

Impact of Employee Satisfaction on Employee Retention: An Empirical Evidence from Indian IT Sector

Dr. Suresh Kumar Bhaker¹, Gita²

¹Assistant Professor, Haryana School of Business
Guru Jambheshwar University of Science & Technology, Hisar, Haryana
E-mail: skbhaker123@gmail.com

²Research Scholar, Haryana School of business
Guru Jambheshwar University of Science & Technology, Hisar, Haryana
E-mail: tomar.gita50@gmail.com

Abstract

the purpose of this study is to find out the impact of employee satisfaction on employee retention. the population of the study is IT sector employees of NCR (Delhi) region. Simple random sampling technique was used for data collection. Questionnaire was used to take primary data to prove hypothesis of the study. To check the questionnaire's reliability cronbach's alpha was used. Cronbach's alpha of the questionnaire was 0.850, that is sufficient. To fulfill the objectives of the study regression analysis was used. The results of the study concluded that employee retention affected by employee satisfaction upto 55 percent.

Keywords: employee satisfaction, employee retention, regression analysis.

Introduction

Human resource management has many psychological aspects. Employee satisfaction is one of the essential psychological aspects of them (Barakat, et al., 2016). It is the inner state of an employee towards their organization (Sinha, 2013). It carries out with the flow of management behavior and strategies. According to classical theories of employee satisfaction, employees were treated as an asset in ancient times (Hwang, & Der-Jang, 2005). This was not good for the physical and mental health of employees. But, now, in the modern era situation has been changed (Cao & Chen, 2016). Employee satisfaction is very crucial not only for the employee also for management (Barakat, et al., 2016). If management did not pay attention to employee satisfaction, it became harmful for the organization (Sinha, 2013; Barakat, et al., 2016). Employee dissatisfaction tends to create an adverse environment in front of management (Bajpai,

2015; Cao & Chen, 2016). Employee satisfaction and dissatisfaction are two opposite points of a pillar, which have different directions and are far from each other. Employee satisfaction is essential for the organization, whereas, at the same place, employee dissatisfaction is equally harmful for the organization (Hwang, & Der-Jang, 2005; Kossivi, 2016). That's why the satisfaction of employees is necessary for an association. Even a satisfied employee works with enthusiasm and happiness (Cao & Chen, 2016).

Employee retention is the result of employee satisfaction (Sheridan, 1992). Only a satisfied employee will stay in his place for a long time. Otherwise, he will quit (Bajpai, 2015; Barakat, et al., 2016). It means maximized employee satisfaction leads to minimized employee turnover (Barakat, et al., 2016). According to some researchers, satisfaction depends on the efforts attempted by the employer to satisfy his employee (Sinha, 2013). Employee retention is the need to decrease the cost of employee training and recruitment (Cao & Chen, 2016; Kyndt, 2009).

Without employee retention a company cannot survive. for the survival of firm retained employees is an essential aspect (Barakat, et al., 2016). Old employee has all the required knowledge of company and known to environment (Cloutier, et al., 2016). New recruitment increase the cost of management (Tomažević, et al., 2014 ;Barakat, et al., 2016). They will require training program and will take time to understand the working condition of the firm (Jeon & Choi, 2012). That's why employee retention is necessary (Barakat, et al., 2016; Cao & Chen, 2016). This study will explore the relationship between employee satisfaction and employee retention.

H₀: Effect of employee satisfaction on employee retention.

