

# EVALUATING THE EXTRINSIC FACTORS RELATED TO EMPLOYEES' INTENTION TO LEAVE AN ORGANIZATION

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## **Abstract**

*Organizations strive to monitor and reduce employees' turnover. A correlational study was conducted to identify causes of employee turnover intention by hypothesizing that the five extrinsic factors; reward & benefits, job security, workplace environment, management style and alternate job opportunities were significantly correlated to turnover intention. The sample of 100 employees (non-executives/operatives) working in sugar mills at Badin district of Pakistan was selected randomly and data were collected using closed-ended questionnaire. The data were analyzed using SPSS in terms of Descriptive Statistics, Chi Square and Pearson Correlation. There was a strong correlation of turnover intention with reward & benefits, while moderate correlation with alternate job opportunities and workplace environment. A weak correlation of turnover intention was found with job security and an insignificant correlation with management style. Management of the mills should control the factors that create turnover intention. Whereas creation of job opportunities will improve employees' bargaining power.*

**Keywords:** *Employee Turnover, Causes, Sugar Industry*

## **Introduction**

Pakistan is an agrarian country and the sole reliance on agriculture cause countries to remain poor and underdeveloped, since it is evident from history that countries achieved high rates of development that emphasized on industrial sector. e.g., America, Germany, Great Britain, Japan, Russia, and Pakistan has forty first positions in the industrial race in the world.

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Sugar industry plays a vital role in the economy of a country and Pakistan is the fifth largest producer of sugar in the world, provides job opportunities to nine million citizens approximately. Sugar is the second-most important cash crop of the country (Walton, 2015), although at the time of independence in 1947, there were only two sugar factories in Pakistan, at present there are 85, out of which 32 are in Sindh (Pakistan Sugar Mills Association, 2015).

Badin is an underdeveloped District of Pakistan had 0.628 Human Development Index, the sixth lowest in the province (Jamal & Khan, 2005), it is called "Sugar State" because it has six sugar mills, which cater to population of the district along with other adjacent areas. A great backlash of workers was witnessed in 2009, when workers were struggling for the right to have union at a sugar mill in Badin, Pakistan. They were fired at, many were injured and had to receive hospital treatment who were protesting for their rights (Parkash, 2009).

Though it is a seasonal industry but faces 15 percent to 25 percent annual turnover as opined by administrative employees when enquired. Justus, Kombo, Murumba and Edwin (2011) conducted a study on employees turnover in sugar industry of Kenya. Mathur and Agarwal (2013) have also investigated reasons for employees' turnover in sugar mills of Uttar Pradesh, being the sugar hub of India. Hence it gives an impetus to pay heed towards the second largest industry of Pakistan which makes it the fifth largest producer of sugar.

Employee turnover is the major factor for measuring an organization's current position and its future prospects. It also denotes the uncertainty in livelihood of a nation's workforce. Employee turnover is the percentage of employees voluntarily or involuntarily leave an organization permanently and need to be replaced by the organization. Most studies have used only voluntary turnover as their research variable. In turnover literature, writers also used the words quits, attrition, exits, mobility, migration or

succession as synonymous to turnover (Perez, 2008).

A high turnover rate is generally viewed as negatively related to organizational effectiveness (Phillips, 1996), though organizational performance depends on many factors that vary according to type of firm and related circumstances (Glebbeek & Bax, 2004). High employee turnover indicates that there are more novice, untrained and inexperienced employees in the organization that is counted as a weakness of the organization. High employee turnover also dictates that a high cost has also been sunk that has incurred on recruitment, training & development (Le Crone, 2006). It also signifies something wrong is going on in the organization that is dissatisfying the employees or competitor has successfully diverted your employees from organizational commitment (Travaglione & Shane, 2005).

Non-executive workers are the backbone of an organization, literature bulks with managerial issues and their concerns, whereas there is dearth of recent literature on turnover of non-executive workers. This study is an attempt to identify causes of non-executives' turnover intention exclusively.

