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Identifying Factors Playing Important Role in the Increasing Employee Turnover Rate: A Case of Telecom Industry in Pakistan

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ABSTRACT

The objective of this study is to know about the practices of Telecom industry, regarding their employees and to know how they keep up with the intense competition in the industry. The study focuses on factors effecting Employee Turnover and those that factors play an important role in retaining the employees of Telecom industry. The universe of this study was all the employees of Telecom industry in Islamabad, Karachi and Lahore. For this purpose survey method was used by using questionnaire as a tool for data collection. The results have shown that Salary, Working Environment and Benefits are three significant factors effecting employee turnover and correlated with each other. The study was faced by certain limitations, which include time constraints and resources constraints, which limit this research to only Islamabad, Karachi and Lahore offices of the organizations in telecom industry of Pakistan. The present study found support for an independent variable with Employee turnover. Significant negative correlations have been found for the Salary, Work environment and Benefits. Therefore, organizations need to focus on how to develop better Salary plan and reduce strain in the workplace. If staff voluntarily leaves, it is a great loss to the telecom industry. It is expensive to hire, train, and "bring up to speed" new replacements. It is, therefore, important to understand the antecedents of turnover intent of employees before they decide to quit.

JEL. Classification: J28; J63;

Keywords: Employee Turnover, Telecom Industry; Pakistan; Factors.

1. INTRODUCTION

Employee turnover is a global phenomenon. In the present world of economic growth, changing socioeconomic factors, dynamic labor markets and hyperactive macro-environmental factors, of almost all the organizations face the problem of employee turnover. In this very competitive environment no business can enjoy and sustain the success until it deals with this turnover problem efficiently and successfully. In the near past, the competition among the business sectors has been immense which

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has increased the importance of human resource management functions. Now a day Telecom companies are very cautious about the human resource policies and there is a great emphasis on using the human capital efficiently not only to increase the productivity but also to get the competitive advantage. Employees are considered as the basic operating unit of an organization, when organizations invest heavily to attract, recruit and then train the employees. And after all these efforts, losing these employees is a great loss to the concerned organizations. Therefore, there is a great need to first identify the factors that cause the employees to leave the organizations and secondly, devise the strategies to retain them.

1.1 Objective of the Study

The objective of this study is to know about the practices of Telecom industry regarding its employees and how to keep up with the intense competition in the industry. The study focuses on factors effecting *employee turnover* and on factors that play an important role in retaining the employees of Telecom industry.

Employee turnover is becoming a serious problem in today's corporate environment. Very high turnover rate have not only negative impact on the productivity of any organization, but it also stains their reputation. When employees leave the organization the management has to look for their replacement and invest resources into it and the loss of time becomes another problem for the organization.

The lack of opportunities and benefits, low salaries and unsatisfactory working conditions are most important factors effecting *employee turnover* of any organization. A lot of opportunities for advancement and better incentives and benefits for staff are important to glue employees to the organization. On the other hand, equal and standard wage structures are also important to avoid this major problem of increased *employee turnover* because employees always desire to opt for higher paying jobs and they also believe on the phenomenon of equal pays for equal work. Working conditions of any job leads to dissatisfaction of employees and that is why they start looking for a better option.

Employees always desire for satisfactory office environment. Office environment is basically something about the culture or attitudes of any organization, that is why, it includes all those aspects, which are somewhat related to building of a working environment. All those aspects could be declared as working conditions. It also includes working schedule and nature of tasks assigned besides the facility, easy excess, personal space, communication or cooperation among employees. Some employees desire a far more challenging job, and assignment of challenging jobs increase their loyalty to the organization and they do not need to think about switching to other organizations because they always have opportunities to apply and polish their capabilities.

1.2 Organization of Remainder

Section 2 is literature review, section 3 is about methodology, which gives details of the research instruments; data collection, theoretical framework and development of hypotheses. Section 4 gives the correlation and regression analysis. Section 5 gives the research results and discussions. Section 6 gives findings. Section 7 gives concluding remarks and implications of findings, and finally section 8 gives the limitations and deficiencies of this study.

2. LITERATURE REVIEW

The studies relating to employee turnover in organizations are available to identify various factors regarding their influence on the functioning of a Telecom industry.