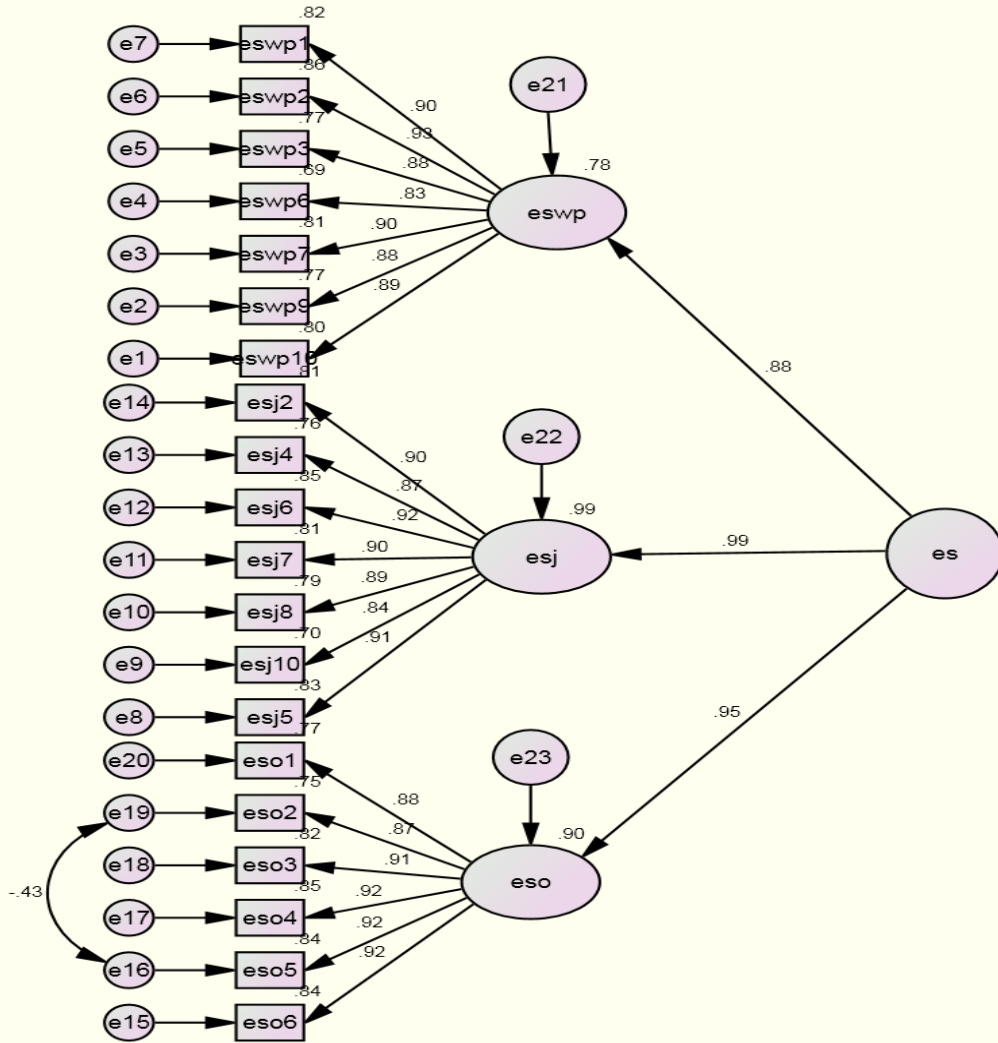
The study will try to find out the influence of satisfaction level on retention level. To prove the hypothesis, IT sector of NCR was selected as area to take sample. Questionnaire was used to collect data from population and simple random technique was used to select sample from population. Regression analysis is the technique that is used to confirm the relationship of employee satisfaction with employee retention on the basis of collected data.

Statistical Tools

Reliability of questionnaire was tested with the help of cronbach's alpha. the value of cronbach's alpha was measure as 0.85. this value is sufficient to check reliability of instrument. here, CFA is used to make model of variables and regression was used to fulfill objectives of the study.

Data Analysis

Employee satisfaction was measured with the help of the main variables; employee satisfaction with work place (ESWP), employee satisfaction with job (ESJ) and employee satisfaction with organization (ESO). ESWP contains 7 sub-variables, ESJ also made with 7 sub-variables and ESO is with 6 sub-variables. To check significance of these variables with employee satisfaction AMOS technique was used. Here, model of ES is shown below:



ESWP, ESJ, and ESO were sub-factors of the main factor in employee satisfaction. This figure shows the second-order CFA. The factor loading of all these sub-factors with employee satisfaction was more than 0.5. It was sufficient for the item's factor validity. So, these sub-factors represented employee satisfaction significantly.

