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Exploring the effect of Pay and Working Environment on Employee Retention

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ABSTRACT

Retaining and engaging the high potential talent is what gives an organization a competitive advantage and as a consequence the Human resource departments are in action to retain talented employees through making and implementing policies for employee betterment. The significance of Human Resource (HR) for hotel and tourism industry is gradually being understood. Regardless of the high requirement for HR in the hotel industry, the function has evidently not attained its maximum capacity around the globe. In economies which are still developing, HR clearly should be more utilized. There are various issues and requirements, which concern human resource development in the Hotel Industry, viz., deficiency of qualified staff; lack of a proper foundation and qualified trainers; working conditions; and absence of proper systems and approaches for development of human resource.

Hotel Industry's phenomenal growth has come along with fierce competition among the players in the industry for the limited human resource available. Increased ability to retain their current employees has therefore become a very important objective for most employers in this sector. The present study seeks to identify the effects of the pay and work environment on the employee retention.

In the study, it is found that both pay and employee's working environment has a significant impact on the employee's intention to stay within the organization.

Key terms: Human Resource, Employee Retention, Pay, Work Environment.

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Hotel Industry

Regardless of the ever increasing requirement for HR in the hotel industry, the function has evidently not attained its maximum capacity around the globe. There are various issues and requirements, which concern human resource development in the Hotel Industry, viz., deficiency of qualified staff; lack of a proper foundation and qualified trainers; working conditions; and absence of proper systems and approaches for development of human resource. Mobilizing HR has become a need with the purpose to enable the staff to participate in the task or developing the organization and building attention. With the development of these skills, knowledge, and the attitude, the staff will be able to achieve the pre-determined goals. The quality of the staff's training holds an equally important place and is something that is very often neglected by the industry in the early stages.

Variables**Pay**

Pay practice is one of the human resource management practices that deal usually with salary, wage and benefits etc. which has an important role in the implementation strategies in an organization. It is generally observed that higher pay and benefit packages of an organization compared to others in the same industry or sector help in attracting and retaining quality employees, but this may have a negative impact on the organization's overall labor costs. Pay practice is an important factor for organizations to employ and retain high quality employees' right from the point of applying for the job. While on the other hand, it is also required by the employees to work hard and efficiently to maintain their productivity and level of performance or else they lose on their job plus it has some correlation with job satisfaction. Ting(2000) in his study declares the significance of pay that it is a strong determinant of job satisfaction. The research also explains two different types of pay practices that effect job satisfaction; satisfaction with financial projection in the upcoming and satisfaction with the pay itself.

Workplace Environment

Workplace environment includes the physical elements of the work area of the employee and all other things that create a part of employee's involvement with his/her work. 'World at Work', the Total Reward Association; states workplace environment as a bunch of observable psychological, physical and behavioral elements at the workplace. It is observed that a positive work environment makes employees feel good about coming to work and provides the needed motivation to uphold them throughout the day. This observation is reflected in the research study by **Wells & Thellen (2002)**, which stresses that improved levels of motivation and commitment among employees can be seen in organizations which offer suitable levels of privacy and control at the work place thereby increasing their ability to satisfy and retain employees. **Heneman (2007)**, also suggests to the fact that a positive work environment is one of the most crucial element of any organizations total reward strategy.

Employee Retention

Global economy is well-known by constant change, as a result of the mergers-acquisitions, breach of trust and downsizing. One important shift has been noticed in the human resource demand in the recent years; it is now more focused on developing human resource initiatives to attend to retention issues. Numerous important factors are included in this shift; the reality that most employees today focus on short-term benefits alternatively of life long consideration of organizational commitment with increasing desires to get employment opportunities which offer a constructive environment to efficiently use the skills, abilities and interests. Today retaining and engaging the high potential talent is what gives an organization a competitive advantage and it is now that the Human resource department is in action to retain employees through making and implementing policies for employee betterment, so employees feel satisfied and continue for longer time period with the organization.

The most serious problem encountered by the organizational leaders' of today is employee retention; due to various reasons such as scarcity of skilled labor, economic growth and employee turnover. Managing employee turnover is a serious issue for organizations today and different organizations are experimenting with different approaches for retaining their employees. An organization's human resource strategies regard retention as their comprehensive module. It begins with hiring new and right talent and bringing in efforts to keep them engaged and committed to the organization. Demands of workers/employees have increased with time in many aspects not only concerning salaries and benefits but also with the work experience and the cultural context in which it transpires. A dynamic work environment can act as a critical strength in attracting and retaining valuable employees. Thinking of today's employment market it is important to cater the demands and needs of employees in order to retain them. All retention strategies become useless unless designed properly.