### **Objectives of the Study**

- To identify the causes of employee turnover intention at sugar mills.
- To evaluate which factors are significantly correlated with employee turnover intention.
- To provide empirical evidence to mainstream literature on employees' turnover intention and directions for future research.

### **Literature Review**

In practice, non-executive workers' wellbeing is undervalued by organizations, though these workers are backbone of any organization and an economy as a whole. Schmitz (2014) emphasized

voluntary turnover of blue collar workers, as they are driving force of the economy, so it is necessary to deepen academic understanding of the mindset of blue collar workers. Seeing the significance of non-executives' turnover. Winterton, (2004), Boxall, et al., (2003), Deery, et al., (2002) and Pettman, (1973) focused their studies on turnover of nonexecutives/operatives.

Various researchers have conducted studies on causes and factors behind employee turnover or turnover intention. Mabindisa (2013) pointed low salary as the main cause of turnover in Department of Home Affairs of South Africa. Rana et al. (2009) found that salary & benefits have significant negative correlation with employees' turnover in Telecom Industry of Pakistan. Similarly, Lee et al. (2012) found salary level an important factor that influences employees' turnover in hotel employees of Taiwan. Mbah and Ikemefuna (2012) in Total Nigeria PLC in Lagos State and Shami et al. (2015) in paint industry of Pakistan found Reward & benefits as one of the main causes of employees' turnover.

Khan (2014) concluded that there is a negative and significant impact of job security on the turnover of employees. Likewise, Shamsuzzoha and Shumon (2007) indicated job security in the top most position as the basic reason why employees stay in an organization. Boxall et al. (2003) also found job security to have significant impact on retention.

Shah et al. (2010) concluded that employees agreed that working environment is a push factor that makes them to leave the job. Rana et al. (2009) found working environment have significant negative correlation with employees' turnover in Telecom Industry of Pakistan. Similarly, Lee et al. (2012) suggested work environment as important factor that influences employees' turnover in hotel employees of Taiwan.

Mbah and Ikemefuna (2012) and Shami et al. (2015) argued that supervisors' support is one of the factor that reduces employees' turnover. Whereas Nawaz et al. (2009) found supervisor's negative

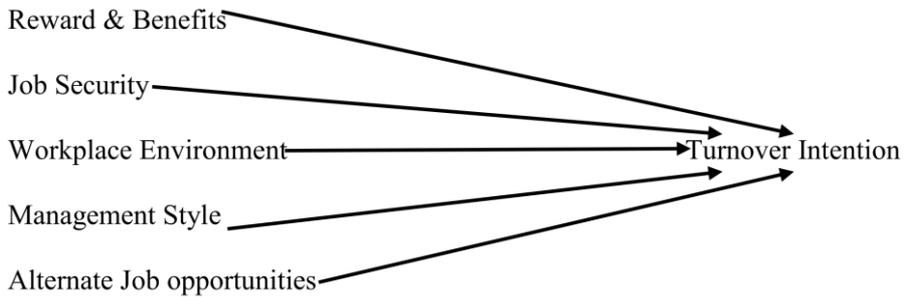
behavior as the most common cause of turnover.

Griffeth et al. (2000) pointed out that perceived employment alternatives have a modest effect on turnover. However, Rehman et al. (2008) and Sousa-Poza and Henneberger (2002) found alternative employment opportunities to be a strong predictor of turnover intention.

Farooqui and Ahmed (2013) found rewards and benefits, working environment and job security important causes of employee turnover while analyzing turnover in textile industry of Pakistan. Justus et al. (2011) concluded that there was high turnover intention in Kenya sugar industry, among the current employees if offered another better job. Furthermore, review of pay & benefits and friendly leadership styles was recommended by Justus et al. (2011) in the same study. Rewards and working environment was perceived to be the important reasons for employees' exit at the sugar mills in Uttar Pradesh, being the sugar hub of India as concluded by Mathur and Agarwal (2013).

