher education industry. Joarder, Sharif, and Ahmed (2011) and Joarder (2012) found faculty turnover to be a serious problem which could be reduced through effective HRM practices in the private universities. Mahmud and Idrish, (2011) and Sarker (2011) revealed that turnover problem could be minimized by appropriate HRM practices in the banking organizations. Employee turnover is also highlighted in other sectors such as, paper, cement and fertilizer manufacturing organizations (Absar, Azim, Balasundaram, & Akhter, 2010), NGO (Ahmed, 2002); health care organizations (Khan, Chowdhury, Karim, & Barua, 1998); and Small and Medium Enterprises (Ahmed & Chowdhury, 2009). These researchers suggested better HRM practices as one potential factor to help minimize employee turnover in Bangladesh. In response to local research call, the present study intends to examine the effect of compensation and performance management practices, two important dimensions of HRM, on the turnover intention of Ready-made Garment (RMG) employees of Bangladesh.

Moreover, the present study will investigate if POS mediates the relationship between compensation, performance management practices and turnover intention. POS is found to be an important variable influencing employee outcomes (Kahumuza & Schlechter, 2008; Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001; Rhoades & Eisenberger, 2002; Tremblay, Cloutier, Simard, Chênevert, & Vandenberghe, 2010; Shoss, Eisenberger, Restubog & Zagenczyk, 2013). In HRM literature, POS mediates the interaction between HRM practices and turnover intention. HRM practices have positive relations with POS and POS is negatively related to turnover intention (Shore & Shore, 1995; Wayne, Shore, &

Liden, 1997; Rhoades & Eisenberger, 2002; Allen et al., 2003; Liao, Toya, Lepak, & Hall, 2009). Past researches have also shown that HRM practices have a strong link with organizational supports for employees influencing their attitudes and behaviors (Allen et al., 2003; Tremblay et al., 2010).

The present study also aims to investigate if job satisfaction mediates the relationship between compensation, performance management practices and turnover intention. Past studies revealed that job satisfaction was a potential mediator between predictor and outcome, for instance, high quality work system, job satisfaction and occupational injuries (Barling, Kelloway, & Iverson, 2003), job stressors, job satisfaction and organizational commitment (Yousef, 2002a), organizational justices, role states, pay satisfaction, supervisor's satisfaction and turnover intention (DeConinck & Stilwell, 2004), HRM practices, job satisfaction and employee outcome (Ghapanchi & Aurum., 2011; Sharma, 2013; Maneesatitya & Fongsuwan, 2014). Hence, the present study examines if job satisfaction mediates the relationship between compensation, performance management practices and turnover intention. The next section highlights RMG industry in Bangladesh.

1.2 Ready-Made Garment (RMG) Industry in Bangladesh

1.2.1 History of Growth of RMG Sector in Bangladesh

In the field of industrialization, the role of textile industry is found very prominent in both developed and developing countries. Moreover, decades ago it was recognized that many countries of the world have used textile and clothing industry as an engine for growth and a basis for economic development (Ahmed 1991). Bangladesh has a long and illustrious history of producing world-class fabrics. During the Mughal period (in the 17th and 18th century) Moslin (a very thin and soft

garment product in Bangladesh) of Dhaka was a legend in the world fabric market. It was adored by members of royal palaces of many countries of Asia and Europe. The unique craftsmanship of the artisans, the cheap labor and locally developed technology were the basis of textile industry of Bengal to flourish for several centuries prior to the British colonial rule. Unfortunately the industry did not survive.

