

Determinants of Employee Retention: An Evidence from Pakistan

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Abstract

Employee retention is one of the biggest challenges for today's managers and organization. It involves taking actions to motivate employees to stay in the organization for a longer period of time. Employees keep on looking for better work place and environment. While on the other side, employers use new tactics to retain best talent due to rigorous competition. In order to save turnover cost, the focal point of organizations has been shifted from turnover to retention. To compel people to stay in any organization, various factors are identified through research that includes environmental, motivational and succession planning. This research will indicate the effectiveness of retention strategies that the organizations use to retain people. It is conducted directly from employees to investigate the elements that make them committed to their organizations. An effort is made to discover the effectiveness of the retention strategies in Pakistani organizations and that how practical they are to retain people. The results of this research study have shown that employee retention is highly dependent and correlated with all the independent variables identified in this study.

Keywords: Employee retention, Job Satisfaction, Work life balance, Recognition, Supervisor support

1. Introduction

Employee retention is one of the significant problems that the employers are facing due to scarcity of skilled manpower and employee turnover. It is considered to be a crucial challenge for organization. Many organizations in past rely heavily on two traditional strategies for managing turnover. First, they increased salaries and secondly they increased training

budgets if the first strategy did not work (Weinberg, 1997). By definition retention is “the capability to cling onto the employees you desire to hold, for longer than your opponents” (Johnson, 2000) hence it is said that retention is considered to be a long term relationship or commitment between employee and employer. Employee retention is an important tool for better performance of the firm. It is imperative for continued success of a business (Mak and Sockel, 1999). A company cannot capitalize on the development of its human asset if it is not able to hold the employees in the organization (Shekshnia, S. 1994). An all round unit in human resource strategies of an organization is employee retention, which starts with the recruitment of right people in the organization and persist with implementing programs to keep employees committed and engaged (Freyermuth, 2007). The study conducted by Raikes & Vernier, (2004) has revealed that employee retention is considered as one of key strategies to achieve financial success.

It is known that hiring of a competent employee is critical to any organization but the retention of the same is more challenging. This is because of a huge investment spending on recruitment, selection, orientation and training of new entrants. Cost is defined as “recruiting expense, orientation and training cost, decreased productivity until the new employees gain knowledge and expertise in their domain and also the loss of clients who were dedicated and loyal to the leaving employees” (Kay, 2000). Nowadays human capital is gaining importance because organizations can have a competitive advantage through their distinctiveness (Holland et al. 2007).

It is need of the hour that HR managers should identify the needs of the employees and then devises the retention strategies. One strategy does not fit to all, as different individuals have different priorities. HR professionals face a number of challenges to retain talented employees. Employee retention is very critical to the long term health of any organization. When an organization loses its talented employee, it leaves a negative impact on innovation, customer satisfaction, knowledge gained during the past years and on the profitability of the organization. More over replacing cost of an employee contributes a lot to the organization.

Now day’s organizations realize that balance of power has moved towards employees from employers. Excessive turnover can lead to brutal problems within the organizations and hence it is extremely important for organizations to work on retaining the best talent (Sohail, N. et al. 2011). The triumphant employee retention helps in preservation of knowledge within the firm (Cappelli, 2000). In order to attract and retain employees, organizations make tremendous efforts. In today’s era, handsome salary alone is not a tool to retain employees; instead there are some other factors that play a key role in retaining them. The purpose of this research work is to explore the factors that organizations should focus on for keeping employees.

1.1. Employee Retention Challenges in Pakistan

Pakistan's employment sector has undergone tremendous revolutions. The organizations consider the presence of long serving employees as a mark of internal competency. However with the economic liberalization new career prospects are opened for professionals in most industries and thus boosting their prospects for greater mobility between different organizations. Now turnover has come to be known as a negative spill- over effect on firm's growth. Hence the organizations today tend to put efforts to control this turnover rate.

Now-a-days organizations are competing with each other to retain employees for a longer span of time. These organizations are focusing on attracting best people, selecting them and then retaining talented employees. For the purpose of retaining employees, the employers must use those practices which are in favor of both the employers and the employees and that will lead them towards high standards of performance. In order to create sense of association between organizational values and employee, it is crucial to recruit policy driven and perspective employees. According to (Gentry et al., 2006), if supervisors provide support to their employees then employees will feel more connected and associated with the organization and in return they can favor their organizations through retention.

