PREDICTORS of Employee Retention of a Retail Sector in Monkayo, Davao de Oro, PHILIPPINES

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ABSTRACT

Retaining employees in the retail sector is a critical issue and a primary concern for human resources. This study intended to determine how organizational culture, work environment, compensation, and benefits predict employee retention in the retail sector. A quantitative descriptive-correlation design was used, and 200 retail employees in Monkayo, Davao de Oro, Philippines, were surveyed. The results revealed a high level of employee retention. The status of organizational culture is very favorable. Moreover, the work environment is conducive. Further, the level of compensation and benefits is high, suggesting that retail employees are satisfied with their compensation and benefits. Furthermore, the statistical data show that all three organizational cultures, work environment, compensation, and benefits, could significantly predict employee retention. Notably, the organizational culture could better influence employee retention. Furthermore, 58.4 percent of the variation in employee retention could be attributed to the combined influence of the variables being investigated.

KEYWORDS: *Employee retention, Organizational Culture, Work Environment, Compensation and Benefits, Philippines*

INTRODUCTION

Employee retention has become a major issue in the global economy, as many employees are leaving organizations in search of other opportunities. In some cases, Prakash et al. (2022) emphasized that employees do not even inform their employers of their intention to leave. A recent Sprout (2023) survey found that employee retention is the top Human Resources challenge in the Philippines. Similarly, Marquina (2023), said that voluntary turnover and attrition continued to increase and reached 15.9% in 2023 compared to 14.2% in 2022. In another study by Madhani (2020), results indicated that the employee

turnover rate in the retail industry is very high, at 35%. This is an alarming situation because Wilson (2018) noted that replacing an employee is costly, requiring considerable time, money, and energy. Losing good employees may result in the loss of valuable institutional knowledge, lower morale among the remaining members, and decreased productivity. In addition, the recent trend of high employee turnover makes employee retention a key consideration for human resources today.

Employee retention is not only about keeping a good employee but also about retaining valued skills. Iqbal et al. (2017) noted that if a company retains its employees, it will increase communication, employee commitment, and workforce support for the organization. Businesses are now taking action to retain their employees by implementing policies that support employee well-being. According to statistics, 9 out of 10 Human Resources professionals plan to work hard to retain their employees over the next 5 years. Organizations can contribute to the UN Sustainable Development Goal by creating inclusive workplaces that promote full and productive employment, decent work, and sustainable economic growth by understanding the factors that impact employee retention. This benefits both employees and the organization by prioritizing well-being and stability. Furthermore, Mehta et al. (2014) stated that employee retention has a positive effect on good customer relationships as it leads to higher customer satisfaction and loyalty, especially in the services sector.

Several studies have examined the relationships among organizational culture, work environment, compensation, benefits, and employee retention. In particular, Leidner and Smith (2013) noted that companies use various tools to motivate and retain their employees, including cooperative, supportive management and organizational structures. A study by Iqbal et al. (2017) found that employee retention is high when organizational culture, benefits, and salary are aligned to raise job satisfaction. Additionally, Salman et al. (2014) proved that organizational culture is an essential element that highly influences employee commitment, satisfaction, and retention. Moreover, Andari et al. (2021) demonstrated that the work environment and employee engagement are positively associated with employee retention. Also, Naz et al. (2020) found that supportive work environments positively influence employee retention.

Employee retention has been studied across various industries, with manufacturing, hospitality, IT, and banking sectors being prominent (Rupavathi, 2020; Ghani et al., 2022; Yousuf & Siddiqui, 2018). In a 2023 survey by the

human resources solutions firm Sprout, employee retention was identified as the country's top Human Resources challenge. As most research and studies about employee retention were conducted in Western and other foreign countries, by conducting this research study in the Philippine setting, particularly in Monkayo, Davao de Oro, human resource personnel, as well as future researchers, will have a more appropriate basis for employee betterment policies and strategies.

Statement of the Problem

1. What is the level of employee retention, organizational culture, work environment, and compensation and benefits among employees in the retail sector in Monkayo, Davao de Oro?
2. Is there a significant relationship between: Organizational Culture and Employee Retention; Work Environment and Employee Retention; Compensation and Benefits and Employee Retention?
3. Which among organizational culture, work environment, and compensation and benefits predicts employee retention in the retail companies in Monkayo, Davao de Oro?