In 1947, after the British rule in India, Bangladesh was the part of Pakistan named as East Pakistan and the other one is West Pakistan (present Pakistan). Among all the dissimilarities there is only similarities is the religion between two parts of the country. That's way a huge gap exists between the countries in all aspects. Though Bangladesh was a fertile land for jute and other raw materials, industrialization did not flourish because of discriminatory policies of the government of Pakistan and economic exploitation. In that time, the country was treated as a colony by the main land (West Pakistan) and industrialization took place in Pakistan based on the raw material of Bangladesh. The number of textile mills also proves the scenario of discrimination between the countries (Mukul, Rahman, & Ansari, 2013). According to the First-five year plan (1973-1978), in 1947 the total number of textile mill was 9 in West Pakistan and 11 in East Pakistan (Bangladesh) and between 24 years it rose rapidly in West Pakistan and the total number goes to 150 whereas the growth was steady in East Pakistan (Bangladesh) and the total number goes to 26. In all sectors, the East Pakistan felt deprived which led them to take arms against the Pakistani government and finally after a nine- month- long bloodshed war in 16th December 1971 Bangladesh emerges as an independent country in the map of the world.

After the independence, though the total number of garment organization was not increased in that time but the environment was appropriate for the garment

organization. In 1977-78 the first shipment of private sector export of garments from Bangladesh took place and that time only 9 export-oriented garments exist in Bangladesh (Absar, 2001). According to Bangladesh Bureau of Statistics (BBS) (2013) from 1975 to 1980 the total number of garment organization increased from 26 to 47.

During the early eighties, government gave the advantages to many entrepreneurs for duty-free importation of materials to produce garments for export purposes and that decision was the landmark for the growth of the readymade garment industry in Bangladesh. Consequently the number of organization in the RMG industry increased rapidly and reached approximately 630 in the year of 1984-85 (Quddus & Rashid, 2000). Then in the next 5 years, the growth of RMG industry in terms of organization became slow down and the number of firms increased to 754. After that the industry bounced back from 1990 and the growth was tremendous. According to Bangladesh Garment Manufacturer and Exports Association (BGMEA) (2015) between the year 1990 to 2000 the number of firms increased from 754 to 3000 and in the last 14 years the number of firms goes to 4222.

1.2.2 Contributions of RMG Industry

Ready-made garment (RMG) industry occupies a unique position in the economy of Bangladesh. It is the largest exporting industry, which has experienced an unparalleled growth trend since decades back (Bhattacharya & Rahman, 2000; Quddus & Reshid, 2000). This industry started its modest journey in the 1970s and enjoyed a meteoric rise from 30 organizations in 1980 to 4222 in 2014 (BGMEA, 2015).

Table 1.1: Comparative Statements on Export of RMG and total Export of Bangladesh

Year	Export of RMG (in million US\$)	Total export of Bangladesh (in million US\$)	% of RMG's to total export	No of Employee (in million)
1983-84	31.57	811.00	3.89	0.12
1984-85	116.2	934.43	12.44	0.20
1985-86	131.48	819.21	16.05	0.28
1986-87	298.67	1076.61	27.74	0.31
1987-88	433.92	1231.2	35.24	0.32
1988-89	471.09	1291.56	36.47	0.34
1989-90	624.16	1923.70	32.45	0.40
1990-91	866.82	1717.55	50.47	0.58
1991-92	1182.57	1993.90	59.31	0.80
1992-93	1445.02	2382.89	60.64	0.83
1993-94	1555.79	2533.90	61.40	1.20
1994-95	2228.35	3472.56	64.17	1.29
1995-96	2547.13	3882.42	65.61	1.30
1996-97	3001.25	4418.28	67.93	1.50
1997-98	3781.94	5161.20	73.28	1.50
1998-99	4019.98	5312.86	75.67	1.60
1999-00	4349.41	5752.20	75.61	1.80
2000-01	4859.83	6467.30	75.14	1.80
2001-02	4583.75	5986.09	76.57	2.00
2002-03	4912.09	6548.44	75.01	2.00
2003-04	5686.09	7602.99	74.79	2.00
2004-05	6417.67	8654.52	74.15	2.20
2005-06	7900.80	10526.16	75.06	2.40
2006-07	9211.23	12177.86	75.64	2.80
2007-08	10699.80	14110.80	75.83	3.50
2008-09	12347.77	15565.19	79.33	3.60
2009-10	12496.72	16204.65	77.12	3.60
2010-11	17914.46	22924.38	78.15	3.75
2011-12	19089.69	24287.66	78.60	3.82
2012-13	21515.73	27027.36	79.61	3.89
2013-14	24491.88	30186.62	81.13	4.00
2014-15	25491.40	31198.45	81.71	4.00