The number of experienced people in Pakistan is much smaller than its huge population would suggest. Pakistan is a sixth most populous country with a population of 187 million people. Due to demand of highly qualified people, Pakistanis from top universities or having experience with a multinational or a reputable firm usually have two or three options available at any given time. In addition to this, the attrition rate is high in different industries of Pakistan, this kind of revolving door induction costs severely to the companies in terms of reduced efficiency as well as lost training. As per few estimates, a leaving employee might cost twice her or his yearly salary to the organization. Hence the HR professionals must know how to deal with two main issues for Pakistani organizations, one is attracting best people despite severe competition and the other is to keep employees satisfied so that they won't quit the organization. It is extremely important to carefully follow the HR best practices by designing a competitive pay package, providing proper work environment, and by making sure that employees are respected, well supervised and fairly treated by their supervisors. Many organizations in Pakistan offer recreational activities to its employees on-site, this help employee in reducing the work stress hence keeping them committed.

2. Literature Review

Employee retention is a phenomenon that is greatly studied. It is defined to be the act of holding those employees who are the main source of organizations competency and efficiency. There is a huge amount of literature available on the factors that help in employee retention dating back to 1950's. In past, researchers have worked to predict the reasons of why individuals leave their organizations. Numerous studies cover only few variables that often explain very less amount of inconsistency in turnover rate. Another disparagement of such studies is that they do not sufficiently cover the complex psychological processes that interfere in employees' decision to quit from the organization. Boxall et al. (2003) identified that leaving or staying in an organization is multidimensional issue which cannot be explained by any one factor. Fit-zenz (1995) indicated in his study that employee retention is driven by various key factors like strategy, pay, benefits philosophy, organizational culture and career development which ought to be administered congruently. Some of these issues are directly and some are indirectly related to employee retention in the organizations. Retention is considered to be one of the challenges that organizations face and the reason is bigger movement in a global learning society. Employment opportunities for people are increasing with the increase in industrialization within the country. Hence in order to improve organizational efficiency, retention subject has gained a lot of attention.

Due to resource scarcity, people have started investing in education in various fields and disciplines which is leading to an increase of skilled people supply resulting in an increased competition for employment. This kind of development has started competition among employers who aim to retain their talented workforce. Employees happily stay in that organization which serves their self-interest comparatively better than the other alternatives available to those people (Shaw et al., 1998). Many studies have specified that compensation in a form of pay (variable or base) may not be enough to retain employees. The most significant retention factors may include intrinsic fulfillment rather than monetary rewards.

It is identified from literature review that Human Resource Management plays an important role in retaining employees in the organization. Research scholars recognized that different human resource practices like reward and recognition, supervisor support, work environment, training & development and job security can facilitate in reducing absenteeism and turnover rate and can result in better performance at work and employee retention (Meyer and Allen, 1991; Snell and Dean, 1992; Arthur, 1994; MacDuffie, 1995; Delaney and Huselid, 1996; Ichniowski, Shaw and Prenzushi, 1997).

Abeysekera (2007) investigated the outcomes of HR practices on employees' intents to leave their jobs in leasing firms in Sri Lanka. The study revealed that job analysis, career development, support from supervisor, compensation and factual job information prove to have a negative relationship with marketing executives' intentions to quit their jobs while work life balance was found to have a positive relationship with employee's intention to leave. The researcher concluded that almost 37% variation in intention to leave is explained by the factors incorporated in this study. And for the remaining unexplained variation there must be some other independent variables like succession planning, training, performance management etc. the researcher suggested that all leasing firms must improve HR practices.

Moncarz, et al. (2009) investigated the practices and initiatives for employee retention in US lodging properties and also examine the influence of the same on turnover intentions of employees in management companies. It was found that implementing HR practices in organization will result in entirely different level of effectiveness for both managerial and non managerial employees. The findings indicated that non managerial employee retention is influenced by the culture of a workplace, hiring, promotion and training. Also the organization's mission, direction, rewards, recognition and compensation tend to reduce turnover rate for non managerial employees. Whereas hiring and promotion is one of the above factors that have an impact on managerial employee retention. Through careful analysis of data it was concluded that effective retention plans will maintain employee satisfaction and retention and will have a positive impact on performance of both employee and the employer.

Shoaib, et al. (2009) examined the impact of various HR polices on employee retention in Pakistan's telecom sector. The results of the study confirmed that variables taken into account i.e. support from supervisor, rewards, work-life balance policies, working environment and career opportunities have a positive impact on employee retention in telecom sector. The researcher concluded that proper implementation of the above discussed factors will help retaining people in the organization under study.

