



THE EFFECT OF JOB SATISFACTION ON EMPLOYEE RETENTION

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Abstract

Job satisfaction and employee retention, as an academic concept, has aroused wide attentions from the fields of management, social psychology, and practical operations in recent years. This research paper reviews more than a decade of researches on the antecedents and outcomes of job satisfaction and employee retention. Therefore, the current study attempts to explore the relationship between job satisfaction and employee retention. For this, the study uses a descriptive research design. In conclusion, the findings of the study suggest that there was a positive correlation between job satisfaction and employee retention.

Keywords: Job satisfaction, Employee retention, Human resource, Correlation

INTRODUCTION

The relationship between employee retention and job satisfaction at work has been one of the most researched areas in the field of management in relation to different professions. Moreover employee retention is a major concern in an organization's competitive advantage since it would have an impact on the organization's efficiency, productivity, and sustainability of the organization. Particularly, employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Even though Employee Retention has now become a tough task, it is beneficial for the organization as well as for the employee.



In addition, employee job satisfaction also is significant to an organization's performance. Hoppock defined job satisfaction as any combination of psychological, physiological and environmental circumstances that cause a person truthfully to say I am satisfied with my job (Hoppock, 1935). According to this approach although job satisfaction is under the influence of many external factors, it remains something internal that has to do with the way how the employee feels. That is job satisfaction presents a set of factors that cause a feeling of satisfaction.

One of the most often cited definitions on job satisfaction is the one given by Spector according to him job satisfaction has to do with the way how people feel about their job and its various aspects. It has to do with the extent to which people like or dislike their job. That's why job satisfaction and job dissatisfaction can appear in any given work situation. Job satisfaction represents a combination of positive or negative feelings that workers have towards their work. Meanwhile, when a worker employed in a business organization, brings with it the needs, desires and experiences which determinates expectations that he has dismissed. Job satisfaction represents the extent to which expectations are and match the real awards. Job satisfaction is closely linked to that individual's behaviour in the work place (Davis et al.,1985)

At the same time, the task of the human resource management in an organization is done flawlessly if it places a right person for a right job at a right place in a right time. However, retention is more important than hiring. A skilled and talented employee will never fall shortage of the opportunities, since he or she has numerous options to choose from different organizations to be with. If a person is not satisfied with his or her present job, he or she may shift over to another, of his choice. The top organizations are on the top because they care for their employees and they know how to keep them glued to the organization.

Employees stay or leave organizations for many reasons the reasons may be personal or professional. Employees who are satisfied and happy with their jobs are more dedicated and work for organization's growth. If employees are satisfied at their job then they will stick and work for the organization. This may be translated to employees that are satisfied with their job will stay with the organization. The purpose of this study is to investigate the relationship between job satisfaction and employee retention.

LITERATURE REVIEW

Job satisfaction is the most important factor for organization success. George & Jones (2002) study explains that level of job satisfaction in the work place is the factor that influences absenteeism which in turn it may cost employee turnover and the impact of it is at times employees might resign or leave their jobs. Bigley et al.(1996) supported the opinion that

employees who are dissatisfied with their jobs are more likely to be absent. Rhodes & Steers (1990) recommend that motivations and ability of the employees based on the employee attendance is vital to organizations productivity.

In addition, Job satisfaction represents a combination of positive or negative feelings that workers have towards their work. Meanwhile, Job satisfaction represents the extent to which expectations are and match the real awards. Job satisfaction is closely linked to that individual's behaviour in the work place (Davis et al.,1985).

Moreover, Job satisfaction is something that working people seek and a key element of employee retention which is possible only by making the employee feel comfortable physically and psychologically. The inflationary trends seen in the market economy is causing the job market more competitive. It is getting more difficult to retain employees, as the pool of talent is becoming more-and more tapped-out. A good employer should know how to attract and retain his employees (Qadria Alkandari, 2009). There might be many other strategies to keep the employees comfortable in the present job but motivation strategies boost the employees on day to day basis. Contrary to modern belief, monetary compensation is not the highest employee motivator. According to the Harvard Management Update (June, 1988) nine of ten managers think people stay or go because of money. But, Kaye and Evans (2000) conclude that money and perks matter, but employees are interested in challenging and meaningful work, good bosses, and opportunities for learning and development.