There are five independent variables; Reward & Benefits, Job Security, Workplace Environment, Management Style and Alternate Job Opportunities, (as they were found common in literature and significant for the population). Turnover Intention is taken as dependent variable because the data collection was made from turnover intents that cannot be labeled as actual turnover. The term 'turnover' denotes only voluntary exits in the study. Turnover Intention is defined as the reflection of "the (subjective) probability that an individual will change his or her job within a certain time period" (Sousa-Poza & Henneberger, 2002). Turnover intention has a great importance as it is the factor that can be controlled and improved rather crying over spilt milk – the actual turnover (Oluwafemi, 2013). The relationships among the variables are highlighted in the conceptual framework.

## Conceptual Framework



## Hypotheses

Poor Reward & Benefits System has significant and positive correlation with employee turnover Intention

Job Insecurity has significant and positive correlation with employee turnover Intention

Unfavorable Work Environment has significant and positive correlation with employee turnover Intention

Unconducive Management Style has significant and positive correlation with employee turnover Intention

Alternate Job Opportunities have significant and positive correlation with employee turnover Intention

## Research Methodology

This is a cross-sectional, descriptive, correlational study. The sample of 100 non-executives/operatives was selected randomly from six different sugar mills located in Badin District. The participants are the existing male employees. The sample of 100 was taken by Justus et al. (2011) while investigating labour turnover in sugar industry of Kenya. Shah et al. (2010) while analyzing University Teachers' turnover in Pakistan also took the sample of 100.

As the primary source of data self-administered cum researcher-administered and closed-ended questionnaire was used. The questionnaire comprised 12 items i.e. 02 on each variable measuring response on four point Likert scale i.e. 1= strongly disagree to 4 = strongly agree. Four items were adopted from the questionnaire of Job Satisfaction Survey by Paul E. Spector (1994), remaining eight items were developed. Prior to collect complete data the reliability of questionnaire was also tested on early responses of 20 and Cronbach's alpha of overall questionnaire was .802 that shows internal consistency of the questionnaire, whereas all the six variables have  $\alpha$  coefficient ranging from 0.70 to 0.90 that is recommended acceptable values by Tavakol and Dennick (2011). Length of questionnaire was set short due to convenience of respondents as most of them are less or uneducated. Therefore, research assistants were also employed to asked questions from the employees of sugar mill by giving options and filling the questionnaire according to their responses.

## **Results and Discussion**

Data were analyzed using SPSS 22.0 in terms of Descriptive Statistics as done by Mabindisa (2013), Khan (2014), and Ahmad and Omar (2010). A big majority did not show consent to leave as mean score of turnover intention is 2.3150 (SD = 0.88379). Poor reward and benefits have mean score 2.6150 (SD = 0.80043) which is denoting that people slightly agree that they are not satisfied with the rewards and benefits they receive from the organizations. There was not a stronger agreement of employees towards job insecurity with mean score 2.2450 (SD = 0.93608). Unfavorable work environment is found to be biggest problem with mean score 3.0150 (SD = 0.79916) in the organizations. Whereas management style was not found to be a big concerns for employees as mean score is 1.8400 (SD = 0.59831), even it is below 2 which denote employees don't have problem regarding the management style. While availability of Alternate job opportunities has mean score is 2.0150 (SD = 0.82711), which is indicating that

employees perceive that there are not enough job opportunities available which they can opt and leave the current job. The results are exhibited in Table 1.

**Table 1: Descriptive Statistics**

	N	Mean	Std. Deviation
Turnover intention	100	2.3150	.88379
Poor rewards & benefits	100	2.6150	.80043
Job insecurity	100	2.2450	.93608
Unfavorable work environment	100	3.0150	.79916
Unconducive management style	100	1.8400	.59831
Alternate job opportunities	100	2.0150	.82711
Valid N (listwise)	100		

Chi Square, Goodness of Fit Test was calculated, as done by Lee et al. (2012), Mbah and Ikemefuna (2012), and Mabindisa (2013). All the null hypotheses were rejected because p value is  $< .05$ , which indicates that there is significant difference between observed sample frequencies from expected frequencies and the difference is real not by chance alone. The results are indicated in Table 2.

