Drivers of Turnover Intention in Public Sector Organizations: Pay Satisfaction, Organizational Commitment and Employment Opportunities

Tamkeen Saleem and Seema Gul

International Islamic University, Islamabad, Pakistan

Abstract: The study was designed to examine the relationship of Pay Satisfaction, organizational commitment and perceived employment opportunities with Turnover intention and pay satisfaction with organization commitment. The instruments used to measure the variables of the study were Demographic Data Sheet and Pay Satisfaction scale, Organizational commitment scale and turnover intentions scale. The sample consisted of 90 employees (39 Males and 51 females) from public sector organizations of Islamabad. It was hypothesized that higher the pay satisfaction lower will be the turnover intention and higher the organizational commitment lower will be the turnover intention. It was also hypothesized that higher the pay satisfaction higher will be the organizational commitment. It was also hypothesized that higher the perceived employment opportunities higher will be turnover intentions. In order to determine the relationships, results were analyzed by the use of Pearson Product Moment correlation coefficient. The overall results revealed significant relationship between the variables and supporting all the hypotheses.

Key words: Pay Satisfaction • Turnover intention and organization commitment

INTRODUCTION

Interest in employee turnover rate has been an escalating concern to the employers, researchers and academicians, not just in underdeveloped and developing countries but also in the developed countries. Turnover is a grave issue due to a number of reasons. Firstly it has financial consequences as when an employee leaves, recruiting and training of new employees are required. And replacing an employee may possibly to cost around 25% of his or her total annual compensation [1]. Second, employee turnover may suspend or affect the productivity of the organization, specifically when it involves critical or higher positions in organizations. It may also cultivate a sense of break off at the workplace which may disturb the managers and employees [2].

Therefore, turnover is one of the most researched phenomena in organizational behavior [3, 4]. It is typical for most studies on turnover that the focus has been majorly on members leaving or those who had left the organization. The broad range of turnover studies is indicative of the significance and complexity of the issue. The phenomenon attracts interest due to its psychological dimension, its organizational significance and its economic dimension. According to Price, economists and psychologists, who were predominantly involved in the turnover research, focused their interest on different variables [3]. Psychological accounts emphasized the role of individual choice, whereas economic views are focused on the formative role of external influences such as external opportunities [5].

The present study used “turnover intent” rather than “turnover” as the dependent variable. Turnover intent is defined as the reflection of “the (subjective) probability that an individual will change his or her job within a certain time period” [6]. The importance of analyzing turnover intention draws upon a number of research papers that have assessed its role in forecasting and understanding actual quits. Turnover intention is reported to be highly correlated with actual turnover [7, 8]. Intentions offer a sound explanation of turnover because they cover up one’s perception and judgment [9].

The intention to stay or quit determines the subsequent behavior of staying or quitting [10, 11]. Organizational commitment and job satisfaction influence the employee's desire and intention to stay or quit the job [12].

Corresponding Author: Tamkeen Saleem, International Islamic University, Islamabad, Pakistan.
Organizational commitment refers to an attitude or orientation or a psychological state, which links or attaches the identity of the person to the organization [12]. Organizational commitment is indicated by the employees through their feelings of attachment to the goals and values of the organization, their role in relation to the goals and values. The committed employees display more creativity and innovation and have higher likelihood of staying at the organization [13].

Organizational commitment has a negative relationship with turnover intention [14-18]. Organizational commitment is also interlinked with Pay satisfaction, which is one of the main factors that affect organizational commitment [19]. Tang and Chiu (2003) argued that Pay satisfaction is positively related to organizational commitment [20].

Pay is a form of episodic compensation from an organization to its worker, which is completely stated in an employment contract. It is weighed with piece wages, where each job, period of job (timings) or other unit is paid distinctly, rather than on a periodic basis [21]. Pay satisfaction is defined as the amount of overall positive affect (or feelings) individuals have toward pay [22].

Employee compensation is an important area of human resource management, not only because of its huge cost implications, but also because of its perceived ability to influence individual and group behavior in organizations. An individual’s desire to join an organization, to remain with an organization and to increase effort for the organization is a function of the design and implementation of the organization’s compensation system [23]. Employees’ satisfaction with their pay is a function of the discrepancy between employees’ perception of how much pay they should receive and how much pay they actually receive. If these perceptions are equal, then an employee is said to experience pay satisfaction [24]. It is not surprising that salary or wages as measures of pay level consistently have been shown to influence pay satisfaction [25-27].

