**Moderating role of Work Volition in relation between total rewards and employee’s retention**

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**Abstract:** Faculty retention in universities is becoming a serious issue for higher educational institutions. The increasing scarcity of high qualified and experienced faculty members and its potential effect on the higher educational institutions and students is of vital importance. To retain the existing faculty and to attract potential new expert people, the higher educational institutions and government have to adopt strategies that would help them in retention. So, creating a balance between the rewards for faculty members is found one of the appropriate practices that when adopted can reduce stresses, increase satisfaction and performance. This paper examined the influence of total rewards on faculty retention working in higher educational institutions of Pakistan. Additionally, a new psychological variable i.e. work volition has been tested as moderator to find the impact of this variable on relationship between total rewards and faculty retention. The result of the paper shows the significant influence of work volition as a moderator.

**Keywords:** Total Rewards, Work Volition, Higher Educational Institutions, Faculty Retention

1. **Introduction**

It is evident that in the last couple of decades, the work environment has changed drastically mainly due to massive technological advancements brought by globalization. The societies has changes from information to knowledge society and it is obvious that the difference between two countries or two firms lies within the managing the knowledge. With this knowledge management, the focus of attention is on knowledge workers to meet the changing needs of the society (Holbeche, 2009, Misra, Jain, and Sood, 2013). Organizations belonging to every sector of economy are now more concerned with the quality of their employee’s skills and capabilities and the terms of their employment to ensure high performance and to gain competitive advantage (Harvey, 2009). Therefore, retaining employees has become one of the core strategic policy issue for organizational sustained growth and advantage (Holbeche, 2009).

Previous researchers highlight that organizations faced numerous challenges to retain the skilled employees (Eckardt, Skaggs., and Youndt, 2014). To overcome these challenges and to retain employees, organizations have implemented numerous human resource strategies and practices (Hom, Roberson, and Ellis, 2008). One of such human resource practice is of rewards (financial and non-financial), which help to motivate employees to work and stay, connected with an organization (Godard, et al., 2014). These rewards and benefits are termed as total rewards that aim to maximize the combined effect of wide range of reward elements on motivation and job commitment (Kaplan, 2007; Armstrong, 2012). Thus, organizations are engaged in developing innovative compensation packages that not only includes financial benefits but also non-financial benefits to attract and retain employees (Milkovich and Newman, 2008).

Higher education institutions too are facing the challenge of retaining employees, especially academic staff. The internationalization of education has made higher education institutions competitive in their respective fields. Universities are in run for skilled staff with attractive reward packages. In Pakistan, the major issue faced by higher education institutions is the retention of capable and skilled faculty in the fierce competition by other higher educational institutions and the industry (Mubarak, et al., 2012). However, with the opening of new higher educational institutions existing educational institutions in both private and public sector are facing tremendous challenge of retaining their competitive faculty (Mubarak et al., 2012). Researchers have identified compensation, training and development and promotion as major retention factors (Ahsan et al., 2013) and for faculty the need of learning and progression in the academic career has now become one of the prominent needs that helps in raising their satisfaction and commitment levels with their current organizations (Mubarak et al., 2012).

This paper is an attempt to fill the gap that exists in total rewards and its impact on faculty retention literature related to developing countries perspective and specifically in the context of Pakistan. Also in addition the paper also examines the role of work volition as a moderator between total rewards and faculty retention in HEIs Pakistan.

1. **Literature Review**
	1. **Total Rewards and Employee’s Retention**

After the emergence of knowledge society knowledge plays an important role in almost every sector of economy. It is argued that in coming years knowledge will be the only difference between two successful organizations. It is also argued that the talented employees are the reason behind the success of any organization. Therefore, this has become the prime objective of contemporary organizations to retain their knowledge worker (Stone et al., 2010). Attempts in past had been made to define and describe retention. Few notable efforts in this regards are that of Frank *et al*., (2004, p. 13) according to him the employees’ retention is an effort by an organization to keep the skilled and competent workforce in order to achieve the organizational objectives.

