Determinants of Employee Engagement in Sri Lankan Garment Industry

(With Special Reference to Kandy Industrial Zone)

By

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ABSTRACT

Employee engagement has become an important topic in management and psychological literature in recent years. In general, employee engagement has been identified as a multidimensional, mutual two-way interaction between employer and employee. When employees feel that they are valued and involved they will be willing to go an extra mile for the organization. There are many antecedents that drive employee engagement and previous researchers have found that employee engagement links positively with business outcomes such as retention, productivity, profitability, labor turnover and customer satisfaction.

Sri Lankan garment industry began its' rapid growth after trade liberalization in 1977 and a variety of market economic policies and continues to be the strongest manufacturing sector in terms of GDP, exports, foreign exchange and employment generation. However with phasing out of the Multi Fiber Agreement in 2005 and extended GSP+ in August 2010, Sri Lankan garment industry needed to secure its markets in United States and European Union to sustain in the global garment industry. The main problem Sri Lankan garment industry faces is *low productivity*. In addition industry faces problems like high labor turnover, high absenteeism, high lead times and inadequate HR development. These issues need to be eliminated or reduced to obtain *maximum productivity*. According to the literature, employee engagement clearly provides pathways to reduce most of these labor related issues. Thus determinants that drive employee engagement need to be identified and rectified. Therefore objective of this empirical study was to identify and measure significance level of the *determinants* that drive employee engagement in the Sri Lankan garment industry.

Employees from 6 garment factories in the Kandy Industrial Park were chosen by disproportionate stratified sampling method. The survey questionnaire was completed by 226 employees working in the Kandy Industrial Park. The study measurement included seven selected determinants; Commitment, Organizational culture, Employee satisfaction, Communication, Management & Supervisory interaction, Job security, Pay & Benefits; employee engagement and demographic profile.

The results indicate that employee satisfaction is the best predictor in explaining employee engagement with pay & benefits and organizational culture to follow on. The study model explains approximately 34 % variance of the employee engagement. In addition, results conclude engagement score is different with gender but similar with age groups and seniority of the employees. Finally, results indicate approximately 78 % employees are engaged, 21 % are moderately engaged and only 1.3 % is disengaged at work.

This is one of first empirical studies about employee engagement in the Sri Lankan context. As engagement is a long term ongoing process, recommendations included that management have to maintain engagement levels among employees and try to reach higher levels as much as possible. Providing attractive incentives will be highly advantageous. Additionally, employee-employer relationship needs to be improved with effective leadership and communication strategies.

In summary, the findings of the research can be applied in real world environment, so that the Sri Lankan garment industry can be transformed into a fully integrated service and competitive advantages can be gained in the global garment industry.

Key words: Determinants, Employee engagement, Productivity, Labor turnover, Absenteeism