Employee turnover, turnover intention and its relationships to pay satisfaction and organizational commitment is a topic of global interest. Human capital is the most valuable resource in an organization. The topic of employee turnover is extremely important today because high turnover rates result in organizations losing inestimable money, resources, knowledge and business. Turnover intention may be directly or indirectly influenced by pay satisfaction, job satisfaction and organizational commitment [28]. Rahman, Naqvi and Ramay (2008) carried out a study in Pakistan to find out the relationship between Job satisfaction, organizational commitment, perceived alternative job opportunities and turnover intention. The findings revealed that job satisfaction and organizational commitment had negative effect on turnover intentions [29].

Pay satisfaction and organizational commitment can significantly influence employee turnover and a high turnover rate can lower the quality and quantity of services provided by an organization. Furthermore, high turnover rates can increase the cost of personnel recruitment and new-hire training. To successfully manage turnover, understanding how pay satisfaction and organizational commitment impact turnover intention is important. Although some studies have discussed related topics, but no study was found that comprehensively and deeply explored the relationships among pay satisfaction, organizational commitment and turnover intention.

Perceived alternative job opportunities are related to the perceptions of the individual regarding the external jobs or activities on hand and achievable, opposed to the current held job. The literature reveals that one of the most significant variables brought in direct relation to turnover intentions is perceived alternative employment opportunities [30].

Conceptual Framework

The present study seeks to address a number of research needs regarding the pay satisfaction, organizational commitment and turnover intentions of the employees. It also tends to explore the relationship of various demographic variables and research variables. The researcher will meet the objective to explore the variables by administering research instruments on employees working in public sector. This study will be
important because there are not too many studies on the turnover intentions and its determinants in Pakistan. Turnover is a major issue for management, employees’ face difficulty to manage both work and family, so the results of the study would be helpful in understanding the turnover intentions and its determinants. A contemporary benefit would be that it would open new horizons for research on the subject of pay satisfaction, organizational commitment and turnover intentions as not much literature is available specifically about public sector organization. It would be helpful in understanding through comparing the cultural variability and issue in Pakistan with the other societies. This study will add to the recent research that has focused on key human resources management and industrial relations issues.

MATERIALS AND METHODS

Hypotheses:

- Higher the pay satisfaction lower will be the turnover intention.
- Higher the pay satisfaction higher will be the organizational commitment.
- Higher the organizational commitment lower will be the turnover intention.
- Higher the perceived employment opportunities higher will be the turnover intentions.

Sample: Purposive sampling was used for the research. The sample consisted of 60 employees working in different public sector organization. The age range was 25-50 years. The data was collected from the public sector organization of Islamabad and Rawalpindi. The inclusion criteria for the participants of the study includes:

- The participants working in Public Sector Organizations.
- The participants were formal mid-management employees or senior management employees.
- Each participant would have worked for the organization for at least one year.

Instruments: Following instruments will be used for data collection:

Demographic Data Sheet: The socio-demographic data sheet was developed by the researcher for the present study. The questionnaire was used to survey participants’ occupation, number of years working in the current organization, position/management level, grade, job title, age, pay, gender and education.

Pay Satisfaction Scale: Pay satisfaction was measured by the “pay” dimension of the Job Satisfaction Scale (JSS). The “pay” dimension of the Job Satisfaction Scale (JSS) was developed by Spector in 1985 [31] and consists of four items. The responses are obtained on a 5-point Likert-type scale ranging from 1= strongly disagree, 2= disagree, 3= neither disagree nor agree slightly, 4= agree, 5= strongly agree. Internal consistency reliability for the pay satisfaction scale is. 75 [32]. High scores reveal high pay satisfaction.

Organizational Commitment Scale: The Organizational Commitment Scale (OCS) developed by Cook and Wall (1980) uses nine items to measure employees overall organizational commitment [33]. The items can be grouped together to form subscales of organization identification, organizational involvement and organizational loyalty. For the present study the overall scale and score was used.

- The responses are obtained on a 5 point likert-type scale where 1= strongly disagree and 5= strongly agree.
- The high scores reveal higher organizational commitment.
- The cutoff point of the scale is 22. Coefficient alpha values ranges from. 71 to. 87 [34-36].