Hassan, et al. (2011) examined the reasons for job switching at second line managerial level in Leather Industry of Pakistan. The factors that researchers explored for employee retention include; career outlook, employer's attitude, work life balance, job security and opportunities. It was concluded that almost all the factors influence employee retention. The researchers recommend that supervisor support is extremely important to gain employee trust. The organization must work for better future prospects of its employees. Flexible hour culture must be established and safe working conditions must be provided. They also recommended that training and development plans must be established.

Nawaz, et al. (2012) identified the variables that have an influence on employees turnover intentions and their retention in Pakistan International Airlines. Primary data was collected trough different surveys on the variables of work life policies, supervisors support, organizational prestige, incentives, work settings and chances for career progression. The results revealed that there exist high relationship between career progression and resulting less turnover rate. It also showed a link between the entire variable taken in this study and resulting less turnover rate. The researchers suggested that management should work on planning proper incentive programs for their employees in order to reduce turnover rate. Management should take the variables discussed into consideration so to maintain high level of job satisfaction and commitment with organization.

Vos & Meganck, (2008) explored the views of both employees' and HR managers' on the factors that have an effect on employee retention by using psychological contract. For this purpose two set of studies were performed. In the first study, HR managers provided their perspective regarding factors that affect employee retention. In the second one employees' informed about the retention factors available to them by their employers and also reported about their loyalty with the firm. The employees' assessments on retention practices were related to their quitting intentions as it is important for HR managers to identify the factors

that are influential in retaining employees. The findings of the research indicate that retention practices are more focused on career opportunities which had the strongest impact on employees' loyalty. It was suggested that organizations should offer better opportunities for career growth; this will boost their loyalty to the organization and will avert the employees from leaving their workplaces.

Aslam et al. (2011) investigated the relationship of work-life conflict with employee retention. The authors conducted a comparative study of public and private sector employees from services industry of Pakistan. The findings of the study revealed that there is a weak relationship between family-work conflict, work-family conflict and employee retention and this is contradictory to previous studies. It was identified that there are some other factors besides family-work conflict and work-family conflict that can build a strong relationship between the variables. The researchers concluded that people do not leave their jobs even if there is work-life conflict.

3. Purpose Of The Study

This study intends to find out employee retention in various organizations of Pakistan operating in Karachi. It has the purpose of unfolding the process of retaining key employees through the implementation of HRM practices. It is designed to investigate the factors affecting employee retention. The study also aims to extend our understanding and knowledge about job satisfaction through the review of current literature that will lead to better retention.

4. Methodology

The research methodology depends upon the randomization selection of employees from various organizations of Karachi- Pakistan; including airline industry, pharmaceuticals, banking sector, higher education sector and FMCG's. As major industries of Pakistan have been covered in this research study where the population exceeds 1,000,000, thus a sample of 384 has been taken for study.

The responses from 384 employees from pharmaceutical industry (Hilton Pharma, Novartis) banking industry (MCB, Habib Bank, Standard Chartered Bank, Allied Bank), higher education sector (Bahria University, Hamdard University, SZABIST, KASBIT), Airline industry (AirBlue, PIA) and FMCG's (Engro foods, Unilever) of Pakistan were taken through questionnaire for study.

4.1. Statistical Methods

Descriptive statistics was used for the analysis of sample characteristics. Besides that correlation matrix was applied for data analysis. Descriptive statistics explains the essential features of data taken for study. It gives simple summaries about the selected sample while correlation test validates the presence of relationship and link between the dependent variable i.e. employee retention and the independent variables i.e. supervisor support, working environment, work life balance policies, career development, rewards & recognition and job satisfaction.

4.2. Hypotheses

In this study the variables are being tested for their association with each other. Following are the hypothesis developed for this research work.

- H1: Supervisor support is positively correlated with employee retention*
H2: Career development is positively correlated with employee retention
H3: Rewards and recognition are positively correlated with employee retention
H4: Work environment is positively correlated with employee retention
H5: Job satisfaction is positively correlated with employee retention
H6: Work life balance is positively correlated with employee retention

5. Analysis

5.1. Descriptive Statistics

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	244	63.5	63.5	63.5
Female	140	36.5	36.5	100.0
Total	384	100.0	100.0	

Table 1

Table 1 shows that data was collected from a total of 384 employees belonging to different organizations in Pakistan, among which 244 (63.54%) are males and 140 (36.45%) are females. From this data we can concluded that most of the data was collected from male group.