Source: Bangladesh Garment Manufacturer and Exporters Association, 2015

This single sector alone earns about 80% of the yearly foreign exchange of the economy (BGMEA, 2015) and its contribution to Gross Domestic Product (GDP) reached 13% in fiscal year 2011-2012, as compared to only 3% in 1990 (Bangladesh Bureau of Statistics, 2013). Bangladesh Garment Manufacturer and Exporter Association (BGMEA, 2015) claimed that in fiscal year 2012, exports of the garment

industry totaling US \$19 billion accounted for 80 percent of the aggregated exports of \$24 billion and Bangladesh was ranked second among all the garment exporting countries.

The tremendous increase of RMG industry in Bangladesh not only contributes to the national economy but also engenders employment opportunity for the country. BGMEA (2015) reports that in 1990 a total of 0.34 million people were engaged in the RMG industry, whereas in 2014 the total number of employment was 4.0 million. Hossain (2010) claims that RMG industry's contribution to the overall economy is vital in promoting the development of other supporting key sectors of the economy like banking, insurance, shipping, hotel, tourism, road transportation and railway container services.

1.2.3 Factors Promoting Growth of RMG Industry

Cheap labor: RMG is a labor-intensive sector. Bangladesh is an over-populated country burdened with unemployment problem. The private entrepreneurs in the late 1970s and early 1980s got an opportunity to use cheap labor to flourish this sector over-night. At present, about 4.0 million people are working in this sector. More than 60% of them are women. They got a chance to change their fate by working in the garment factories which helps boom the sector. Nowhere in the world is labor as cheap as it is in Bangladesh. The following table shows a comparative study of per hour labor wage in major RMG exporting countries.

Low production cost: As labor cost is very low, RMG factories in Bangladesh can produce quality garment at lower cost which has attracted the foreign buyers. International companies like Wal-Mart, JC Penney, H&M, Zara, Tesco, Carrefour, Gap, Metro, Marks & Spencer, Kohl's, Levi Strauss and Tommy

Hilfiger all import in bulk from Bangladesh. The comparative advantage of low production cost also attracted foreign direct investment. As a result, both backward and forward linkage industry flourished in Bangladesh. Currently, the backward industry is able to meet up to 85% of the demand for the raw materials, which significantly contributed to the country's growth of apparel and knitwear exports (Anisul Huq, Stevenson, Zorzini, 2014).

Government Support: To encourage apparel export, government of Bangladesh continuously supports the industry to enhance the production as well as the growth trend in the competitive global market. The apparel industry received support from the government, which included measures like duty drawback facilities, tax holidays, cash assistance, income tax rebate, creation of export processing zones, zero tariff on machinery inputs, rebate on freight and power rate, bonded warehouse facilities, provision of import under back-to-back letters of credit, loans at concessional rate, export development fund, etc. Moreover, the government recently has implemented several policy reforms to create a more open and competitive climate for foreign investment in the backward linkage of the industry.

Private Entrepreneurship: Even though rigidity of government responsiveness in terms of adaptability of the idea from private entrepreneurs is very common case in developing countries, like RMG industry in Bangladesh, the export-oriented RMG sector started its journey entirely with private initiatives. The journey was not smooth. The entrepreneurs faced tremendous constraints in terms of power and gas supply. Political instability, frequent hartals (strikes), poor port facility, and labor unrest created longer lead time, which became another barrier in competing with neighboring nations (Huq et al., 2014; Bhuiyan, 2013). Amidst all the constraints, the RMG entrepreneurs lived up to the buyers' expectations of reduced

price margin, improved compliance standards, and quality assurance. Therefore, it can be clarified that the growth of this sector and the position in the global market proves that the true initiatives and their commitment to this sector.