The prior studies on employee’s retention identified factors responsible for low retention; these factors were determined by using organizational as well as employees perspectives. In case of organizational perspective, factors influencing retention includes existence of challenging tasks, empowerment, career growth, work-life balance, and new job prospects (Birt *et al.,* 2004). Similarly Vos and Magnck (2009) looked at the perspective of management as well as employees and indicated that higher chances of success exist if there is a match between organizational retentions strategies and employees’ values and expectation.

Knowing the reasons why employees want to quit is an important element in any retention policy. Lloyd (2000) earlier pointed towards organizations interest to understand why people change job or organizations. Based on a survey Lloyd (2000) revealed that five main factors were regarded vital by the employees to stay or leave the job. These factors include (a) work life balance (b) challenging tasks (c) co-worker relationship (d) relationship with supervisor and (e) compensation.

Tang *et al*., (2000) found that earning more money has an indirect influence on employee retention. Similarly job satisfaction of an employee is also equally important. Birt *et al.* (2004) added that high reliability on the part of the responsibility, leader, new challenges and empowerment are also important for employee retention. In the same vein other researchers confirmed positive relationship among tenure, work experience, and employee’s retention (Gunz and Gunz, 2007).

 Like other sectors, service sectors especially the universities are also facing the retention issues. Whilst discussing the retention in African countries like Kenya Mwiria *et al.,* (2007, pp. 132) revealed that in African countries financial rewards seems to be me more effective. By referring to specific case of United States International University (USIU) they revealed the effective management of employees’ retention through effective rewards. For example the central role of rewards could be judged from the fact that from the year 1994 to 2001 the USIU only lost two (02) employees and retain most of the employees. One of the reasons for such success in handling retention issue could be linked with the best pay offers to faculty members as compared to other universities in the region.

## 2.2 Work Volition

A variety of the researchers agrees on various factors which create job satisfaction or improves employee motivation. Recently Duffy *et al*., (2012b) highlighted the predictors of job satisfaction along with the weakness of the study. The factors that Duffy *et al.*, (2012a) highlighted on the basis of previous literature include “self-efficacy, personality, organizational support, core self-evaluations, person environment fit, and goal behavior”. Similarly they further added that although previous studies were able to highlight various variables but still the studies only focused on one segment of population i.e. educated population who are financially sounds and with availability of high level opportunities. These studies ignored population with limited opportunities and who are financially not sound. The present research is an attempt to response the call of Duffy *et al.* (2013) study to inspect “what makes people more happy at work” i.e. satisfied at job and how exactly can “work volition” can play role in this scenario.

Blustein (2006) from work domain perspective describe volition as an individual lack of power and constraints in choosing or determining one’s job choices or career decision. Similarly Duffy *et al.* (2012b) describe work volition as “the perceived capacity to make occupational choices despite constraints”. They described work volition by using two lenses that is high work volition and low work volition. From career growth perspective Duffy and Dik (2009), further explain work volition to an individual's ability to freely make career choices, including the initial job choice when first entering the work world and any subsequent career decisions. Review of recent literature however shows the focus of researchers to use concept of volition to judge the level of employees’ satisfaction. Numerous researcher although showed their concern about limited or low work volition and low job satisfaction (Feldman and Turnley, 2004; Krausz, 2000).

Leading researchers on work volition agree on the notion that individual decision about job is based on their “skills, values, and interest” (Blustein, 2006; Duffy and Dik, 2009). Duffy *et al.* (2013) in a recent work although raised the question about the scope of the above argument. They argued that the existence of constraints limits the ability of individuals to be volitional in their decision making. The constraints they mentioned ranged from financial limitations to physical & cognitive to social limitations.

Therefore it is evident from the literature that employee’s retention is equally important for the universities. The public as well as private universities in Pakistan are also facing the faculty retention challenges with no exceptions. Moreover, it is found that the tangible as well as intangible rewards are not the only motivating factors for the employees’ retention, however, there are some other psychological factors like work volition as well. Therefore, this paper attempts to examine the total rewards impact on faculty retention by using work volition as the moderator.