METHODOLOGY

Research Design. This study employed a descriptive-correlation design. Creswell (2013) emphasized that descriptive research is instrumental in providing a detailed account of the anticipated status of phenomena, offering a snapshot of variables at a particular point in time. In this study, a descriptive design was used to describe the level of employee retention, the status of organizational culture, work environment, and the level of compensation and benefits. A correlation design was employed to determine the significant relationship between variables.

Research Locale. The research was conducted in the Municipality of Monkayo, Davao de Oro. This first-class municipality had 1,487 registered micro, small, and medium enterprises (MSMEs) as of September 2020, according to the Department of Trade and Industry–Davao de Oro Provincial Office. The survey's respondents were selected using a purposive sampling technique.

Research Instruments. The survey questionnaire, validated by experts, consists of four parts. Part I focuses on organizational culture, Part II on work

environment, Part III on compensation and benefits, and Part IV on employee retention.. The tool for organizational culture was adapted from Zwaan (2006), which consisted of 4 indicators and had a Cronbach's alpha of 0.77. Similarly, the work environment tool was taken from Kamanja (2020) and consists of four indicators, with a Cronbach's alpha of 0.7. Additionally, the compensation and benefits tool was adapted from Feraro-Banta and Shaikh (2017), comprising 4 indicators and 20 items. Lastly, the tool for employee retention was sourced from Hassan (2022), which has a Cronbach's alpha of 0.93.

Data Gathering Procedure. The researcher used the proper process of collecting the necessary data. The process starts with getting the approval of the University of the Immaculate Conception Graduate School Dean for the conduct of the study. Then, ethical clearance was obtained from the UIC Research Ethics Committee for the entire board review of the study's ethical aspects. In compliance with the Data Privacy Act of 2012 (RA 10173), responses remained anonymous, using unique codes instead of names. Data were stored securely, with physical copies in a locked cabinet and digital files in a password-protected system, accessible only to the researcher.

Statistical Tools. The researcher employed the following statistical tools to ensure a thorough interpretation and analysis of the collected data. The mean was used to determine the levels of organizational culture, work environment, compensation, and benefits among employees in the retail sector in Monkayo, Davao de Oro. Similarly, standard deviation was used to assess the consistency and dispersion of the responses. Further, Pearson's r, this correlation coefficient, was employed to assess the relationships among organizational culture, work environment, compensation, and benefits, and their combined impact on Employee Retention. Furthermore, multiple regression analysis was used to determine if organizational culture, work environment, compensation, and benefits significantly influence employee retention in the retail sector in Monkayo, Davao de Oro, Philippines.

Ethical Considerations. The researcher was committed to upholding ethical standards in research by submitting the research protocol for review and approval by the UIC Research Ethics Committee (UIC-REC), as indicated by the assigned Protocol Code: GS-ER-02-25-0207. The research underwent a thorough ethical review to ensure compliance with the ten foundational ethical dimensions, namely: social value, informed consent, vulnerability issues, risk-benefit ratio, privacy and confidentiality of information, justice,

transparency, researcher qualification, adequacy of facilities, and community involvement.

RESULTS AND DISCUSSION

Level of Employee Retention, Status of Organizational Culture, Work Environment, and the Level of Compensation and Benefits

The overall mean level of employee retention is 3.97, which is considered high and indicates that employee retention in retail companies is evident.

Table 1

Level of Employee Retention, Status of Organizational Culture, Work Environment, and the Level of Compensation and Benefits

Variables	Mean	Description
Employee Retention	3.97	High
Organizational Culture	4.30	Very High
Work Environment	4.18	High
Compensation and Benefits	3.81	High

This finding suggests a generally positive and evident inclination among employees to remain within the organization. Further, the results indicate that employees strongly agree with statements reflecting their desire to stay, highlighting a high level of employee retention in the retail sector. This result supports the observation of Iqbal et al. (2017) and Leidner and Smith (2013) that employees stay in the organization when their needs are satisfied, they are valued, and their development is a top priority.

The status of organizational culture in the retail sector, as rated by employees, is very high, with an overall mean of 4.30, indicating a very favorable organizational culture. This result implies that employees feel empowered, work collaboratively within teams, and believe their organizations invest in their capabilities. The very high level of organizational culture supports the studies by Sahni (2019) and Meng and Berger (2019), which found that a strong organizational culture shapes employee behavior and collaboration; likewise, the study by Meng and Berger (2019) found that a strong organizational culture shapes employee attitudes and behaviors.