Quota facility: Another key external factor behind the growth was the quota system under the Multi-Fibre Arrangement (MFA). The General System of Preferences (GSP) facilities and RoO (Rules of Origin) offered by the developed nations also helped Bangladesh to accelerate its export. In short, MFA provided market protection for Bangladesh, whereas GSP facilities offered preferential treatment and market access opportunities in developed economies.

Table 1. 2: Comparisons of monthly and per hour wages of selected competing countries

Country	Monthly Wage in USD	Per hour wage in USD
Bangladesh	52	0.62
Cambodia	70	0.82
India	70	0.98
Indonesia	114	0.95
Vietnam	109	0.74
Philippines	175	1.98
China	223	2.65
Thailand	221	2.25

Source: Fair wear foundation. Vietnam country study 2015. www.fairwear.org

1.2.4 Contemporary Research in RMG Industry

However, in spite of the rapid expansion and story-book success achieved by the RMG industry, it is still dogged by several labor problems in its operations (Bhuiyan, 2013; Kamal, Billah, & Hossain, 2010; Yunus & Yamagata, 2012; Mukul et al., 2013) that could critically jeopardize its future growth, especially as RMG industry is a labor intensive industry. In addition, the RMG industry being the largest contributor to the national economy (Islam & Zahid, 2012), it is therefore, urgent and important to resolve these labor issues. Towards this end, Ahmed (2012) and Bhuiyan (2013) recommended that significant but unaddressed flaws observed

specifically in the domain of labor management in terms of valuing and recognizing employees' contribution to the industry be rectified.

The RMG industry is currently facing a hard time due to employee problems of unrest and dissatisfaction and consequential turnover (Mukul et al., 2013; Islam & Ahmed, 2010; Sarker & Afroze, 2014). Employees in this industry attack factories, overturn vehicles, and block roads as a form of protest over their dissatisfaction with the organization's poor labor practices (Hossan, Sarker, & Afroze, 2012). Huda, Sadrul, and Akhtar (2011) and Hossain (2010) found that the RMG industry is facing employee turnover problem due to dissatisfaction over work facilities such as, pay structure, leave facility, medical facility, promotion opportunity, and working conditions. In the RMG industry, employees are not properly evaluated based on their contributions and are also not enjoying all the required and entitled facilities, the absence of which further intensify their dissatisfaction and consequential turnover (Ahamed, 2012; Bhuiyan, 2013; Huda et al., 2011; Koury & Antar, 2013).

In the manufacturing sector, the RMG industry is facing the highest turnover rate, that is about 25% averagely (Shamsuzzoha & Shumon, 2007), and this represents a major threat for the sustainability of the growth trend of this industry and its ranking in the global market (Chowdhury & Ullah, 2010). Hossain (2010) concurred with Chowdhury & Ullah (2010), added that frequent employee turnover is detrimental to the industry as it decreases productivity as well as reduces the morale of the remaining employees of the organization. Employee dissatisfaction and turnover have emerged as barriers to the sustainability of the competitiveness of the RMG industry in the global market (Shamsuzzoha & Shumon, 2007; Mukul et al., 2013). Indeed, employee stability is also a key to competitive advantage even for a

highly populated, developing country (Okpara & Wynn, 2007; Teclmichael-Tessema & Soeters, 2006; Jiang, Baker, & Frazier, 2009).