Job Duration

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 1 year	20	5.2	5.2	5.2
1-3	143	37.2	37.2	42.4
4-6	56	14.6	14.6	57.0
7-9	134	34.9	34.9	91.9
More than 9 years	31	8.1	8.1	100.0
Total	384	100.0	100.0	

Table 2

Table 2 shows the frequencies of job duration of respondents in various organizations. The results illustrates that most of the respondents have job duration between 1-3 years, as 143 out of 384 respondents fall into this category. The second largest group of respondents has job duration between 7 to 9 years, with a total of 134 employees.

Pearson Correlation

Variables	Supervisor Support	Career Development	Rewards Recognition	Work Environment	Job Satisfaction	Work Life Balance
Employee Retention	.846**	.809**	.841**	.797**	.888**	.865**
Supervisor Support		.915**	.904**	.916**	.952**	.905**
Career Development			.838**	.919**	.944**	.924**
Rewards Recognition				.918**	.944**	.902**
Work Environment					.959**	.950**
Job Satisfaction						.951**
** . Correlation is significant at the 0.01 level (2-tailed).						

Table 3

Table 3 represents Pearson Correlation Matrix which is showing the relationship between the dependent variable i.e. employee retention and the independent variables by taking job satisfaction as a mediating variable. Results have shown that employee retention is highly dependent and correlated with all the independent variables which are supervisor support, work life balance, career development opportunities, rewards and recognition, work environment and job satisfaction. The level of employee retention would increase in Pakistani organization by practicing identified variables more appropriately.

6. Findings Of Result**6.1. Hypothesis 1**

The H1 hypothesis proposes that supervisor support is positively correlated with employee retention which means higher the support provided by the supervisors in the organizations, the higher will be the employee retention. This prediction is supported as shown by the results ($r = 0.846^{**}$), which shows that the correlation is significant up to the 0.01 level.

6.2. Hypothesis 2

The hypothesis H2 anticipates that Career development and employee retention are positively correlated with each other which confirms that higher the opportunities of career development and growth provided by the organization, the higher will be the employee retention. This prophecy is supported as shown by the results ($r = 0.809^{**}$), which shows that the correlation is significant up to the 0.01 level.

6.3. Hypothesis 3

The H3 predicts that rewards and recognition and employee intention to stay in the organization correlate positively with each other, that is if an organization provides appropriate rewards and recognition to its employees on doing good then the retention rate will improve. This divination is supported as shown by the results ($r = 0.841^{**}$), which shows that the correlation is significant up to the 0.01 level.

6.4. Hypothesis 4

The hypothesis H4 predicts that work environment is positively correlated with employee retention. That is if an organization provides a proper working environment to its employees then they are more likely to stay in that firm for a longer period of time. Although the value of r for this variable is a bit low as compared to other independent variable but still the result confirms that the correlation is significant up to 0.01 level of significance with $r = 0.797^{**}$.

6.5. Hypothesis 5

Hypothesis H5 is about the positive correlation between job satisfaction and employee retention. It was predicted that if the employees are satisfied by their supervisors, work environment, reward and recognition, and their workplaces then they intend to stay in that organization for a longer duration. This hypothesis is supported at $r = 0.888^{**}$, which shows that the correlation is significant up to the 0.01 level.

6.6. Hypothesis 6

H6 proposes that work life balance correlates positively with employee longer job duration, which means that if there is a proper work life balance policy implemented in the organization then the retention rate will be better. This hypothesis is supported as given by the result ($r=0.865^{**}$) at a significance level up to 0.01.

7. Conclusion

The quality improvement and prosperity of any organization require commitment and dedication from its employees. Analyzing the factors that have an impact on employee retention in Pakistani organizations not only benefits human resource management but also helps employees in planning their careers. It was concluded from the study that all the factors or indicators that influence employee retention are correlated. One has an apparent effect on other. So not only a single factor promotes an employee to leave the organization but it's a blend of many reasons.

The appropriate way to retain employees is to understand their needs and wants from their work places and take measures to meet those demands. It is a fact that meeting all the demands of every employee is not possible but still organizations can make efforts to retain its employees. Organization should make efforts to practice the retention strategies but at the same time employees should also keep in mind the organization's constraints and hence act accordingly.

There should be good career prospects within an organization to retain employees for longer duration. Moreover, attitude of employer or a supervisor or a manager is very important in this regard. Recruitment and selection should be done on merit and there must not be any favoritism, the organization should work on grooming the employee by polishing his or her skills and abilities continuously through training and development. There should be a proper work and family life balance and an employee should have job security.

From the research conducted it can be said that the best way to improve employees' commitment and morale is to identify the expectations of the employees and after identifying them it is important to fulfill those expectations. Organization must strive to bring maximum retention strategies into practice.

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