



Work environment as a predictor of employee retention: The role of gender

Rajesh Shahi

Lecturer, Department of Management, Lumbini Banijya Campus, Butwal, Nepal

Abstract

This study seeks to examine the influence of different dimensions comprising working environment on the retention intention of employees, taking also into account their gender. The population of the study constitutes from junior assistant to managerial level employees working in 14 development banks operated in Butwal Sub Metropolitan City, Nepal. Data for the study were collected through convenience sampling method using five point likert scale questionnaires from the sample of 164 employees. Descriptive statistics, correlation, regression analysis and process macro by Andrew F. Hayes were used for the purpose of analyzing data. From the study, it is revealed that among various factors under study, career growth has the major influence on employee retention. Moreover, the study found that gender moderates the influence of working environment to employee retention.

Keywords: employee retention, compensation, job characteristics, supervisor support, career growth, training and development

1. Introduction

Johnson (2000) ^[13] stated that retention is considered to be a long-term relationship or commitment between employees and employer. It involves in taking actions to motivate employees to stay in an organization for a longer period of a time. Employees always keep on looking for better work place and environment. If skilled employees are not satisfied with the facilities and environment of the organization, they tend to look for other options. The consequences are high employee turnover resulting in low productivity, higher personnel costs and loss of customer satisfaction. Thus, it has created the need for designing effective retention strategies. Therefore, holistic approach is essential to understand the factors controlling employee turnover by the HR Managers. Martin (1981) ^[16] stated that employee retention is an important tool for better performance of the firm. It is imperative for continued success of a business.

It is known that hiring of a competent employee is critical to any organization but retention of the same is more challenging. Huge investment is spent 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" Kariuki (2015) ^[14]. When experienced employees leave the company, it takes time to get new employees up to speed on those job duties. In the meantime, production suffers and organization's output and quality drops. It costs money to recruit, hire and train new personnel. By reducing turnover, a company can also reduce many of these costs. Employee turnover creates a gap in employees that have the experience in company operations necessary to talk to clients. The drop in product quality because of high turnover also has a negative effect on customer satisfaction (Akila, 2012) ^[2].

Sinha, C. & Sinha, R. (2012) ^[25] stated that employee retention is beneficial for the organization as well as the

employees. Retention strategies help organizations to provide effective employee communication to improve commitment and enhance workforce support for key corporate initiatives. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees.

Despite of considerable literature focus on the issue, there is little concern on understanding the implications of the retention strategies in the organizations of Nepal. The researcher has tried to unveil that the facilities such as compensation, job characteristics, training and development, supervisor support, career growth provided by the development banks of Nepal are related to retention intention of employees or not. Thus the study mainly tries to address the research questions: a) Do compensation, job characteristics, training and development, supervisor support, and career growth influence on employee retention in development banks of Nepal? And b) Does gender moderate the influence of working environment to employee retention?

2. Literature Review

Retention of good employees is a primary focus of good human resource management practice, but it becomes more challenging in a tight labour market, and when the nature of the work is such that employees can soon become bored and disinterested Paull, *et al.* (2008) ^[19]. Retention is about keeping those employees who are producing the results which the organisation desires (Frank, Finnegan & Taylor, 2004) ^[10]. With employees being acknowledged as a key element of competitive advantage, employers faced with higher than desirable turnover in a tight labour market will not only be looking to retain high achievers, but all those staff who are meeting organisational requirements (State Training Board, 2007) ^[26]. It is the first and foremost responsibility of the human resource manager to keep the employees motivated and to do their best by retaining in the

organization. Motivation can be in the form incentives, emotional support by providing progressive opportunities and enhancement of their life styles. Dissatisfaction of the employees with the working environment causes the poor performance which in turn leads to the higher turnover in an organization.

Compensation

(Breadwell & Claydon (2007)^[8] said that “money” may be a reason to leave the organization at a certain point of time during the job. (Bibi *et al.*, 2017)^[6] Examined the relationship between compensation, promotional opportunities and employees’ retention. Survey was used to collect data from 220 faculty members working in public sector universities in Pakistan. Fractional Least Squares PLS way modeling was employed to analyze data. The results revealed that compensation and promotional opportunities had imperative relationship with employees’ retention. (Qureshi & Sajjad, 2015)^[20] Investigated the impact of compensation on job performance and work-family conflict, in the Kingdom of Saudi Arabia and subsequently present a model illustrating a relationship between them. The study is based on primary data collected from 400 employees working in Saudi Arabia. The study found that the compensation has a positive impact on the job performance reducing level of turnover of the employees working in different sectors of Saudi Arabia.

Hypothesis H₁: There is a significant influence of compensation on employee retention.

