

Determinants of Employee Retention: A Comparative Analysis of Higher Education Institutes Peshawar

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Abstract

The objective of this study was to investigate the impact of retention factors in public and private sector institutes. It identifies the factors which are effective in retention in private/public universities in Peshawar. The universities which are selected for study are CUSIT and IMS, UOP. The study targeted the faculty members of the higher education institutions (universities) by convenient sampling technique. Questionnaires were used to collect responses; 200 questionnaires were floated to the faculty members of one public and one private university. Out of 200 questionnaires, 100 responses were received. Results are varied in both sectors but some major identified employee retention factors are – Compensation, Training and development, Supervisor support which are positively correlated. Effective retention measures can bring positive results to enhance commitment of employees and ultimate towards their organizations.

Key Words: Employee Retention, Compensation, Training and development, Supervisor support, Job Characteristics, Work-life policies

Introduction

Not that long ago, companies were competing to find and keep great employees. The fierceness of competition in the job market was reflected in numerous reports of hefty signing bonuses and generous stock option packages for non-management hires. With the slowing economy, however, recruiting and hiring top talent moved down in the list of most organization's priorities, and there was a growing feeling of satisfaction about keeping or retaining current employees of the organization. Brannik(2001) The professional environment has taken a paradigm shift from labor intensive environment to automated information society. The professionals are a lot more educated and skilled than it used to be a few decades back that has caused significant decrease in the organizational loyalty. This has created problems for companies to retain skilled technological employees. Studies show that high technology domains employee tend to work on projects that can augment their knowledge and skills which can help them further in their career success. Employee retention is an important issue that poses a significant challenge for organizations. Since human capital is central to an organization's performance, workforce attrition can have a profound impact on an organization's performance, growth and general business outcomes. Some of the major trends of the past decade include: new individual difference predictions of turnover (e.g., personality,

motivating forces), increased emphasis on contextual variables with an emphasis on interpersonal relationships (e.g., leader–member exchange, interpersonal citizenship behaviors), enhanced focus on factors looking specifically at staying (e.g., organizational commitment) and dynamic turnover processes with the consideration of time (e.g., changes in job satisfaction).

So, now for remaining in this competitive market employers have much more concern now to retain their skilled employees to gain a competitive edge in the market and thus improve the organizational productivity and goal attainments. Employee retention is one of the keys to maximize the profits and gains of an organization. This can be done by providing employee with job satisfaction, Compensation/Reward, flexi organizational culture, Career growth opportunities, Supervisor support, Work-Life Balance, human resource training and development strategy to improve their skills and performance levels.

Literature Review

Döckel et al Model:

Döckel, Basson, Coetzee (2006) proposed the most relevant explanatory factors of employee retention were Compensation, Job Characteristics, Training and Development, Supervisor Support, Career Opportunities, and Work Life Balance.

Gardner et al., (2000) were of the view that salary is considered as a motivator as well as employee retention technique. Milkovich & Newman (1996) have clearly stated that among all types of reward, monetary pay is considered one of the most important and significant factor in employees' retention. In a research by Moncraz, Zhao & Kay (2009) it was concluded that although compensation was not one of the top factors influencing non-management turnover but compensation can act as a critical factor in reducing managerial turnover and increasing commitment to the organization.

Reward and Recognition and Employee Retention

Walker (2001) viewed recognition from bosses, team members, co-workers and customer enhance loyalty of the employees. “Watson Wyatt” a global consulting firm, conducted a survey in USA, in the year 2002 among 12,750 employees at all levels of job and in all major industry sectors to know about their attitudes toward their workplace and their employers. It was found in the survey that the recognition is important for workers and they want to listen that their work is recognized and appreciated. Silbert (2005) forwarded the view that reward is important because it has an enduring impression on employees which, in-turn gives the employees an impression of importance that they are valued in the organization. Based on the above literature, the first hypothesis of the study is as follows:

H1: Rewards/Compensation significantly affects Employee Retention.