Also Employee Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to retain talented employees from getting poached. There are many factors which show the importance of the employee retention. Elton Mayo (2003) believed that workers are not just concerned with money but could be better motivated by having their social needs met whilst at work (something that Taylor ignored). He introduced the Human Relation School of thought, which focused on employers taking more of an interest in the employees respecting their opinions and treating them as people who have worthwhile knowledge and realized that employees feel comfortable and enjoy interacting together.

While lower paying job roles experience an overall higher average of employee turnover, they tend to cost companies less per replacement employee than do higher paying job roles. However, they incur the cost more often. For these reasons, most companies focus on employee retention strategies regardless of pay levels (Beam, 2009).

They may be the turnover cost which includes hundreds of thousands of pesos to the company's expenses. In fact, it is difficult to calculate the turnover cost which includes hiring costs, training costs and productivity loss, industry experts often quote 25% of the average

employee salary as a conservative estimate. Company information loss is the next factor which shows the significance of retention. When an employee leaves the organization, he takes with him the valuable information about the organization, the customers, the current projects and also the past history of its competitors to the new employer. Lot of time and money has been spent on an employee in expectation that he works for organizations future return. When the employee leaves the organization the investment is not realized.

METHODOLOGY

The total population of employees working in Baguio City as of 2013 is 165,049 shown below (figure 1), based on the Cities and Municipalities Competitiveness Index under the National Competitiveness Council Philippines. In order to get a sample size of the total population, the researcher used the “Slovin’s Formula” to determine the sample size.

The sample comprise of 100 employees from different organizations in Baguio City, Philippines. The criteria of respondents that the researcher selected should have at least 3 years of work experience in the past or present in their respective fields so that the answers they provide would be significant to the results gathered. The data collection process started from January 2013 and was completed on February 2013.

Capacity to Generate Employment	2011	2012	2013
Number of declared employees for NEW business applications	19,946	23,347	24,687
Number of declared employees for business RENEWALS	92,654	105,859	140,362
TOTAL Number of Declared Employees (NEW AND RENEWAL)	112,600	129,206	165,049

Figure 1. Sampling Frame

(<http://www.competitive.org.ph/cmindex/pages/historical/?lgu=Baguio>)

Sample size was determined using the Slovin’s Formula.

$$n = \frac{N}{1+Ne^2}$$

$$n = \frac{165,049}{1651.49}$$

$$n = \frac{165,049}{1+165,049(.10)^2}$$

$$n = 99.93 \text{ or } 100$$

Where:

n = Sample size

N = Population size

e = Margin of error (10%)

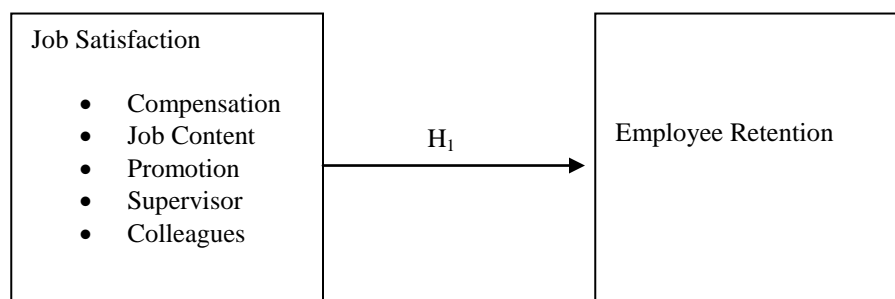
The Job descriptive index (JDI; by Smith, Kendall and Hulin) is a five-subscale measure of employee job satisfaction. The five facets are 1) Compensation, 2) Job content, 3) Promotion, 4) Supervisor, and 5) Colleagues. The JDI consists of 32 items to be rated by participants on a 5-point likert scale format response scale (i.e., Strongly disagree, disagree, Neither agree nor disagree, Disagree, and Strongly disagree).