Job Characteristics

Job characteristics help identifying likenesses and contrasts in jobs and also determine internal work motivation in designing and redesigning jobs. (Ragupathi, 2013)^[21] had undertaken the study on ‘Employee Retention Practices of MNC’s in Hyderabad. The major objectives of the study were to reduce the employee drop, create the value of people in organization, and reduce recruitment cost, build and streamlining the relation in the organization and reputation and reliability of the company. The Hackman and Oldham’s Job Characteristics model which has been taken as the base to study the research questions pertaining to this research. From the Initial survey and personal interviews held with the MNC’s employees, found that factors that contribute to attrition are quite different from the factors that contribute to retention. Training, compensation and appraisal was a fundamental consideration for the employees of Hyderabad MNC’s retention decision; while empowerment is less fundamental to employees consideration as this can be attributed to the Asian culture characteristic of higher authority conformity.

Hypothesis H₂: There is a significant influence of job characteristics on employee retention.

Training and Development

(Lynn, 2006)^[15] Said that to make the employee to retain with organization must offer career opportunities that are more progressive towards the achievement of their goals and objective. Departments failing to offer the employees advancement opportunities, a proper space for improvement and skill and knowledge development may find it hard to maintain a competent, qualified work force. (Imran & Tanveer, 2015)^[12] Examined the impact of training & development on employees’ performance in banks of

Pakistan. This study has been done selecting six representative banks of Bahawalpur as sampling unit. Data collection was done taking sample size of 150 employees while receiving 104 valid responses using convenience & referral sampling. The study found that training & development had a positive impact on employees job knowledge, work quality & quantity, functional skills, and their motivation & loyalty and these are all linked to their retention intention either strongly or moderately but in a supporting direction.

Hypothesis H₃: There is a significant influence of training & development opportunities on employee retention.

Supervisor Support

(Akila, 2012)^[2] conducted the ‘Study on Employee Retention among Executives at BGR Energy Systems Ltd, Chennai’. Major objectives of the study were: study the opinion of executives on employee retention attributes at BGR Energy, identify the factors that influences work life balance and employee engagement level, and analyze the employee retention rates among different departments and to find whether the job satisfaction and working condition leads to employee retention. Incorporated factors of the study were career opportunities, rewards, supervisor support, and work life balance and work environment. The findings of the study show that there was a positive correlation between supervisor support and employee retention.

Hypothesis H₄: There is a significant influence of supervisor supports and employee retention.

Career Growth

Career is understood as the succession of work experiences in an individual’s lifetime (Arthur 2008)^[1], ‘career growth’ is defined as ‘one’s perceptions of the chances of development and advancement within an organization (Daud, 2014)^[9]. It is the opportunity of career growth within present working organization. (Biswakarma, 2016)^[7] Studied the effect of organizational career growth on employees’ turnover intention among employees of Nepalese Private Commercial Banks. The result of the study indicated that the organizational career growth is negatively related to employees’ turnover intention. This suggests that the career growth opportunity in the organization has positive impact on employee retention.

Hypothesis H₅: There is a significant influence of career growth on employee retention.

Gender difference with regard to employee retention

Stroh, *et al.* (1996)^[27] had mentioned in their study that women experience gender bias in the organization even though the employer may vouch that they are an equal opportunity employer. As a result, they do not have feelings of loyalty towards the company. Thus, women may develop intentions of quitting the company very soon. Thupili & Mukherjee (2018)^[29], had mentioned that the females in comparison to males exhibit higher intentions to leave the company. This is because a high percentage of the women see their income as a secondary source in comparison to their spouse’s income. Thus, retention policies framed do not have much impact on the women. In contrast to this, Igbaria and Chidambaram (1997)^[11] argued that women react much more sharply to retention efforts by the companies. They stated that any efforts that are made by the

employer to improve the work life balance are usually welcomed by the women workforce.

Hypothesis H₆: Gender moderates the effect of working environment to employee retention.

Research Framework

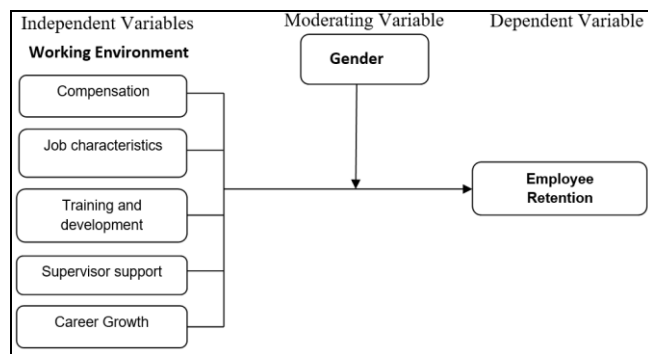


Fig 1: Research Framework

Research Design

This study followed descriptive and causal comparative research design. The research work has been conducted on junior assistant to managerial level employees working in 14 development bank operated in Butwal Sub Metropolitan City. Data used for the research is primary data which have been collected through personally administered structured questionnaires.