Study of Abdullah (2006) showed that Employee turnover has become a very critical problem in

Pakistan's Telecom industry as is the case with many others in various countries. Employees are believed to exploit the labor market conditions and shortage of skillful workers in this industry. A larger number of job opportunities, ease of job switching, attractive salaries and huge demand of skilled workers are some of the highlighted reasons of this problem. Social dynamics and effective communication systems are central to the effective performance levels of work teams. Turnover can have a negative effect on the functioning of an organization through loss of team integration, cohesion, and morale. It may also lead to increased, in-group, conflicts and breakdown of interaction with customers. It is widely believed that a significant amount of turnover adversely influences organizational effectiveness and disrupts performance and productivity.

William (2006) identified by relative comparison of all the important factors involved in retention of employee's compensation: salary or wages, benefits, working conditions, chance for promotion plan. Wilson (2000) observed that a competitive salary is most useful for attracting entry-level employees of Telecom industry and also discovered that monetary incentives such as higher pay and better fringe benefits could positively influence the employee's decision to stay on the current job, because it would increase job satisfaction.

Speh (1999) was the first to identify motivational and reward programs as most effective for Telecom employees' retention; however, it was not investigated, which factors are attributed to employee turnover. Autry and Daugherty (2003) examined the relationship between person-organization fit, job satisfaction, coping behavior, and their impact on Telecom employee turnover. Min (2002) examined various incentives that could help to reduce employee turnover and identified key obstacles for the successful implementation of Telecom employee recruitment and retention strategies.

Griffeth (2004) have explored key occupational (experience), organizational (firm size, family-friendly atmosphere), and individual (pay scale, fringe benefits, bonus, job security, advancement opportunity) variables for their potential influence on Telecom employee turnover. Cardenas and Bernas (2004) has pointed out that work overload is another facet of work-environment and defined as a stressor when the employees feel that they have too many responsibilities or tasks in a defined period. Overload results from an interaction between the employee and his/her environment. One employee may feel that the workload is reasonable whereas another may perceive it as over burdening. Work overload is therefore very subjective in nature. Overload may be of two different types: quantitative or qualitative. When employees perceive that they have too much work to do, too many different things to do, or insufficient time to complete assigned work; a condition of quantitative overload exists. Alternatively, qualitative overload occurs when employees feel that they lack the ability to complete their jobs or that performance standards are too high, or they just have too much to do regardless of how much time they have. Therefore, an overburdening workload will require an increase in time and energy to fulfill the job requirements.

According to Campion (1991) work overload contributes to employees' strain, tension, job dissatisfaction and decreasing turnover. High workloads have been shown as lead for negative outcomes; for example, absenteeism, and low job satisfaction.

According to Spector and Jex (1998) a high workload may result in feelings of anxiety and frustration. The rationale for this hypothesis is that perceptions of a high workload by the employee are likely to result in some form of uncertainty about the completion of work tasks, resulting in low job satisfaction.

Ashforth (1996) suggested that socialization opportunities within the organization might increase job tenure among employees (especially new hires) by assimilating those employees into the existing organizational culture and consequently strengthening their organizational commitment. Similarly, observation reveals that some Telecom employees could be motivated to stay on their current jobs by

increased social activities.

According to Lawler (1983) job satisfaction typically originates from two sources: intrinsic and extrinsic. Intrinsic sources refer to attributes that have psychological (emotional) values for an individual. These attributes may include autonomy, freedom, recognition, and ambience. On the other hand, extrinsic sources refer to tangible attributes that originate from outside the individual. These may include competitive pay, fringe benefits, bonuses, job security, and working conditions.

Mobley, Griffeth, Hand and Meglino (1979) pointed out that turnover intent is the cognitive process of thinking, planning, and desiring to leave a job. It is easier to measure turnover intent than voluntary turnover because administrative records may be unavailable, incomplete, or inaccurate. Turnover may be voluntary or involuntary. Regardless of the type of organization, voluntary turnover is disruptive and harmful to the organization. It is also costly, both directly and indirectly. Cascio (1976) has defined, through research, that voluntary turnover is initiated at the choice of the employee whereas employees have no choice in their involuntary turnover i.e., termination (such as long term sickness, death, moving overseas or employer-initiated termination). Voluntary turnover can be predicted (and in turn, controlled) by the construction of turnover intent. According to Dalton and Todor (1979), moderate levels of turnover are acceptable and encouraged as the new employees may contribute fresh ideas, their knowledge, skills and abilities, creative approaches to problem solving, and different working styles can enhance the social capital of the organization.