Job characteristics and Employee Retention

Shoiab, Noor, Tirmizi & Bashir (2009) recommended technologically skilled employees tend to do work they find interesting and that challenges them to use their unique skills and talents. Repetitive work experiences strongly repel high technology workers and make them quit their jobs earlier than usual. Based on the above, the second hypothesis of the study is as follows:

H2: Job Characteristics significantly affects Employee Retention.

Work-Life policies and Employee Retention

Work-life balance is increasingly important for engagement and affects retaining employees. Hyman et al., (2003) in their empirical research in the UK found that interventions of work demands into the personal life (e.g. working during the weekend) resulted into higher stress and emotional exhaustion among employees. In a study conducted by the Australian Telework Advisory Committee (2006) it was found that 70% of businesses that incorporated telework

options reported a number of positive benefits, such as increased business productivity and reduced costs, improved employee flexibility and work life balance and increase number of employees participation. The third hypothesis of the study is as follows:

H₃: Work-Life Balance has significant impact on Employee Retention

Opportunity for Growth

Pergamit & Veum (1989) in their study found a close and positive correlation between promotions and job satisfaction and which in turn helps in retention of employees. Research by Meyer et al, (2001) has shown internal career development of employees is often the best predictor of an employee's effective commitment towards organization. Prince (2005) argued that talented employees are required for maintaining a competitive advantage and employees want career growth opportunities to develop and get success in their professional lives. Such plans include advancement plans, internal promotions and accurate career previews at the time of hiring of employees. Eyster et al (2008) state that job flexibility along with worthwhile career and life opportunities is a critical incentive for the employees. The forth hypothesis of the study is as follows:

H₄: Career Opportunities have significant impact on Employee Retention

Training & Development and Employee Retention

Messmer (2000) found that one of the key factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give beneficial outputs on its investment. Tomlinson (2002) forwarded the view that organizations can keep the leading edge in this competitive world by having their employees well trained in the newly upgraded technologies. Garg & Rastogi (2006) explained that in today's competitive environment feedback is very essential for organizations from their employees and the more knowledge the employee learn, the more he/she will perform and meet the globalization challenges of the market place. Thus, knowledge is the most expensive asset of a firm. The fifth hypothesis of the study is as follows:

H₅: Training and Development have significant impact on Employee Retention.

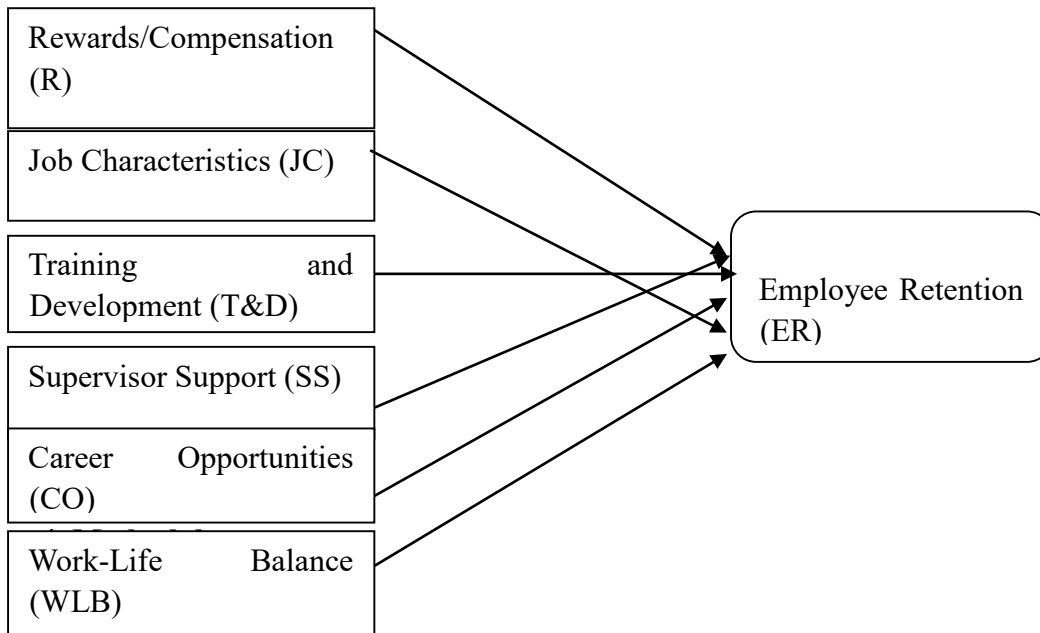
Supervisor Support and Employee Retention