1. **Methodology:**

A quantitative methodology is used for this paper. The target population is the faculty members working in both the public as well as private sector universities in Khyber Pakhtunkhwa (KPK) province of Pakistan. The total number of registered and recognized universities in KPK Pakistan is 26 out of which 16 are public sector and 10 are private sector (HEC, 2012). The target population for this study is the academic staff at public sector universities in Pakistan. About 235 questionnaires were mailed to the faculty members in Public and Private Universities and HEIs in KPK of Pakistan. From the filled questionnaire out of 64 questionnaire 7 were incomplete which represents a usable response rate of 24.25%. Participants’ attitudes about their total rewards, work volition and retention were assessed through the existing questionnaires in the literature. The questionnaire has been divided into four sections i.e. (i) demographic information, (ii) total rewards, (iii) work volition and (iv) retention.

1. **Demographic Information:**

This part required respondent’s demographic details: age, gender, total years of experience, experience with current organization, qualification, marital status, number of children, nature of job and basic responsibility.

1. **Total Rewards:**

Total rewards encompass the entire employee value proposition including pay, benefits, work, training opportunities, career development, social interaction and work/life integration. For this paper the scale developed by Medcof and Rumpel (2007) is used. Total rewards have been measured through 42 items rated on 5-point Likert scale ranging from 1-Strongly Disagree to 5-Strongly Agree.

1. **Work Volition**

This section of questionnaire contains the question regarding the moderating variable of the study i.e. Work Volition. This part will contain questions to find the individual decision about job is based on their skills, values, and interest. This will be measured using the thirteen (13) items latest scale developed by Duffy, Diemer, Jadidian (2012a).

1. **Employee’s Retention**

The last part of the questionnaire comprises the questions regarding the retention intention of the participant’s desire to remain associated with their respective organizations. The questionnaire has been adapted and measured in this section by using the four (04) items scales developed by Mobley, Horner, & Hollingsworth (1978).

1. **Data Analysis:**

For the purpose of this paper, the Mediation is used with Regression Analysis. Mediation is a hypothesized causal relationship in which one variable affects a second variable that, in turn, affects a third variable. For this paper, role of work volition is used as a mediator variable, mediating between total reward and employee retention. This mediator and the role of the mediator is tested by using the Regression Analysis. Graphically, it is depicted in figure 1:

**Total Rewards**

**Work Volition**

**Employee’s Retention**

**Figure 1:** Analysis Model

**4.1 Regression Analysis**

The objective of regression analysis is to analyze the effect of mediator on total reward and retention. This analysis helps in developing a model for the Job satisfaction level in HEIs in Pakistan. The model includes a categorical independent variable Total reward and one dependent variable Retention therefore regression analysis is the appropriate statistical technique to be used. The outliers can have a significant impact on the results. Therefore, it is necessary to remove all outliers from the data set before the analysis. The outliers can be examined by inspecting the values of Mahalanobis distances that are produced by the logistic regression. Following the suggestion by Tabachnick and Fidell, the outliers are examined in the dataset. The dataset contains one independent variable and one dependent variable. It is found that there is no case that has Mahalanobis distance value greater than critical value (20.52). Therefore, it could be said that there is no problem related to outliers for the model. The multicollinearity in the regression model is a result of strong correlations among independent variables. The existence of multicollinearity inflates the variance of parameter which may result in the lack of statistical significance of individual independent variables. Multicollinearity also results in the wrong signs and magnitudes of regression coefficient which can lead to the incorrect conclusions about the relationship between independent and dependent variables (Hair, 2014 et al).

Hair and his colleagues also suggested that it is better to use multicollinearity diagnostic statistics produced by regression analysis to check the level of multicollinearity among independent variables in the regression model. In fact, tolerance value is widely used to decide whether the presence of multicollinearity among independent variables exists or not. This value is usually lower than 1 and a high tolerance value indicates a low level of multicollinearity between independent variables. When this value reaches zero, it suggests that the variable is totally accounted in another variable (Hair, et al. 2014).