Table: 1 Model Fit Summary

	CMIN	DF	CMIN/DF	IFI	TLI	CFI	GFI	RMSEA
Modified model	634.054	166	3.818	.942	.933	.942	.830	.097

Table 1 includes the value of CMIN (634.054), together with its degrees of freedom (166) and probability value (0.000). CMIN is the minimum discrepancy in the table and represents the discrepancy between the available sample covariance matrix and the restricted covariance matrix. DF stands for degrees of freedom and P is the probability value. CMIN should below 5. The value of CMIN (chi-square) was smaller than the independent model that was good for model fit. Chi-square (CMIN) divided by degrees of freedom was suggested as a better-fit metric. Chi-square/DF should less than 5 and our CMIN/DF (637.488/168) was 3.795.

All the values of Comparative Fit index (CFI), Tucker Lewis Index (TLI), IFI and GFI are shown in the table. As these values are 1, it is good as the recommended level of above 0.90(i.e. GFI, NFI, and CFI > 0.90; Bolen, 1990). If the value of CFI, TLI and IFI goes close to 0 or negative, it will not good for the study.

Employee Retention

As all knows that employee retention (ER) is blood for cost minimization (Cloutier, et al., 2016). in this study ER is a dependent variable and ES is a independent variable. Employee retention is made up of five sub-variables. Validation of these sub-variables with main variable is proved with the help of AMOS indices values. The value of indices are represented below in model fit summary.

Table: 2 Model Fit Summary

	CMIN	DF	CMIN/DF	IFI	TLI	CFI	NFI	RMSEA
Modified model	4.231	2	2.115	0.99 5	0.98 6	0.99 5	0.99 4	0.093

Table 1 includes the value of CMIN (4.231), together with its degrees of freedom (2) and probability value (0.000). In the table CMIN is the minimum discrepancy and represents the discrepancy between the unrestricted sample covariance matrix and the restricted covariance matrix. DF stands for degrees of freedom and P is the probability value. CMIN should below 5. Value of CMIN (chi-square) was smaller than independent model that was good for model fit. Chi-square (CMIN) divided by degrees of freedom was suggested as a better fit metric. Chi-square/DF should less than 5 and our CMIN/DF (4.231/2) was 2.115.

All the values of Comparative Fit index (CFI), Tucker Lewis Index (TLI), IFI and GFI are shown in the table. As these values are 1, it is good as the recommended level of above 0.90 (i.e. GFI, NFI, and CFI > 0.90; Bolen, 1990). If the value of CFI, TLI and IFI goes close to 0 or negative, it will not good for the study.

Impact of Employee Satisfaction on Employee Retention

To find out the effect of employee satisfaction on employee retention regression analysis was used. Regression explains the effect of employee satisfaction on employee retention.

Table: 3 Results of Regression analysis

Regression Statistics		Significance
R ²	0.551	.000
F Statistic	704.475	.000
Std. error of estimate	0.64382	.000
Beta	0.735	.000
N	600	

Source: Authors compilation

Table 3 reveals that the effect of employee satisfaction on employee retention is significant. Here, coefficient of determination is represented by R square. Coefficient of determination explains the ratio of variation in employee retention to total variation in employee satisfaction. The calculated value of R square is 0.551 indicating that 55 percent of variation in employee retention (dependent variable) is explained by employee satisfaction (independent variable). Remaining 45 percent of variation is due to some other mediating variables. These mediating variables are not included in this study. F statistic shows that there is significant relationship between employee satisfaction and employee retention. Beta Coefficient value is 0.745, which means one unit change employee satisfaction results into 0.74 unit change in employee retention. Hence, if organization makes some skillful strategies for employee satisfaction then evidently employee will feel more progressive. Standard error of estimate means estimated distance between actual value and estimated value which is 0.65382 in the present study. Only 0.65 percent standard error of estimate shows that prediction is more accurate. Significant value of this data is less than 0.05, it indicate that this model is significant at 5percent level. In nutshell, there is a significant relationship between ES and employee retention of employees. So, hypothesis is accepted.

Conclusion

Employee satisfaction and employee retention both are vital psychological aspects of human resource management. these two plays an important role in career life of employee. this study tried to find out the effect of employee satisfaction on employee retention. According to the study employee retention directly affected by employee satisfaction up to 55 percentage. Results revealed that every organization should make a significant strategy to satisfy their employee. Satisfied employee will work with

more enthusiasm and will be helpful in firm's outcome. It will also reduce firm's cost through minimizing recruiting cost.

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