Shamsuzzoha and Shumon (2007) highlighted the need for more research to be done on turnover intention issue in RMG industry as it adversely affects the productivity and the overall growth of RMG organizations. It is also supported by other local researchers, for example, Hossain (2010) recommends RMG industry to concentrate on employee retention strategy and their HRM practices. Hence, the present study focuses on HRM and employee turnover intention. Huda et al. (2007) explained that labor intensive based manufacturing organizations like RMG in Bangladesh need strategic HRM practices to develop and retain their skilled employees in order to achieve competitive advantage in the global market. A local daily newspaper –“The daily Prothom Alo” (1st May, 2013) emphasized reported that RMG industry need to employ appropriate employee-centered HRM practices in order to increase employee productivity through their retention and which indirectly will put RMG organization in a better position globally.

In analyzing the reason of high turnover, Hossain (2010) found that employee turnover is high due to dissatisfaction among the employees in the RMG industry. In an earlier research, Morshed (2007) found low wage, job insecurity, leave facility, attitudes of management, and lack of consultations to be the main reasons for employee dissatisfaction that leads the unrest and turnover in the RMG industry. The high employee turnover indicates a problem as well as a symptom of other problems related to employee dissatisfaction with organizational practices more specifically with HRM (Newaz, Ali, & Akhter, 2007). Local research findings also indicate that RMG organizations are a long way off from practicing proper HRM (Huda, Karim, & Ahmed, 2007; Sarker & Afroze, 2014) and this has further increased labor

problems such as unrest, absenteeism and turnover. More specifically, Huda et al. (2007) and Sarker and Afroze (2014) found that employees think more about their insufficient compensation than other HRM practices. In this regard, most of the previous researchers found that employees in this industry were dissatisfied with the compensation practices and its application (Absar & Mahmood, 2011; Islam & Ahmed, 2010; Huda et al., 2011; Hossain, 2010).

Like compensation, there are drawbacks in applying the performance management practices in the organizations of Bangladesh. Most of the organizations in Bangladesh still assess employee's contribution to the organization by traditional approach of Annual Confidential Report (ACR) (Siddique, 2003; Abdullah, Boyle and Joham, 2010; Miah & Talukder, 2012). These researchers claimed that this traditional approach of performance management practices is unable to provide actual performance information to the employees and thus failed to devote them to the organizations goal attainment. Furthermore, Ahmed, Hussain, Ahmed, and Akbar (2010) found that the performance management practices are not satisfactory and fair to retain the employee through enhanced commitment.

The limited early studies regarding performance management practices of Bangladeshi private organizations also disclosed poor application of such practices. Hossain, Sarker, and Afroze (2012) study revealed that RMG employees do not find actual reflection of their performance in performance appraisal practices. Chowdhury's (2011) study confirmed Siddiqi's (2004) research findings that performance management practices of private local organizations were not competent to appraise employee performances. Hossain et al. (2012) also reported that lack of employee participation in performance goal setting process degraded their moral and involvement in the execution of individual as well as organizational

goal. Against this backdrop, the current research attempts to investigate the effect of compensation and performance management practices (the two major important HRM practices) that can probably lower employee turnover intention through POS and job satisfaction in the RMG industry of Bangladesh. The next section discusses the magnitude of the turnover intention problem of the RMG employees that will justify the present research attempt.

1.3 Problem Statement

Despite global studies on turnover problem (Ingersoll & Smith, 2003; Hayes, et al., 2012; Budhwar, Varma, Malhotra, & Mukherjee, 2009; Babajide, 2010), it remains a pervasive problem across much of the globe, especially in developing countries (Okpara & Wynn, 2007; Kabungaidze et al., 2013; Jiang et al., 2009) like Bangladesh (Ahmed, Nehal, & Sakhawat, 2006; Shamsuzzoha & Shumon, 2007; Absar et al., 2010). Shamsuzzoha and Shumon (2007) reported that average employee turnover in both Bangladesh public and private sectors is about 9% and 27% respectively. In addition, empirical data collected by Khundker (2002) and Morshed (2007) showed that among the private sectors in Bangladesh, employee turnover rate is the highest in RMG industry and it is approximately 26%.