LITERATURE REVIEW

Panwar (2012) explained why associates of organizations aren't able to keep up with the changing industrial environment. This was done through a survey of various employees at hotels and it was found that majority of the employees wanted to switch to other hospitality related industries like retail, ecommerce, aviation or tourism related sectors. Remuneration and long shift timings are the two major areas of discontent for the employees of the hotel. The project would also highlight on pointers for the hospitality industry to retain its associates. **Fitz-enz (1990)** perceived that maintenance of representative isn't reliant on a solitary factor, yet assortment of factors which are somehow in charge of retaining them in an association. The Management needs to give careful consideration to factors, for example, pay structure alongside rewards, their job security, training and development, a supporting culture, organizational justice and the environment they work in. As per the study by **Osteraker (1999)**, satisfaction and retention of employees are the fundamental factors for the success of an organization.

These factors of retention can be isolated in three general classes which are mental, social and physical. The mental measurement of retention comprise of work attributes, employees dependably lean toward adaptable work assignments where they can utilize their insight and see the after effects of their endeavors which, thus, helps in holding the significant resources. The social dimension comprises of the contacts that the employees have with other individuals, both internal and external. The physical dimension comprises of working conditions and pay.

Walker (2001) identified seven factors that can improve employee retention: (i) pay and energy work, (ii) difficult working conditions, (iii) promoting opportunities and learning, (iv) the welcoming atmosphere within the organization, (v) constructive relationships with the employees; (vi) good work-life balance; and (viii) excellent communication. Together, they recommend a provision on labor standards and practices that can be considered as a representative commitment to a home. In the research work of **Iqbal and Akhtar (2017)**, a relationship is established between organization culture, job satisfaction, benefits and compensation to check their impact on employee retention. The association of these variables with the motivational theories has additionally been estimated. Other than this, benefits and compensation are additionally solid determinant of employee retention in any organization. There is a huge connection between rewards offered by a firm and job satisfaction for the employees to work for the organizations for a longer term. Higher pay and benefits as contrast with different organizations in the market pull in and retain top notch employees. In this way, these components are straightforwardly identified with employee retention in any organization.

Mandhanya.Y (2015), demonstrates that work condition has positive association with employee retention and in this way influences employees' decision to remain in the organization. The study implies that the management ought to give viable working condition to retain employees. The study additionally prescribes that flourishing and benevolent condition ought to be given at the workplace to make employees more fulfilled to stay in the organization. **Malik.M&Munir. Y (2012)**, express that on account of joblessness and destabilization of economy the main beyond any doubt wellspring of job fulfillment is pay and promotion. This exploration analyzed the effect of pay and promotion upon job satisfaction at college level of Punjab. The discoveries uncover that compensation has noteworthy effect on job satisfaction yet the promotion has huge or halfway effect on job satisfaction of educationalist. It makes make up as an imperative feature of mobility of labor identified with workers, often having impressive addition of wages. Pay fulfillment and satisfaction of job security both are most noteworthy categorization of job satisfaction for finding out give-ups in regards to future, though satisfaction as to promotion opportunities is not a main factor.

RESEARCH METHODOLOGY

Objectives

- 1) To examine the effect of Pay on employee retention in the Hotel Industry.
- 2) To determine the effects of Work Environment on employee retention in the Hotel Industry.

Problem Statement

Retention is the ability of a company to keep valued employees who contribute to organizational success for as long as the relationship is mutually favorable. In order to keep this relationship ongoing the organization has to focus on various parameters. This study focuses on the importance of pay and working environment as these are critical and major reasons for the employee attrition. The working environment, culture and the monetary benefits that employees get motivate them. If not stressed upon these factors it leads to high rates of attrition especially in the Hotel Industry as it is a service sector.

Relevance of the study

The findings of this research would be critical in shaping the HRM practice of hotels specifically with regard to the design and implementation of pay strategies and systems. It will help in examining the already prevailing practices with respect to these factors for retaining employees in the long run within the organization. It is seen through researches that working environment plays a critical role in shaping the perspectives of the employees and the pay provided helps in their intentions to stay in the organization.

Data Collection

Instrument for primary data collection:

A questionnaire was prepared to utilize the variables of Pay, Working Environment and Retention. The questionnaire had four different sections. The first section was aimed at collecting demographic data of the respondents. The second section and third section is on employee's perception about Pay and Working environment as a factor for their intention to stay in the organization. The fourth section is on Retention.

Questionnaire's reliability:

After the desired questionnaire was filled, Cronbach Alpha was calculated to measure the reliability of the collected data. The value of Cronbach's Alpha should be above 0.7, and then only the instrument is considered to be reliable. The overall reliability after the pilot survey is .973, suggesting that the data collected have relatively high consistency and the questionnaire is completely reliable.

Dependent and Independent Variable:

Dependent variable in this study is "Employee Retention" and Independent variable is "Pay and Working Environment"

Scale

The questionnaire comprises of 42 items. All 42 items are scored on a five point scale The scale is: 1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

Sampling:

In this study, the population is the middle level management of Hotel Industry in NCR region. A sample is a subset of the population it is related to the population under consideration. The sample size taken in this study is 163 employees and the method used was Simple Random Sampling.