The status of the work environment is measured in four indicators: physical work environment, psychological work environment, social work environment, and work flexibility. Based on the data, the work environment in the retail sector is high, with an overall mean of 4.18. This result indicates that the employees perceive the work environment as conducive. This suggests that the employees, on average, hold a positive view of their work environment. They generally perceived their workplace's conditions, atmosphere, and overall context as supportive and favorable for performing their jobs effectively and comfortably. This finding supports the study of Hamal et al. (2023), which states that a conducive work environment is essential for enhancing employee well-being, fostering a sense of belonging, and improving organizational outcomes, including retention and performance.

Correlation Between Variables

The data in Table 2 shows a statistically significant relationship between organizational culture, work environment, compensation, and benefits on employee retention. The correlation between organizational culture and employee retention is significant ($r = .728$, $p < 0.05$). This result implies that employees prefer to work for and stay in a company with a supportive, healthy culture. This result aligns with the findings of Shah and Sarkar (2017), who found that organizational culture is significantly related to employee retention.

Table 2

Correlation Between Variables

Variables Paired with Employee Retention	**r**	***p***	**Remarks**
Organization Culture	.728	.000	Significant
Work Environment	.718	.000	Significant
Compensation and Benefits	.657	.000	Significant

Likewise, relationships between work environment and employee retention are also significant ($r = .718$, $p < 0.05$). This suggests that employees are more likely to stay if the working environment is conducive. This result aligns with the conclusion of Naz et al. (2020) that the work environment positively influences retention rates, and with a similar study by Hamal et al. (2023), which revealed a strong positive correlation between the work environment and employee retention. Moreover, a significant relationship between compensation and benefits and employee retention ($r=.657$, $p<0.05$). This suggests that employees are satisfied with their compensation and benefits

packages and are more likely to stay with the company. These findings align with the study of Mishra et al. (2016), who found that compensation and benefits, including salary, benefits, and incentives, strongly correlate with employee retention.

Predictors of Employee Retention

The results of the aggression analysis, which demonstrate the impact of organizational culture, work environment, and compensation and benefits, are presented in Table 3. Notably, all the examined variables are significant predictors of employee retention ($p<.05$). The results suggest that organizational culture could better predict employee retention, as evidenced by a higher beta coefficient (.363) than work environment (.255) and compensation and benefits (.219). The findings support Alkahtani et al.'s (2015) claim that when employees feel they are part of and counted in a team, they are more likely to stay with the organization. Similarly, this supports the conclusion of Mehta et al. (2014), who emphasized that organizational culture is one of the reasons employees decide to stay in the company. Furthermore, Salman et al. (2014) propose that organizational culture is an essential element that highly influences employee retention.

Table 3

Predictors of Employee Retention

Independent Variables/Predictors	*B*	*p*	t	Remarks
Organization Culture	.363	.000	4.229	Significant
Work Environment	.255	.005	2.819	Significant
Compensation and Benefits	.219	.002	3.183	Significant
$r^2 = .584$				
p = .000				
F = 94.278				

Interestingly, the results suggest that a one-unit increase in work environment leads to a .255 improvement in employee retention. Similarly, a one-unit increase in compensation and benefits leads to a .219 improvement in employee retention. There is also a .363 one-unit increase in organizational culture and a .363 one-unit increase in employee retention, based on the beta coefficient. Moreover, with an R-squared value of .584, the regression model indicates that the combined influence of organizational culture, work environment, and compensation and benefits can explain 58.4 percent of the variation in employee retention. However, it is important to note that other

factors not included in the study may account for the remaining 41.6 percent of the variation in employee retention.

Notably, the study's findings affirm Herzberg's Two-Factor Theory of Motivation since hygiene factors such as organizational culture, work environment, compensation, and benefits significantly influence employee retention. In line with this, the study found that organizational culture and work environment emerged as stronger predictors of retention, promoting stability and a sense of belonging among employees. Compensation and benefits also showed a significant relationship with retention. However, their influence was relatively less pronounced, supporting Herzberg's claim that while financial rewards matter, they are insufficient to maintain long-term commitment alone.

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