Sample and Population

The employees currently working in 14 development banks in Butwal Sub Metropolitan City were considered as the population of the study. As from the survey (July-August, 2019) the total number of employees in these 14 development banks were found to be 279. Thus, the population of the study was 279 employees. Out of these 279 employees, 164 employees were considered as a sample of the study. The sample size was determined through the formula as developed by (Yamane, 1957).

$$\begin{aligned} \text{Sample size} &= N / (1 + Ne^2) \\ &= 279 / (1 + 279 * 0.05^2) \\ &= 164 \end{aligned}$$

Sampling Technique

To approach the sample respondents for the data collection, convenience sampling method is used. Total 164 questionnaires were distributed to the sample population, out of which 142 valid responses were collected. 22 questionnaires were eliminated from the data as some were not returned and some were incomplete resulting in approximately 87% response rate.

Tools used for Analysis

The data analysis is done using SPSS (Statistical Package for Social Science) Version 20.0. The quantitative data have been tabulated and analyzed using statistical tools such as percentage, mean, standard deviation, correlation, regression and process macro by Andrew F. Hayes.

Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon \dots \text{Regression model}$$

$$Y = \beta_0 + b_1 X + \beta_2 M + \beta_3 XM + \epsilon \dots \text{interaction effect model (Baron \& Kenny, 1986)}$$

Where,

Y = Employee Retention; x₁ = Compensation; x₂ = Job Characteristics; x₃ = Training and Development; x₄ = Supervisor Support; x₅ = Career Growth; β₀ = Constant; β₁, β₂, β₃, β₄, β₅ = The slope which represents the degree with which the employee retention changes as the independent variable changes by one unit; X = Working Environment; M = Moderating variable (Gender); XM = interaction term (Working Environment * Gender); ε = Error.

4. Results and Conclusions

Demographic Profile

The table 1 depicts the demographic profile of the respondents which includes information on age group, gender, marital status and educational qualification. As the age of respondents is concerned, 7.7 % of the respondents are below 20, 65.5% of the respondents are between 20-30, 17.6% of the respondent are between 30-45 and 9.2% of the respondents are 46 and above. Gender wise, 57.7% of the respondents are male and 42.3 % are female. Similarly, qualification of 7.7% of the respondents is intermediate level, 47.9% is bachelor level, 41.5% is Master's Level and remaining 2.8% of respondents is M. Phil and above. Likewise, 56.3% of the respondents are married and remaining 43.7% are unmarried.

Table 1: Respondents' Demographic Profile

Age Groups		
	Frequency	Percentage
Below 20	11	7.7
21-30	93	65.5
30-45	25	17.6
46 and above	13	9.2
Total	142	100.0
Gender		
Male	82	57.7
Female	60	42.3
Total	142	100
Educational Level		
Intermediate	11	7.7
Bachelors	68	47.9
Masters	59	41.5
M. Phil and above	4	2.8
Total	142	100.0
Marital Status		
Married	80	56.3
Unmarried	62	43.7
Total	142	100.0

Descriptive Statistics

The table 2 shows the descriptive statistics of the response of participants towards the factors under study. The mean values of compensation, job characteristics, training and development, supervisor support, career growth, and employee retention are 3.60, 3.67, 3.77, 3.96, 3.72 and 3.53 respectively which are all near to 4 (labeled agree in the measurement scale). Thus, it can be interpreted that the employees agree to the extent that there is satisfactory environment in the banks with regard to compensation, job characteristics, training and development, supervisor support, career growth in which they are currently working and have retention intention with the current bank.

Table 2: Descriptive Statistics

Statements	N	Mean	Std. Deviation
Compensation	142	3.60	.572
Job Characteristics	142	3.67	.552
Training and Development	142	3.77	.502
Supervisor Support	142	3.96	.606
Career Growth	142	3.72	.540
Employee Retention	142	3.53	.623

Correlation Analysis

Table 3: Correlation

	Compensation	Job Characteristics	Training and Development	Supervisor Support	Career growth	Employee Retention
Compensation	1	.457**	.508**	.181**	.326**	.292**
Job Characteristics		1	.402**	.384**	.427**	.491**
Training and Development			1	.367**	.441**	.364**
Supervisor Support				1	.351**	.317**
Career growth					1	.536**
Employee Retention						1

** . Correlation is significant at the 0.01 level (2-tailed). * . Correlation is significant at the 0.05 level (2-tailed).