Data Analysis

The software named SPSS (Statistical Package of Social Sciences) version 20.0 was used for statistical analysis. The tests that were used in the study were Reliability, Correlation and Regression to find the impact of organizational culture on employee engagement

Hypothesis**For Employee Retention and Pay**

H₁: There exists a positive relationship between Pay and Employee Retention

H₂: There exists a significant impact of Working Environment on Employee Retention

DATA ANALYSIS**Reliability****Table 4.1:Reliability Statistics**

Cronbach's	Cronbach's Alpha Based on	N of Items
Alpha	Standardized Items	
.971	.973	42

Correlations**Table 4.2 :Inter-Correlation**

		Pay	Working environment	Retention
Pay	Pearson Correlation	1	.904**	.881**
	Sig. (2-tailed)		.000	.000
	N	163	163	163
Working Environment	Pearson Correlation	.904**	1	.863**
	Sig. (2-tailed)	.000		.000
	N	163	163	163
Retention	Pearson Correlation	.881**	.863**	1
	Sig. (2-tailed)	.000	.000	
	N	163	163	163

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

Interpretation

In the above mention figure

Person Correlation represents the strength and direction of the correlation

Sig (2 tailed) represents the probability of a correlation this strong occurring due to chance.

And N represents the size or sample of the population which in this study is 163.

This study has been done with a correlation significant at the level 0.01(2 tailed) which means that any value below 0.01 will have a strong and a positive correlation.

Table 4.3 Interpretation for Correlation.

Independent Variable	Dependent Variable	Level of Significance	Pearson's Correlation
Pay	Retention	0.000	.881
Working Environment	Retention	0.000	.863

Hence, there is a positive correlation between Pay and Retention and Working environment and Retention. Also since the person's Correlation is high it depicts that the strength of correlation is strong.

Since the p value is $0.00 < 0.01$, therefore we can say that we accept the hypothesis that there is a relationship between Pay and Retention and Working Environment and Retention.

Regression

Regression between Pay and Retention

Table 4.4: Value of R square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881 ^a	.776	.775	.37292

Table 4.5 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.695	.137		5.067	.000
	Pay	.864	.037	.881	23.618	.000

a. Dependent Variable: Retention

Interpretation

The above tables provide the value of R^2 and Adjusted R^2 . R represents the simple correlation which in this is 0.881, hence indicating a high degree of correlation.

R^2 indicates how much is the variation of dependent variable which can be explained through the independent variable, in this case being 0.776 i.e. 77.6%, indicating a high dependency.

The regression equation for Pay and Retention is: $Y_1 = .864x_1 + .695$

And since the p value is 0.000 which is less than 0.05 we can reject the null hypothesis, thereby implying that pay has an impact on Employee Retention.

Regression between Working Environment and Retention

Table 4.6 : Value of R square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 ^a	.745	.744	.39781

Table 4.7 : Coefficients Beta Value

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.199	.172		1.160	.248
	Working environment	.924	.043	.863	21.695	.000

Dependent Variable: Retention

Interpretation

The above tables provide the value of R^2 and Adjusted R^2 .

R represents the simple correlation which in this is 0.863, hence indicating a high degree of correlation.

R^2 indicates how much is the variation of dependent variable which can be explained through the independent variable, in this case being 0.745 i.e 74.5%, indicating a high dependency.

The regression equation for Working Environment and Retention is $Y_{2} = .924X_{2} + 1.199$ And since the p value is 0.000 which is less than 0.05 we can reject the null hypothesis, thereby implying that Working Environment has an impact on Employee Retention.

Conclusion

Both Pay and working environment have a significant relationship with employee's intention to stay within the organization. The significance was seen at a level 0.01 which means 99% confidence interval. Since both the values were 0.000 it means the level of significance is evident. We also understand through the value of Pearson's correlation that strength of this correlation is very strong and that the significance didn't occur out of sheer chance.

The Pearson's Correlation value for them is: Pay: 0.881, Working Environment: 0.863. Through regression analysis we see how much is the variation of dependent variable which can be explained through the independent variable, hence depicting the dependency of the dependent variable upon the independent variable. The adjusted R^2 value for the two independent variables are: Pay : 0.776 ,Working environment : 0.774. This means that the dependent variable Retention has a 77.6% dependency upon the independent variable i.e Pay. In case of working environment the level of dependency of the dependent variable upon the independent variable is 77.4%. Hence we see through our analysis that there exists a positive correlation between Pay and Working Environment on Retention, proving the Alternative hypothesis ($H_1(1)$ and $H_3(2)$) right. To add more strength to the result regression analysis was done showing the extent of dependency which in both cases is above 75%. Hence, there exists a strong positive relationship between the independent and dependent variables.

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