Per Silbert (2005) explained well skilled and talented employees may easily find good job, position and workplace elsewhere however the effective way for retention this talented workforce is to enhance friendly and close working environment and to promote leader support. Freyermuth (2007) recommended that organization must groom leader to support the employees and to well build the work environment where they want to stay. Providing opportunities test their abilities and providing level of performance can enhance employees' capabilities and want to stay in the organization. The sixth hypothesis of the study is as follows:

H₆: Supervisor Support has significant impact on Employee Retention

Theoretical Framework

The following is the theoretical structure of the study



This research study was based on qualitative research technique. Primary data was used in this study. The population of this study includes the employees of CUSIT and IMS, UOP operating in Peshawar city. Random convenient sampling technique was used in the conduct of present research. The sample size was 200 but 50 responses are collected from each university.

A research questionnaire has been used to examine the determinants of employee retention factors in IMS, UOP and CUSIT. For this measurement, five point Likert scale ranging from strongly disagree (1) to strongly agree (5) has been used. The survey questionnaire contains 45 close ended items in all. Retention factor measurement scale containing 45 items, adopted from Dockel (2003) is used for six independent variables; Compensation (6 items), Job Characteristics (5 items), Training and Development (6 items), Supervisor Support (6 items), Career Opportunities (5 items), Work-Life Balance (6 items) and employee retention (11 items).

The statistical tools used to analyze the collected data are descriptive statistics, reliability test, correlation and multiple regressions. The data was entered in SPSS 17.0 software to ensure proper entry.

Data Analysis and Result

Reliability test of the data

Inter items reliability or Cronbach's alpha coefficients of six independent, three moderating and one dependent variable are estimated, and provided in table 4.1

Table: 1

| VARIABLES | SUB-VARIABLES | NO OF ITEMS | RELIABILITY COEFFICIENT (α) | SOURCE |
|-------------------------------------|--------------------------|-------------|---|----------------------|
| Employees' Retention Factors | Compensation | 6 | 0.761 | Dockel (2003) |
| | Job Characteristics | 5 | 0.848 | |
| | Training and Development | 6 | 0.898 | |
| | Supervisor Support | 6 | 0.775 | |
| | | | | |

| | | |
|--------------------|----|-------|
| Career Opportunity | 5 | 0.747 |
| Work-Life Balance | 6 | 0.832 |
| Employee Retention | 11 | 0.784 |

Per table 1 our Cronbach's alpha (α) estimation variable Compensation is measured through 6 items with $\alpha = 0.761$, Job Characteristics through 5 items, with $\alpha = 0.848$, Training and Development through 6 items, with $\alpha = 0.898$, Supervisor Support through 4 items, with $\alpha = 0.775$, Career Opportunity through 5 items, with $\alpha = 0.747$, Work-Life Balance through 6 items, with $\alpha = 0.832$, Employee Retention through 11 items, with $\alpha = 0.784$