Table 3 shows the correlation between the factors affecting employee retention. All the relationship is positive and significant at 1% level. The correlation coefficients of compensation, training and development practices and supervisor support with employee retention are 0.292, 0.364 and 0.317 respectively, indicating weak uphill linear relationship. However, the correlation coefficients of job characteristics, career growth with employee retention are 0.491 and 0.536 respectively indicating moderate uphill linear relationship between job characteristics and employee retention. Moreover, the correlation matrix of the variables presented in the table reveal that the correlations coefficients among the independent variables are less than 0.50, implying the absence of multicollinearity. Thus, there is no evidence of presence of multicollinearity among the independent variables.

Regression Analysis

The probability value from the table 4 indicates that the regression model is fit at 1% level of significance. Also the R Square value of 0.378 indicates that 37.8 percent variation

in employee retention is explained by compensation, job characteristics, training and development, supervisor support and career growth. Results of the regression indicate that the employee retention to a large scale is dependent on compensation, job characteristics and career growth. The results of the regression highlights that there is a significant positive effect of compensation on employee retention. A unit change in compensation results in 0.375 unit change in employee retention. Similarly, Job characteristics and career growth also have positive influence on employee retention. A unit change in job characteristics changes employee retention by 0.326 units and a unit change in career growth changes employee retention by 0.421 units. However, the regression results show that there is no significant effect of training and development and supervisor support on employee retention. It is important to note that among all the factors under study, career growth is the most influencing factor on employee retention since the standardized Beta (β) value for career growth is highest as compared to others.

Table 4: Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.242	.405		.596	.552		
Compensation	.375	.091	.294	3.50	.001**	.656	1.524
Job Characteristics	.326	.095	.289	3.445	.001**	.651	1.536
Training and Development	.086	.107	.070	.807	.421	.615	1.625
Supervisor Support	.055	.079	.053	.687	.493	.769	1.300
Career growth	.421	.093	.365	4.551	<.001**	.711	1.406

R Square: .378; F value: 16.541; Probability: 0.000

a. Dependent Variable: Employee Retention b. ** Denotes significance and 1% level

Moderating Effect of Gender

As per the table 5, the p-value for the interaction term of Gender and Working Environment is 0.0004 which is less than 0.01. According to Baron & Kenney (1986) [4], there exists a moderating effect if the interaction term is significant. Thus it can be inferred that there is a significant influence of gender on the relationship between working environment and employee retention at 1% level.

Table 5: Moderating Effect of Gender

Interaction Model				
	Coeff	se	t	p
Constant	4.0605	.4840	8.3888	.0000**
Work Environment	.0086	.1170	0.0734	.9415
Gender	-1.1949	.2957	-4.0410	.0001**
Int_1	.2595	.0723	3.5890	.0004**

Int_1: Work Environment * Gender

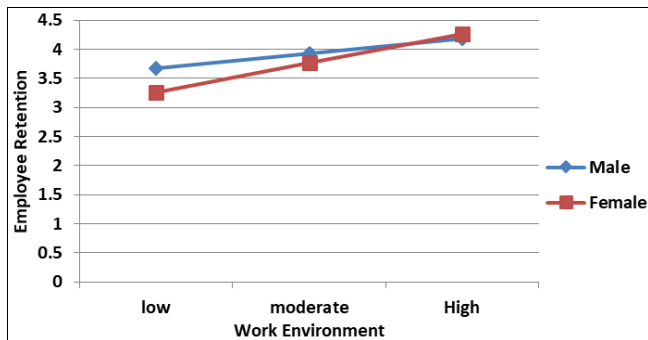


Fig 2: Moderating Effect of Gender

Figure 2 shows that at low working environment, male employees have higher retention intention than that of female employees. However, as the work environment is increased (get better), the retention intention of female employees rises at higher rate as compared to male counterpart and when the work environment is at its best, retention intention of female employees is higher than that of male. This infers that the female employees' retention is affected more by the work environment as compared to male employees; thus, indicating more sensitiveness of female employees towards work environment.

Conclusions

The study concludes that the compensation, job characteristics and career growth are the major factors that influence employee retention in the development banks of Nepal. As these factors tend to increase in the banks, employee retention also tends to increase. In comparison to these factors, career growth has the major influence on employee retention. Hence, the study found that career growth as one of the key factor that plays an important role in retaining employees in development banks. So to retain employee for the longer period of time, banks should create a favorable career growth opportunities, followed by compensation and job characteristics. Moreover, the study also found that female employees are more sensitive to the working environment rather than that of male counterparts. The rate of change in retention is comparatively high for female employees as compared to male employees in accordance to the change in work environment. In low working environment, male employees' retention is higher than that of female employees, whereas in high and favorable working environment female employees' retention is higher.

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