The study of Paul-Majumdar (2003) revealed that the average length of service of RMG employees was not more than four years and only less than 5% of the employees work in a garment organization for more than 10 years. Sarker and Rahman (1997) found that 70% of the labor force in RMG industry frequently changed their jobs during the first five years of their career. South Asia Enterprise Development Facility (SEDF), a division of International Finance Corporation (IFC) that is a member of the World Bank Group, reported that labor turnover in RMG

industry in Bangladesh is approximately 20% which is much higher than other competing nations' RMG industry (World Bank Group, 2006). For example, the turnover in RMG industry in China is 6%, followed by India (7%), Vietnam (7%) and Cambodia (7%). Further, Chowdhury and Ullah (2010) pointed out that approximately 25% RMG employees in Bangladesh quit within a year and over 50% of them are more likely to leave their current organization within three years.

Mukul et al. (2013) revealed that there was approximately 21% employee turnover, in RMG industry. They suggested that a high turnover rate disrupt the production of the organization and the position of the industry. Morgan Stanley, an international research organization, had conducted a research in 2014 RMG industry in Bangladesh and found that the RMG employee turnover varies from 15% to 26%. According to their research report, a high turnover rate is the one major cause that leads to a decline in productivity. Local researcher, Chowdhury (2015) also supported the findings of the Stanly's research outcome. He added that monthly average employee turnover in this industry is approximately 12%. To summarize, employee turnover can be seen as a critical threat to RMG industry in Bangladesh (Shamsuzzoha & Shumon, 2007; Mukul, et al., 2013). High employee turnover will eventually increase cost, affect productivity and the industry ranking in the global competitive market.

Though Bangladesh is a highly populated country with a high unemployment rate (Siddiqi, 2004), it does not mean that an organization can fill a position overnight. Local researchers, Nuruzzaman and Haque (2009) found that the average time for replacing the vacant position in the operational level in RMG industry is about 25 to 30 days. For this reason, an RMG organization has to lose 250 units of products produced by an individual employee in a single month (Nuruzzaman & Haque,

2009). They also clarified that this unexpected turnover not only reduces the productivity, but also affects the morale of other employees and enhances the risk to lose potential buyers in the global market. Other local researchers such as, Shamsuzzoha and Shumon (2007), Habib and Rakib (2009) also commented that turnover is costly and time consuming. Replacing exited staff incurs the direct cost of repeated recruitment, selection, orientation and training and indirect cost of decreased production and productivity for manufacturing organizations like RMG (Hossain, 2010; Newaz et al., 2007). Thus, turnover exposes negative impact on the business performance, the workers themselves and the productivity of the organization as well as the industry (Ahmed et al., 2006).

Moreover, employee turnover increases the lead time between getting order and delivering the products. Bangladesh has the longest lead time in the RMG world. Ahmed et al. (2006) revealed that the average lead time taken by a Bangladeshi RMG organization is 100 to 120 days, as compared to 60 to 80 days for India and 40 to 60 days for China. Ahmed et al. (2006), Habib and Rakib (2009) and Haider and Ziaul (2007) identified unexpected labor turnover as one of the main reasons of the longest lead time for the RMG industry in Bangladesh.

In analyzing employee turnover intention, local researchers found the lack of proper application of HRM practices as one of the most critical reasons (Joarder, 2012; Sarker & Afroze, 2014; Absar & Mahamood, 2011; Absar et al., 2010). Similarly, in studies made by other prominent local researches in non RMG industry such as, education (Tabassum, 2012; Joarder, 2012); bank (Newaz et al., 2007; Sarker, 2011) and Small and Medium enterprise (SMEs) (Ahmed & Chowdhury, 2009), poor HRM practices were found to be related to employee dissatisfaction and turnover. Likewise, local researchers have also identified one main reason why

employees leave the organization in RMG industry is job related factors (Abser et al., 2010; Hossan et al., 2012; Ahmed & Chowdhury, 2009). These job related factors include HRM practices, job dissatisfaction, lack of support from the management and supervisors. Therefore, the present researcher proposes that employee oriented HRM practices should be in place to satisfy and retain employees for both employee and organizational development. In this study, the present researcher focuses on two main HRM practices, namely compensation and performance management practices. Compensation and performance management practices are chosen as local researchers call for further academic research in these two main HRM practices (Hossain, 2010; Huda et al., 2011; Abser et al., 2010; Sarker & Afroze, 2014).