**4.2 Results and Discussions**

The paper attempts to examine the relationship between the dependent variable, known as employee retention and continuous independent variable total reward by using work volition as mediator. The following table displays the results of the ordinary-least-square regression analysis for combinations of the independent variable and dependent variable.

Models 1a and 1b in Table are the base models that include the both control variables. They indicate that this combination of control variables is not significant (F = 0.963, R2 = 0.020 and F = 1.327, R2 = 0.027). Models 2a and 2b capture the effects of job satisfaction on the retention of the employees.

These two models are significant at the p < 0.001 level (F = 5.560, R2 = 0.166) and p < 0.01 level (F = 3.353, R2 = 0.107), respectively, and explain an additional 14.6% and 8.0% of variance over what the control variables alone explain. Coefficients for both basic and advanced levels of retention are positive. However, only advanced level of job satisfaction has a significant effect on the retention when mediator is included (p < 0.001) and (p < 0.01). These findings modestly supporting the mediator, "Work Volition” and indicate that the PhDs in public as well as private universities are of the point of liberty and not being discriminated. Next, we examined how non-PhDs affect the retention of the employees. Models 3a and 3b present results with the two public sector and private sector universities included in the models. These two models are both significant (F = 11.703, p < 0.001 and F = 7.682, p < 0.001) and yield an R2 of 0.374 and 0.281, respectively. The results suggest that it is a significant determinant of motivation (p < 0.01) as well as retention (p < 0.01). The positive and significant coefficients of non-PhDs indicate that they would get a better motivation if moderator is used. In addition, the positive and significant coefficients for moderator on retention (p < 0.001) and motivation (p < 0.01) are consistent with the prediction that greater the use of moderator, better the job satisfaction. In these both models, the results for the effects of moderator variable, "Work Volition" on the retention of faculty members are consistent with those results in Models 2 and 3.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable  | PhD Public  | PhD Private  | Non PhD Public  | Non PhD Private  |
| Retention  | -0.03 | -0.02 | -0.05 | -0.04 |
| Job Satisfaction  | -0.03 | -0.11 | -0.02 | -0.09 |
| R2 | 0.020 | 0.027 | 0.166 | 0.0107 |
| F | 0.963 | 1.327 | 5.560\*\*\* | 3.353\*\* |
| N | 57 | 57 | 57 | 57 |

**Table 1:** Results of regression analysis

**5. Conclusions**

All over the world the employers try to retain their competent employees as the exit of these employees leads to the loss of viable advantage that is there in the form of implied knowledge. This knowledge is of highest importance in educational sector especially in the universities, where experienced and competent faculties are much required for effective working of the higher educational institutions. In Pakistan, as the percentage of unemployment is so high so maximum of the graduates after completion of their masters degrees join the teaching profession as the number of universities and degree awarding institutions are increasing. So, to attract and retain these faculty members the policies at government and private sector as reward structure are essential to be attractive to retain their competent faculty members. The turnover cost has become a massive issue for organizations and especially in higher educational sector in Pakistan where the young and highly qualified faculty are reluctant to join the academia due to low benefits for these faculty members. Hence higher educational institutions are in process of developing policies that would help retain the existing employees but would also attract new entrants in the field. The main reason is the lack of attractive reward policies according to the standard policies in the Pakistani higher educational institutions. So, the path of attractive reward structures in universities, and faculty retention is most suitable to better understand the employee retention and organizational linkages. This study integrates the moderator variable (Work Volition) between total rewards Job Satisfaction and Job Retention in order to understand the effect of work volition. The results of the regression analysis show support for the direct effect of work volition on the retention of employees both in the public and private sector universities for both the sectors examined as PhDs and Non-PhDs. These findings indicate that through work volition the universities can retain their faculty members and could stop the brain drain. However, the results also point out that there may be other variables such as organizational culture and climate, commitment, leadership etc., which could be studied to better understand the relationships portrayed in the study.

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