**Table 2: Chi Square, Goodness of Fit Test**

	Turnover intention	Poor rewards & benefits	Job insecurity	Unfavorable work environment	Unconducive management style	Alternate job opportunities
Chi-Square	20.260a	23.200a	18.720a	40.700a	16.600b	28.800a
Df	6	6	6	6	4	6
Asymp. Sig.	.002	.001	.005	.000	.002	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.3.

b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.0.

Pearson Correlation was calculated as done by Lee et al. (2012), Lee (2008), Ahmad and Omar (2010), and Khan (2014). A significant, positive and strong correlation was found between turnover intention

and poor reward and benefits as p value < .05 and r = .619. Whereas a significant, positive and weak correlation was found between turnover intention and job insecurity as p value < .05 and r = .309. A significant, positive and moderate correlation was found between turnover intention and unfavorable work environment with p value < .05 and r = .487. Similarly significant positive moderate correlation was also found between turnover intention and alternate job opportunities with p value < .05 and r = .598. Furthermore, an insignificant, positive and weak correlation is found between turnover intention and unconducive management style as p value > .05 and r = .182. The results are indicated in Table 3.

**Table 3: Pearson Correlation**

	Turnover intention	Poor rewards & benefits	Job insecurity	Unfavorable work environment	Unconducive management style	Alternate job opportunities
Turnover intention	Pearson Correlation 1 Sig. (2-tailed) N 100					
Poor rewards & benefits	Pearson Correlation .619** Sig. (2-tailed) .000 N 100	1				
Job insecurity	Pearson Correlation .309** Sig. (2-tailed) .002 N 100	.397**	1			
Unfavorable work environment	Pearson Correlation .487** Sig. (2-tailed) .000 N 100	.463**	.295**	1		
Unconducive management style	Pearson Correlation .182 Sig. (2-tailed) .070 N 100	.329**	.206*	.200*	1	
Alternate job opportunities	Pearson Correlation .598** Sig. (2-tailed) .000 N 100	.413**	.191	.290**	.178	1

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

**Conclusion**

In this study a big majority opined that their rewards & benefits are the problem for them. Majority also have problem with their work environment but it did not reflect their main reason for consent to leave the organization, because majority did not show intention to

leave. Lack of job opportunities was found to be a factor that suppresses their intention to leave. It was also found that the employees don't have sense of confirmed/secured job, since they did not show stronger agreement towards job insecurity.

Results of Pearson correlations conveys that as alternate job opportunities increase turnover intention also increases. Improvement in rewards & benefit system and work environment will decrease the turnover intention. Job security will also help retain employees. Whereas a meaningful conclusion regarding management style could not be drawn, it can be assumed that employees hesitate to show their dissatisfaction towards their bosses; the result is somehow contrary to Justus et al. (2011), who clearly emphasized on association of friendly leadership style and turnover intention.

Four hypotheses were accepted that are H1, H2, H3, and H5, whereas H4 could not be accepted. The results are somehow consistent to Mathur and Agarwal (2013), who also investigated the causes of employee turnover intention and concluded rewards and working environment as important factors in sugar mill of Uttar Pradesh India. The study has practical as well as research implications, which can help researchers in projecting their studies and managers for improving organizational effectiveness.

### **Limitations and directions for future research**

The topic can be further explored by identifying intrinsic factors that may be correlated to turnover intention as this study has only worked on extrinsic factors. This study sought to identify the causes of turnover intention, it can be further investigated whether the turnover intention turns into actual turnover or not; after a certain time period followed by questionnaire fill up, actual turnover figure can be obtained from office turnover records or roster of employees, and that can be matched with employee number that was provided by participants while interviewing/filling the questionnaire — the

similar method was used by Bluedorn (1982). This study could not accomplish this due to confidentiality of employees in providing employee number, and confidentiality of organizations in providing office record.

### **Practical Recommendations**

Rewards & benefits system and work environment are internal variables that can be controlled and should be refined by the management of the sugar mills. Employees should be encouraged to express their concerns regarding their bosses, it would help in analyzing the factor management style impartially. The creation of job opportunities at public or private level will also increase bargaining power of employees though can be considered as a threat for organizations but ultimately bring improvements in organizations and will benefit the workforce of the region.

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