In RMG industry, employee compensation is a major concern. In the South Asian context, the hourly wage of per RMG worker in Bangladesh is 42%, 50%, and 33% of that of India, Nepal and Sri Lanka respectively (Siddiqi, 2004). A report published in the Daily New Age (10th October, 2010) stated that the entry level wage for RMG worker is \$0.52 in Vietnam, \$.93 in China, \$0.65 in India, and \$0.46 in Sri Lanka, whereas, Bangladeshi organizations are paying only \$0.22. Even within the country, RMG workers are paid 1.5 to 2 times less than other manufacturing (mining, furniture, steel, paper, cement, tea, sugar, fertilizer, motor vehicle assembling) industry workers (Siddiqi, 2004; Rahman, Bhattacharya, & Moazzem, 2008; Hossan et al., 2012). The study of Huda et al. (2007) showed that in the RMG industry, the cause behind labor unrest is mostly related to poor pay structure.

In the same way, performance management is also one main concern area in Bangladeshi organizations (Haque et al., 2011). There were some inconsistency between performance appraisal and its related outcome in the organizations of Bangladesh (Huda et al., 2007; Ahmed & Chowdhury, 2009). Chowdhury (2011)

found that Bangladeshi organizations lack robust performance management system having no clear performance expectations of the job, and no clear steps for eliminating all constraints that prevented employees from achieving them. Islam and Rasad (2006) noted that less than 20 percent of private organizations only appraise employee performance but did not provide any feedback to the employees. The lack of appraisal feedback is probably also prevalent in the RMG industry for response from the small number of garment organizations studied (which is not a valid representative of entire RMG industry) showed that these organizations also apply only performance appraisal without informing its outcomes to the employees (Zahargier and Balasundaram, 2011; Chowdhury, 2011). Absar and Mahamood (2011) revealed that since employees are not informed about their performance, they feel less obligation and devotion to the organization. Local researchers suggested the adoption and proper implementation of better compensation and performance management practices as potential factors to minimize employee unrest and discontinuity in the organization (Chowdhury 2011; Huda et al., 2007).

Management of the RMG organization are also concerned with excessive employee turnover due to its negative consequences, such as, disruption in the production process, increased lead time and the other direct costs associated with it (Nuruzzaman & Haque, 2009). Bangladesh Garment Manufacturer and Exporters Association (BGMEA, 2012) has formed a monitoring committee to assess RMG organization's attempts to employee welfare. Furthermore, in the effort to reduce turnover rate in RMG organization, the government has set up a monitoring team, visiting RMG factories to examine the labor condition and also to follow up whether the organizations are properly maintaining compliance or not (Ahmed, 2012).

In relation to RMG industry, the government provides tax benefits, interest benefits, low tariff rate, additional loan facilities, land acquisition facility for the RMG industry (Rahman et al., 2008). The facilities given to the RMG industry are to reduce the overall costs so that they are able to give proper attention to employee development and retention to continue production growth. Furthermore, to curb the employee high turnover, the government interfered by announcing a special wage commission for the RMG employees with the purpose of heightening the employees' feeling and obligation to the organization (The New Age, 2010; Yunus & Yamagata, 2012).