The questionnaires were distributed to respondents and they completed the questionnaire manually. The data was collected individually. At the beginning of each questionnaire, an overview was provided. All respondents must fill a demographic form which includes information on, gender, and if employed previously/currently or unemployed to sort out if respondents worked previously or currently. If unemployed is checked then the questionnaire will be discarded. The researcher gave directions on the 5 Aspects of Job Satisfaction by (Smith, Kendall and Hulin); Compensation, Job Content, Promotion, Supervisor and Colleagues. Participation was voluntary and the responses were anonymous. The respondents were informed about the purpose of the research. As with all study participants, they were assured that all information would be kept confidential.

After the collection of data, the filled questionnaire sheets were tabulated. The data was tabulated using Statistical Package for the Social Sciences (SPSS), version 16.0 was used for all statistical analysis. Descriptive statistics for respondents' profile followed by Regression Analysis was performed in order to find the correlation between Job satisfaction using 5 Aspects of Job Satisfaction by (Smith, Kendall and Hulin); Compensation, Job Content, Promotion, Supervisor and Colleagues and employee retention.

RESULTS

Conceptual Framework



Reliability Statistics

Cronbach's alpha estimated .932 establishing internal consistency and reliability.

Table 1. Descriptive Statistics

Indicators	Mean	Std. Dev	Sig
<i>Compensation</i>	3.1400	.76692	.000
1. I am satisfied with the salary that I receive from my work.	3.1800	.87342	.000
2. I am satisfied with the benefits that I receive from work (Health Insurance, vacation I and sick leaves.)	3.2600	.98582	.000
3. I am paid fairly with the work I contribute to my company.	3.0800	.92229	.000
4. I am satisfied at work because there are bonuses/rewards given for excellent performance.	3.0200	.82040	.000
5. I am satisfied with the salary that I receive from my company.	3.1600	.86567	.000
<i>Job Content</i>	3.2560	.77306	.000
6. I am satisfied of the number of hours that I work every month.	3.3400	1.02240	.000
7. I am satisfied with the work that I am doing in my company.	3.2600	.89921	.000
8. I am satisfied because there is a degree of independence associated with my work roles.	3.3600	.94242	.000
9. I am satisfied at work because I was recognized for the good work accomplished.	3.1800	1.06311	.000
10. I am satisfied because there is adequate opportunity for periodic changes in duties.	3.1400	1.01035	.000
<i>Promotion</i>	3.0840	.77994	.000
11. I am satisfied with my work because there are opportunities for promotion.	2.9200	.87691	.000
12. I am satisfied with my work because there is support for additional training.	3.0600	.91272	.000
13. I am satisfied with my work because there is an opportunity to learn new skills	3.4000	.96890	.000
14. I am satisfied at work because there is an ability to utilize my skills and talents.	3.2600	1.08440	.000
15. I am satisfied at work because I can be promoted base on my work performance	2.9800	.89191	.000
16. I am satisfied at work because I can be promoted base on my educational qualification.	2.8800	.96129	.000