Turnover Intention Scale: Three (3) items of turnover intention scale adapted from Michigan Organizational Assessment Questionnaire developed by Cammann, Fichman, Jenkins and Klesh, (1979) was used to measure turnover intention [37]. The three items were “I will likely actively look for a new job in the next year”; “I often think about quitting” and “I probably look for a new job in the next year”. The Responses were recorded on 5 point likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree). High scores reveal high turnover intention. The scale has been frequently used in measuring the turnover intention among the employees it has shown very good Reliability (.92).

Perceived Alternative Employment Opportunities: Perceived Alternative employment opportunities was measured by five items as used in a study conducted by Khatri, Budhwar, Fern in 2001 [38]. (1) If I quit my current job, the chances that I would be able to find another job which is as good as, or better than my present one is high, (2) if I have to leave this job, I would have another job as
good as this one within a month, (3) there is no doubt in
my mind that I can find a job that is at least as good as the
one I now have, (4) given my age, education and the
general economic condition, the chance of attaining a
suitable position in some other organization is slim
(reverse-coded), (5) the chance of finding another job that
would be acceptable is high and (6) it would be easy to
find acceptable alternative employment. The items were
marked by the response scale ranging from Strongly
Disagree (1) to Strongly Agree (5).

**Procedure:** The researcher personally delivered the
copies of the questionnaires to the 100 employees
working in public sector organizations. The participation
was voluntarily that is the consent of the employees for
participation was sought before administration of the
questionnaires. The participants were briefed about the
purpose of the research. They were requested to carefully
indicate the responses by marking the answer according
to the available keys. For filling the questionnaires the
participants were first requested to complete demographic
information regarding occupation, number of years
working in the current organization, position/management
level, grade, job title, age, pay, gender, marital status and
education. No name or other identifying personal
information was requested for the study. Then the
employees were asked to proceed to other instruments
measuring constructs related with research.

**RESULTS**

Table 2 shows that Cronbach Alpha for Pay
satisfaction is 0.56 which shows that the items have a
suitable internal consistency. The table also indicates
that alpha reliability for Organizational Commitment Scale
is 0.73 and Turnover Intentions is 0.78. All the scales are
reliable.

The table 3 indicates that the results are highly
significant at 0.01 level. The sample data supports the
hypothesis. The results show that there exists a
significant positive relationship between pay satisfaction
and organizational commitment and significant negative
relationship between pay satisfaction and turnover
intentions.

The table 4 indicates that the results are highly
significant at 0.05 level. The sample data supports the
hypothesis. The results show that there exists a
significant negative relationship between organizational
commitment and turnover intentions.

<table>
<thead>
<tr>
<th>Table 1: Frequency and percentage of the sample regarding demographics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>f</strong></td>
</tr>
<tr>
<td><strong>Age</strong></td>
</tr>
<tr>
<td>25-30</td>
</tr>
<tr>
<td>31-35</td>
</tr>
<tr>
<td>36-40</td>
</tr>
<tr>
<td>41-45</td>
</tr>
<tr>
<td>46-50</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
</tr>
<tr>
<td>Single</td>
</tr>
<tr>
<td>Married</td>
</tr>
<tr>
<td>Widow</td>
</tr>
<tr>
<td>Divorced</td>
</tr>
<tr>
<td><strong>Educational Program</strong></td>
</tr>
<tr>
<td>Bachelor</td>
</tr>
<tr>
<td>Masters</td>
</tr>
<tr>
<td>M.Phil</td>
</tr>
<tr>
<td>PhD</td>
</tr>
<tr>
<td><strong>Grade</strong></td>
</tr>
<tr>
<td>16</td>
</tr>
<tr>
<td>17</td>
</tr>
<tr>
<td>18</td>
</tr>
<tr>
<td>22</td>
</tr>
<tr>
<td><strong>Income</strong></td>
</tr>
<tr>
<td>25000-34000</td>
</tr>
<tr>
<td>35000-44000</td>
</tr>
<tr>
<td>45000-54000</td>
</tr>
<tr>
<td>65000-74000</td>
</tr>
<tr>
<td>75000-84000</td>
</tr>
<tr>
<td>84000-100000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2: Reliability Analysis of Pay Satisfaction, Organizational Commitment and Turnover Intentions (N=90)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scale No. of Items Cronbach Alpha</strong></td>
</tr>
<tr>
<td>Pay Satisfaction 4</td>
</tr>
<tr>
<td>Organizational Commitment 9</td>
</tr>
<tr>
<td>Turnover Intentions 3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 3: Pearson’s Product Moment Correlations for Pay Satisfaction, Organizational Commitment and Turnover Intentions (N=90)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pay Satisfaction</strong></td>
</tr>
<tr>
<td>r</td>
</tr>
<tr>
<td>Organizational Commitment</td>
</tr>
<tr>
<td>Turnover Intentions</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Table 4: Pearson’s Product Moment Correlations for Organizational Commitment and Turnover Intentions (N=90)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Commitment</strong></td>
</tr>
<tr>
<td>r</td>
</tr>
<tr>
<td>Turnover Intention</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
Table 5: Pearson’s Product Moment Correlations for Turnover Intentions and Perceived Alternative Employment Opportunities (N=90)