The turnover problem of the RMG industry of Bangladesh, if not solved, will have an adverse impact not only on the performance of the industry but also on the industry and country ranking in the global arena (Chowdhury, 2011). Local researchers on RMG industry suggested several strategies including employee job satisfaction, proper HRM practices and management care and support to employees to minimize their turnover intention (Sddique, 2004; Hossain, 2010; Zahargier & Balasundaram, 2011). They argued that these actions will make the RMG organizations more competitive in the global market. Hence, to respond to the call of the local researchers, the present study intends to examine the relationship between two dimensions of HRM practices (compensation and performance management practices) and turnover intention. Second, the present study will investigate the mediating role of POS and job satisfaction between aforementioned relationships.

1.4 Research Questions

The present research attempts to explore the following research questions.

1. Do compensation and performance management practices have direct relationship with turnover intention?
2. Do compensation and performance management practices have direct relationship with perceived organizational support (POS) and job satisfaction?
3. Do perceived organizational support (POS) and job satisfaction have direct relationship with turnover intention?
4. Do perceived organizational support (POS) and job satisfaction mediate the relationship between compensation, performance management practices and turnover intention?
5. Does job satisfaction mediate the relationship between perceived organizational support (POS) and turnover intention?

1.5 Objectives of the Study

The present study would examine the relationship among compensation, performance management practices and turnover intention of employees in RMG industry in Bangladesh and would explore how this relationship can be mediated by POS and job satisfaction as well. Therefore the objectives of the research were as follows:

1. To identify the direct relationship between compensation, performance management practices and turnover intention.
2. To identify the direct relationship of compensation and performance management practices with perceived organizational support (POS) and job satisfaction.

3. To identify the direct relationship between perceived organizational support (POS), job satisfaction and turnover intention.
4. To identify the mediating effect of both perceived organizational support (POS) and job satisfaction between compensation, performance management practices and turnover intention relationship.
5. To identify the mediating effect of job satisfaction between perceived organizational support (POS) and turnover intention relationship.

1.6 Significance of the Study

1.6.1 Theoretical Significance

The aim of this study is to contribute to the body of knowledge related to how compensation and performance management practices can reduce employee turnover intention with mediating effect of POS and job satisfaction. The study is expected to provide insight into the practical knowledge of the importance of elaborative aspects of individual dimensions of HRM practices, its necessity and the applicability in explaining employees' relation with the organization. The theoretical contribution of this study includes a better understanding of the recognition of specific HRM practices (compensation and performance management) to reduce employee turnover intention of a developing country context like Bangladesh, an area in which empirical evidence is scarce. In this respect, Social Exchange Theory (SET) (Blau, 1964; Homans, 1958, 1961) is considered. Theoretically, the current framework presents an idea about how both specified/economic obligation (compensation) and unspecified obligation or social approval (goal and participation of employee, appraisal and feedback in performance management practices and POS)

of SET can be combined together as a mechanism for creating reciprocal relationship between employees and the organization.

This study also provides an idea about the deprivation- satisfaction proposition of SET (Homans, 1961) in explaining reciprocity. The inclusion of job satisfaction in the present framework will explain the deprivation- satisfaction proposition of SET. Hence, the investigation of this relationship will add a new insight to the existing body of knowledge in relation to specific HRM practices considering its own dimensions and employee turnover intention in a labor intensive manufacturing industry like RMG industry in a highly populated developing economy of Bangladesh. The present study also enhances the knowledge in the area of POS and job satisfaction as mediators in the aforesaid relationship.

1.6.2 Practical Significance

Furthermore, it is anticipated that this study will serve as a guide for the RMG organizations to improve the employers' and practitioners' understanding about employee-employer relationship. Practically, this study will shed light on the relationship among compensation, performance management practices, POS, job satisfaction and turnover intention in resolving the unexpected phenomenon of high employee turnover in RMG industry in Bangladesh. It is hoped that the findings of the study will help managers in their decisions regarding supporting, satisfying and retaining employees. Further, managers may use the findings as a foundation to enhance relationship with employees by creating a supportive and satisfying work environment.

Additionally, the present study has the potential to provide evidences of the relationship between HRM practices and employee turnover intention to other local