Supervisor	3.3013	.83931	.000
17. I am satisfied at work because I am always treated fairly by my supervisor.	3.4000	.88063	.000
18. I am satisfied because my supervisor encourages us to set high goals.	3.4200	.88271	.000
19. I am satisfied because my supervisor does a good job sharing information.	3.2800	.85809	.000
20. I am satisfied because I feel comfortable discussing problems with my supervisor.	3.1400	.98995	.000
21. I am satisfied because my supervisor treats me with respect.	3.3400	1.02240	.000
22. I am satisfied because I receive useful and constructive feedback from my direct supervisor	3.2400	1.02140	.000
Colleagues	3.6400	.71714	.000
23. I am satisfied at work because I and my colleagues get along with each other.	3.8600	.85738	.000
24. I am satisfied at work because everyone works together to solve problems and meet operational goals.	3.5200	.86284	.000
25. I am satisfied at work because I am treated with the way other co-workers treat me on the job.	3.7000	.86307	.000
26. I am satisfied at work because my co-workers have the same workload as I have.	3.2400	1.02140	.000
27. I am satisfied at work because I and my colleagues get along with each other	3.8800	.82413	.000
Overall Job Satisfaction	3.2823	.54772	.000
Employee Retention	2.9120	.73973	.000
28. I want to stay with my company because there is career advancement for me.	2.8600	.90373	.000
29. I want to stay with my company because there are retirement benefits.	2.7800	1.16567	.000
30. I want to stay in my company because there would be a salary increase upon regularization.	3.0000	.88063	.000
31. I want to stay with my company because the job description matches my skills, experience and education.	3.0400	1.00934	.000
32. I want to stay with my company because there is career advancement for me.	2.8800	.91785	.000

Table 1...

Table 2. Summary of Descriptive Statistics

Indicators	Mean	Std. Dev	Sig
Compensation	3.1400	.76692	.000
Job Content	3.2560	.77306	.000
Promotion	3.0840	.77994	.000
Supervisor	3.3013	.83931	.000
Colleagues	3.6400	.71714	.000
Job Satisfaction	3.2823	.54772	.000
Employee Retention	2.9120	.73973	.000

Table 3. Regression Results

Independent	Dependent	B	R ²	Sig
Compensation	Employee Retention	.549	.301	.000
Job Content		.431	.186	.002
Promotion		.592	.350	.000
Supervisor		.118	.014	.414
Colleagues		.250	.062	.080
Job Satisfaction		.543	.294	.000

DISCUSSION

This study sought to assess the correlation between job satisfaction and employee retention. Furthermore, this study evaluates that the 5 Aspects of Job Satisfaction by (Smith, Kendall and Hulin); Compensation, Job Content, Promotion, Supervisor and Colleagues. Has a great impact on employee's retention.

First Reliability test has been conducted using SPSS with a Cronbach's Alpha of .932 for 32 item questions. Instrument was found to be reliable.

Moreover descriptive statistics data analysis was used for the indicators for Compensation, Job Content, Promotion, Supervisor and Colleagues. Table 2. Summarizes the mean and standard deviation calculated which means that there is a positive impact on employees satisfaction towards work for the 5 indicators which is Compensation, Job Content, Promotion, Supervisor and Colleagues.

Results suggest that employees are satisfied by a good Compensation, Job Content, opportunity for promotion, good working relationships with colleagues and supervisor. According to the results there is positive relationship between job satisfaction and employee retention.

CONCLUSION/ IMPLICATIONS / RECOMMENDATIONS

To conclude, findings of the study illustrate that job satisfaction improves employee retention. Job satisfaction is a reliable and relevant predictor of employee retention. It is recommended that employers engage in practices that support good working relationships and benefits; job satisfaction improves because workers tend to believe that the company is using their skills, appreciating their service and commitment. In turn, higher job satisfaction generally results in higher levels of employee retention.

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Ricardo Biason is a Lecturer in the Business Studies Department at Salalah College of Technology, Oman. He taught numerous business courses in several Universities. He also developed various curriculums in different Universities and in an industrial setting, created several training materials, modules for students and for employees, created processes in the organization applying the six sigma methodologies, created methods of assessments, applied the theories of learning and principles of teaching in the education industry and industrial setting. He graduated from the University of the Philippines specializing in Curriculum development, Methods of Assessments, Learning Theories, Principles of Teaching and Basic Guidance. Prior to that he was the Dean of Business Administration at one of the Colleges in Manila, Lecturer in Arba Minch University, Ethiopia and was previously a Faculty member at Saint Louis University, and University of the Cordilleras. He has an undergraduate degree and Masters degree in Business Administration. He is also a certified six sigma greenbelt professional and Certified Marketing Professional.