<table>
<thead>
<tr>
<th></th>
<th>Turnover Intention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>r</td>
</tr>
<tr>
<td>Employment Opportunities</td>
<td>0.241*</td>
</tr>
</tbody>
</table>

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

The table 5 indicates that the results are highly significant at 0.05level. The sample data supports the hypothesis. The results show that there exists a significant positive relationship between perceived alternative employment opportunities and turnover intentions.

**DISCUSSION**

Pay satisfaction has been comparatively less researched in Pakistani context and hence this study has tried to build its relation with organizational commitment and turn over Intentions. Employees feel satisfied when payment is equitable and feel dissatisfied if an inequity exists. In other words, pay satisfaction is determined by the perceived ratio of what employees receive from the job compared to how much they put into the job [39, 40]. In the present study the relationship between pay satisfaction, organizational commitment and turnover intention was examined. In addition the demographic variables were also investigated.

Employee turnover intention is a major issue for the human resource managers and brings a significant cost of hiring and replacement. Employee has intention to switch when he is dissatisfied from his pay. A satisfied employee is more committed to the organizational work and has strong loyalty and affiliation with the organization.

It was signified from the results of the present study that high scores on pay satisfaction negatively correlate with turnover intention. It means that if pay satisfaction increases, turnover intentions decrease. The findings were consistent with the studies by other researchers [41-43].

The findings also reveal that organizational commitment has a negative relationship with turnover intention. This result is consistent with the recent studies [43]. Aryee (1993) shows a negative relationship between organizational commitment and turnover intention of professional accountants in Singapore [44, 45]. Several other scholars have also found organizational commitment an important predictor of turnover intentions [40, 46-48].

The results also revealed that pay satisfaction is positively related to organizational commitment. These findings are also supported by research literature [49]. The findings regarding relationship between perceived alternative employment opportunities and turnover intentions revealed that there exists a significant positive relationship between the two variables which is consistent with the findings by other researchers [50, 51].

Pay satisfaction and organizational commitment can significantly influence employee turnover and a high turnover rate can lower the quality and quantity of services provided by an organization. Furthermore, high turnover rates can increase the cost of personnel recruitment and new-hire training [52]. To successfully manage turnover, understanding how pay satisfaction and organizational commitment impact turnover intention is important. The pay satisfaction and organizational commitment has significant relationship with turnover intention, thus managing pay satisfaction and organizational commitment can help controlling the turnover intentions and actual turnover as well [53].

The pay satisfaction and organizational commitment has significant relationship with turnover intention, thus, managing pay satisfaction and organizational commitment can help controlling the turnover intentions and actual turnover as well [54].

**CONCLUSION**

The finding of this study cannot be generalized to other groups, industries or countries. The sample was not large enough. The current study included employees from different public sector organizations belonging to Islamabad. Therefore, nature of this study was limited. A more in-depth result could be found by classifying the different types of employees or organizations. The data collection period was 6 weeks long, which may have generated unpredictable biases. The results of this study are only a small piece of the whole picture of turnover theories in the Pakistani public sector. Future studies may try to little by little examine other factors which may be related to turnover intention, such as socio-demographic characteristics, leadership styles, job performance, empowerment, trust, working status, enterprise culture, personality traits, working hours, work-loads and personal situation. Future studies may try to examine related variables in different groups, industries, cultures, or countries. Future studies may try to explore the relationship between employee turnover intention and the actual departure of an employee.
REFERENCES