10.2 Correlations

Table 2

| Correlations | | | | | | | | |
|----------------------|---------------------|--------------|---------------------|--------|--------------------|----------------------|------------|--------------------|
| | | Compensation | Job_Characteristics | TND | Supervisor_Support | Career_Opportunities | WL_Balance | Employee_Retention |
| Compensation | Pearson Correlation | 1 | .408** | .485** | .135 | .360* | .217 | .709** |
| | Sig. (2-tailed) | | .003 | .000 | .351 | .010 | .130 | .000 |
| | N | | 50 | 50 | 50 | 50 | 50 | 50 |
| Job_Characteristics | Pearson Correlation | | 1 | .221 | -.127 | .166 | -.320* | .550** |
| | Sig. (2-tailed) | | | .123 | .378 | .250 | .024 | .000 |
| | N | | | 50 | 50 | 50 | 50 | 50 |
| TND | Pearson Correlation | | | 1 | -.323* | .858** | .220 | .526** |
| | Sig. (2-tailed) | | | | .022 | .000 | .125 | .000 |
| | N | | | | 50 | 50 | 50 | 50 |
| Supervisor_Support | Pearson Correlation | | | | 1 | -.184 | .006 | -.154 |
| | Sig. (2-tailed) | | | | | .201 | .968 | .286 |
| | N | | | | | 50 | 50 | 50 |
| Career_Opportunities | Pearson Correlation | | | | | 1 | .045 | .336* |
| | Sig. (2-tailed) | | | | | | .758 | .017 |
| | N | | | | | | 50 | 50 |
| WL_Balance | Pearson Correlation | | | | | | 1 | .125 |
| | Sig. (2-tailed) | | | | | | | .387 |
| | N | | | | | | | 50 |
| Employee_Retention | Pearson Correlation | | | | | | | 1 |
| | Sig. (2-tailed) | | | | | | | |
| | N | | | | | | | |

Table 2 represents the correlations of variables in CUSIT. As far as retention factors are concerned, all variables are weakly correlated with each other. It means inter correlation is weak among all independent variables (Compensation, Job Characteristics, Training and Development, Supervisor Support, Career Opportunities, and Work Life Balance) but correlation between the Dependent Variable/ Employee Retention and Independent Variables/ Compensation is strong.

Table: 3

| Correlations | | | | | | | | |
|-------------------------|---------------------|--------------|---------------------|-------------------------|--------------------|--------------------|-------------------|--------------------|
| | | compensation | job_characteristics | Traning_and_Development | supervisor_support | carrer_opportunity | work_life_balance | employee_retention |
| compensation | Pearson Correlation | 1 | .697** | .806** | -.254 | .670** | -.154 | -.341* |
| | Sig. (2-tailed) | | .000 | .000 | .075 | .000 | .284 | .015 |
| | N | | 50 | 50 | 50 | 50 | 50 | 50 |
| job_characteristics | Pearson Correlation | | 1 | .658** | .094 | .506** | .233 | .021 |
| | Sig. (2-tailed) | | | .000 | .517 | .000 | .103 | .887 |
| | N | | | 50 | 50 | 50 | 50 | 50 |
| Traning_and_Development | Pearson Correlation | | | 1 | -.251 | .764** | -.047 | -.220 |
| | Sig. (2-tailed) | | | | .079 | .000 | .745 | .124 |
| | N | | | | 50 | 50 | 50 | 50 |
| supervisor_support | Pearson Correlation | | | | 1 | .136 | .331 | .667** |
| | Sig. (2-tailed) | | | | | .347 | .019 | .000 |
| | N | | | | | 50 | 50 | 50 |
| carrer_opportunity | Pearson Correlation | | | | | 1 | .160 | .125 |
| | Sig. (2-tailed) | | | | | | .266 | .387 |
| | N | | | | | | 50 | 50 |
| work_life_balance | Pearson Correlation | | | | | | 1 | .735** |
| | Sig. (2-tailed) | | | | | | | .000 |
| | N | | | | | | | 50 |
| employee_retention | Pearson Correlation | | | | | | | 1 |
| | Sig. (2-tailed) | | | | | | | |
| | N | | | | | | | |

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3 represents the correlations of variables in IMS. As far as Retention factors (Compensation, Job Characteristics, Training and Development, Supervisor Support, Career Opportunities, and Work Life Balance) are concerned, all variables are weakly correlated with each other but Employee Retention and Independent Variables is strong in case of IMS, UOP.