According to Cotton (1996) in "*Unfolding Model*" defining a very critical factor- "*Lack of work Life Balance*" behind high turnover in the organizations. As every personal in the world have his/her, own life to which he/she wants to give proper time other than work life. So whenever employees found any conflict in between both types of lives, they prefer to move somewhere else, where they could avoid such kind of conflicts.

According to Des and Shaw (2009), one of the main consequences for organizations that have a high turnover is the financial cost. The total costs of employee turnover are hard to measure, in particular the effects on the organization's culture, employee morale, and social capital or loss of organizational memory

North, Rasmussen, Hughes and Finlayson (2005) found the cost of losing a high performer, who has a high degree of knowledge, skills and abilities, or an employee, who is employed in an area where there is a labor market shortage, can be substantial to the organization's performance, productivity, and service delivery. In addition, turnover can have a negative impact on other employees by disrupting group socialization processes and increasing internal conflict, which can lead to triggering additional turnover

According to Blau (1964) the rewards can be tangible, such as income; and intangible, such as being treated with respect, dignity, and fairness. This reciprocal exchange is grounded in social exchange theory and the mutual transaction of benefits to each party shapes the social interactions. It is reasonable to assume that employees are more likely to respond favorably to fair treatment than unfair treatment. Indeed psychological theory states that the importance of fairness is a basic need for the well being and satisfaction of employees

According to the Rusbult and Farrell, (1983) Turnover refers to the characteristic of a given company or industry, relative to rate at which an employer gains and losses staff. If an employer is said to have a high turnover, it most often means that employees of that company have a shorter tenure than those of other companies in the same industry. Similarly, if the average tenure of employees in a particular sector is lower than that in other sectors, that sector can be said to have a relatively high turnover.

When accounting for the costs (both real and opportunity costs), the cost of employee turnover to for-profit organizations has been estimated to be up to 150% of the employees' remuneration package.

3. METHODOLOGY

3.1 Research Instrument

The study is based on primary source of data. Thus instrument used to conduct the research is Structured Questionnaire. Structured questionnaire was floated in the Telecom Industry; the targeted population was the Telecom companies (MOBILINK, Ufone, Telenor, Warid and Zong).

3.2 Sample and Data Collection

The sample was chosen on convenient sampling. The sample size for this study was 150 respondents from 30 business centers of these organizations located in Islamabad, Karachi and Lahore. The questionnaire is designed on LIKERT scale and analyzed through Correlation and Regression technique.

3.3 Theoretical Framework

The turnover models have been drawn mainly from William's (2006) process model, which dominated the early research on turnover. Some variables in the turnover models are regarded as independent that have a direct relationship with turnover.

Four main variables in our research are: Employee Turnover, as the dependent variable; and Salary, Work Environment and Benefits, as independent variables. The basic reasons of employee turnover are Salary, Working Conditions and Benefits. All of these factors are having a relationship with employees' turnover and as these factors increase it will directly decrease the employees' turnover of Telecom Industry.

3.4 Conceptualization



3.5 Hypothesis

Salary Vs Employee Turnover

H10: Salary doesn't affect on employee turnover.
H1a: Salary directly affects the employee turnover.

Working Environment Vs. Employee Turnover

H20: Working Environment and employee Turnover are independent of each other.
H2a: Working Environment and employee Turnover are dependent of each other.

Benefits Vs. Employee Turnover

H30: Benefits in terms of bonuses will not satisfy and retain employees.

H3a: Benefits in terms of bonuses will satisfy and retain employees.

4. CORRELATION AND REGRESSION ANALYSIS

4.1 Correlations

Table-1: Descriptive Statistics

	Mean	Std. Deviation	N
Employee Turnover	3.8225	.42161	150
Salary	2.9250	.34043	150
Work Environment	2.6249	.32542	150
Benefits	2.1859	.52341	150

Table-2: Correlations

		Employee Turnover	Salary	Work Environment	Benefits
Employee Turnover	Pearson Correlation	1	-.571(**)	-.428(**)	-.472(**)
	Sig. (2-tailed)		.000	.000	.000
	N	150	150	150	150
Salary	Pearson Correlation	-.571(**)	1	.713(**)	.721(**)
	Sig. (2-tailed)	.000		.000	.000
	N	150	150	150	150
Work Environment	Pearson Correlation	-.428(**)	.713(**)	1	.754(**)
	Sig. (2-tailed)	.000	.000		.000
	N	150	150	150	150
Benefits	Pearson Correlation	-.472(**)	.721(**)	.754(**)	1
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