Table: 4**ANOVA^a**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 3.849 | 6 | .641 | 24.829 | .000 ^b |
| | Residual | 1.111 | 43 | .026 | | |
| | Total | 4.959 | 49 | | | |

a. Dependent Variable: employee_retention

b. Predictors: (Constant), work_life_balance, Traning_and_Development, supervisor_support, job_characteristics, carrer_opportunity, compensation

This table 4 indicates that the regression model predicts the outcome variable significantly well. Here, Sig value is 0.000 ($p > 0.05$) and indicates that; overall, the model applied is significantly good enough in predicting the outcome variables and model is significant at 1% level of significance

Table: 5
ANOVA^a

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | 7.584 | 6 | 1.264 | 13.813 | .000 ^b |
| | Residual | 3.935 | 43 | .092 | | |
| | Total | 11.518 | 49 | | | |

a. Dependent Variable: Employee_Retention

b. Predictors: (Constant), WL_Balance, Supervisor_Support, Career_Opportunities, Job_Characteristics, Compensation, TND

This table 5 indicates that the regression model predicts the outcome variable significantly well. Here, Sig value is 0.000 ($p > 0.05$) and indicates that; overall, the model applied is significantly good at 1% level of significance.

Table: 6
Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.506 | .257 | | 5.856 | .000 |
| | Compensation | -.091 | .096 | -.157 | -.946 | .349 |
| | Job_Characteristics | -.086 | .089 | -.139 | -.971 | .337 |
| | Traning_and_Developm ent | .029 | .083 | .062 | .352 | .727 |
| | Supervisor_Support | .306 | .073 | .450 | 4.206 | .000 |
| | Carrer_Opportunity | .071 | .115 | .099 | .620 | .539 |
| | Work Life Balance | .350 | .056 | .581 | 6.270 | .000 |

a. Dependent Variable: Employee_Retention

The table:6 shows “Unstandardized Coefficients column” shows two statistics which are the regression coefficient B and the standard error. The table shows Constant=1.506 and t-value=5.856, if we assume that all the independent variables are zero then the Employee Retention will be constant and that is 1.506. The table shows t-statistics and the significance or p-value for all variables. The results show statistically significant influence of T&D, CO,SS and WLB on Employee Retention where else all other variables show insignificant effect.

Table: 7

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|--------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.448 | .695 | | 2.085 | .043 |
| | Compensation | .355 | .092 | .486 | 3.867 | .000 |
| | Job_Characteristics | .372 | .137 | .308 | 2.705 | .010 |
| | TND | .188 | .106 | .393 | 1.778 | .082 |
| | Supervisor_Support | -.047 | .051 | -.099 | -.927 | .359 |
| | Career_Opportuniti es | -.168 | .130 | -.247 | -1.299 | .201 |
| | WL_Balance | .043 | .108 | .043 | .393 | .696 |

a. Dependent Variable: Employee_Retention

The table 7 shows “Unstandardized Coefficients column” shows two statistics which are the regression coefficient B and the standard error. The table shows Constant=1.448 when if we assume that all independent variables are zero then the Employee Retention will be constant and that is 1.448

The table shows the significant influence of C, JC, T&D on Employee Retention while all other variables have insignificant effect.

Discussion

This study was aimed to investigate the retention factors in private and public sector universities in Peshawar, Pakistan. By going along with the trend in the literature reviewed, this study opted for the most commonly used retention factors by researchers and professionals; these are: compensation, job characteristics, training and development, supervisor support, career opportunities and work-life balance.

The study has shown important findings in public sector institute i.e.: IMS, UOP. Per the results, Supervisor Support and Work-Life Balance have turned out to be exerting positive and significant impacts on Employees Retention, while Compensation and Job Characteristics have shown negative impact and Training and Development & Career Opportunities shows insignificant impact. So, we accept H_3 and H_6 while reject others.

The study has shown important findings in private sector institute i.e.: CUSIT. Per the results, Compensation, Job Characteristics and Training & Development have turned out to be exerting positive and significant impacts on Employees Retention, while and Supervisor Support and Career Opportunity have shown negative but significant effects and Work-Life Balance insignificant impact. So we accept H_1 , H_2 and H_5 and reject others.

Conclusion

This study discovered three important retention factors; Compensation, Job Characteristics and Training & development are contributing to retain the faculty member's in private sector university while Supervisor Support and Work-Life Balance has significant impact on employee retention in public sector university hence proved that if all these factors can be taken under considerations and applied in institutes then retention of employees can be done. In conclusion, this research presents solutions to some of the issues regarding retention of faculty members of Higher Education Institutions of Peshawar, Pakistan. Others are encouraged to examine these and other retention factors and commitment constructs both theoretically and empirically.

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