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

4.2 Regression

Table-3: Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1	Benefits, Work Environment, Salary		Enter

a All requested variables entered.

b Dependent Variable: Employee Turnover

Table-4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.690(a)	.476	.464	.21745

a. Predictors: (Constant), Benefits, Work Environment and Salary

Table-5: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.075	3	1.244	29.46	.001(a)
	Residual	28.050	147	.049		
	Total	43.125	150			

a Predictors: (Constant), Benefits, Work Environment and Salary

b Dependent Variable: Employee Turnover

Table-6: Coefficients (a)

		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.945	.284		12.820	.000
	Salary	-.591	.135	-.879	-5.841	.000
	Work Environment	-.332	.123	-.473	-2.989	.002
	Benefits	-.221	.108	-.117	-2.501	.004

a. Dependent Variable: Employee Turnover

5. RESEARCH RESULTS AND DISCUSSION

The data was analyzed through SPSS software by using correlation and regression. The correlation test indicates the correlation between the variables. The correlation values show that there is a negative correlation of Employee Turnover with Salary, Working Environment, and Benefits. The regression test implies that model is fit having F value 29.46. The t value for Salary is (-5.841), Working Environment (-2.989), Benefits (-2.501) and all values are greater than 2. According to the rules if t value is greater than 2 ($t > 2$) then null hypothesis will be rejected and alternate hypothesis will be accepted.

5.1 Results and Hypothesis

Salary Vs Employee Turnover

H10: Salary doesn't effects employee turnover. REJECTED.

H1a: Salary directly affects the employee turnover. ACCEPTED.

Working Environment Vs. Employee Turnover

H20: Working Environment and employee Turnover are independent of each other. REJECTED.

H2a: Working Environment and employee Turnover are dependent of each other. ACCEPTED.

Benefits Vs. Employee Turnover

H30: Benefits in terms of bonuses will not satisfy and retain employees. REJECTED

H3a: Benefits in terms of bonuses will satisfy and retain employees. ACCEPTED

6. FINDINGS

An analysis of the research conducted on the Telecom industry's employees to the survey questionnaire indicates that all the independent variables have significant effects on Employee turnover. As Salary increases, Working Environment and Benefits provided are good then Employee turnover drops. Many people desire rewarding, enjoyable, and enriching jobs. If the employees are highly dissatisfied with their Salary, Work environment and Benefits than they may likely want to leave the job that is causing so much pain and discomfort and will be more likely to voice intentions to leave in order to alleviate the negative feelings. The research indicates the individuals, who consistently experience unpleasant or dissatisfying environments or situations have more reasons to turnover. Workers, who are happy with their overall work environment, have far less reason to Employee Turnover. Similarly, as Salary and Benefits increases, the desire to leave the job decreases. It appears that those with higher paid Salary and Benefits have stronger bonds with the organization, and these bonds generally ensure that they will remain members in the organization.

7. CONCLUSION AND POLICY IMPLICATIONS

Conclusions have been drawn after extensive research conducted in order to find out the reasons of turnover of Telecom sector's employees. The present study found support for an independent variables with Employee Turnover and significant negatively correlations have been found for the Salary, Work environment and Benefits. Therefore, organizations need to focus on how to develop better Salary plan and reduce strain in the workplace. The responses gathered after research has proved that hypothesis regarding Salary, Working Environment and Benefits were true; and these independent variables are directly related to increase in turnover of the organization. If staff voluntarily leaves, it is a great loss to the organizations. It is expensive to hire, train, and "bring up to speed" new replacements. It is, therefore, important to understand the antecedents of turnover intent of employees before they decide to quit.

8. RESEARCH LIMITATIONS

The major factors which affected the internal validity of our research are: maturation effect and testing effect.

The study was faced by certain limitations and those limitations included time constraints and resources constraints which limited our research to only the Islamabad Karachi & Lahore office of the Telecom organizations.

Testing effect also affected our research in a way that employees answers to the questions in a way which showed their loyalty to their organization and which sets in the best interest of organization. Another factor, which limited our research was problem in directly accessing employees and convincing them to respond.

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