

Exploring the Dynamics of Employee Retention: A Causal Model Approach

GAY L. MOLINA

ORCID NO. 0000-0001-9428-2827

gayle.molina@globalports.com.ph

Globalport Terminal Inc. (Iligan and Ozamiz)
Human Resources Department
Philippines

ABSTRACT

This research investigates the complex relationships influencing intergenerational employee retention within private power generation and distribution utilities in two major cities in the Southern Philippines. Utilizing path analysis and structural equations modeling, two hypothesized models are examined to determine the impact of job resources, job demands, employee engagement, and burnout on employee retention. Analyzing the responses of 256 employees in a cross-sectional survey, findings reveal that while the initial model failed to meet standard fit criteria, the second model demonstrated superior fit, indicating significant relationships. Specifically, employee engagement emerges as a critical factor of retention, influenced by job resources and job demands, while burnout negatively influences employee engagement. The findings of the study further highlight employee engagement as a significant predictor and mediator of retention, regardless of generational differences. Implications emphasize the perspective of employee engagement's influence on retention, while challenging assumptions of generational disparities and advocating for customized engagement strategies among baby boomers, Gen-Xers, and millennials. This study, thus, underscores the importance of nurturing positive work environments, addressing job demands, and fostering engagement to reinforce retention across generations. To optimize talent management strategies and ensure sustainable retention, practical recommendations bridging policy-making, talent management enhancements, knowledge dissemination, and regulatory considerations are proposed for executives, HR practitioners, and researchers alike.

Keywords: Intergenerational employee retention, employee engagement, job resources, job demands, burnout, path analysis, talent management

INTRODUCTION

In the pursuit of organizational success, the preservation and enhancement of assets, including human resources, stand as paramount objectives. Recognizing people as the organization's most valuable assets underscores the crucial role that employees play in driving organizational effectiveness. While advanced technology and intellectual capital are essential, it is the competence, well-being, and motivation of individuals that ultimately determine an organization's success.

Best-fit employees, characterized by their physical presence, mental acuity, and emotional resilience, serve as the driving force behind an organization's effectiveness. In contrast, burnt-out employees, plagued by chronic illness, fatigue, or absenteeism, undermine organizational productivity and effectiveness. Engaging employees and retaining their commitment emerge as key functions of talent management, aiming to cultivate a workforce that remains motivated and productive.

The link between employee engagement, commitment, and organizational retention has been well-documented. Engaged employees, satisfied and committed to their organizations, are more likely to contribute positively to organizational goals and exhibit low intentions to leave. Conversely, factors such as stress and burnout can diminish employee productivity, engagement, and retention, imposing significant costs on organizations through turnover and replacement expenses.

In the context of this study, several organizations have struggled with employee retention challenges, manifesting in high turnover rates and absenteeism. The underlying reasons for attrition extend beyond mere job dissatisfaction, suggesting deeper issues that warrant exploration. By examining factors influencing employee retention and their relationship to burnout and engagement, this study seeks to uncover insights into employees' intentions to stay within the organization.

This study was conducted within privately owned power generation and distribution utilities companies located in the Southern Philippines. This aims to shed light on the factors that contribute to employee retention, particularly within vulnerable industries prone to turnover. By understanding the unique needs and preferences of employees across different generational cohorts, organizations can tailor policies and strategies to foster a supportive and engaging work environment conducive to long-term employee retention. This study, therefore, examines two hypothesized causal models to determine the relationships between job resources, job demands, employee engagement, burnout, and employee retention across different generational cohorts. This research further seeks to identify the best-fit

causal model explaining intergenerational employee retention.

Through rigorous analysis and examination of intergenerational dynamics, this study ultimately intends to equip HR professionals and management teams with practical insights to address employee retention challenges effectively. By nurturing a culture of engagement, resilience, and mutual support, organizations can cultivate a workforce that remains committed, motivated, and dedicated to achieving shared organizational goals.

FRAMEWORK

Kowske, Rasch, and Wiley (2010) earlier contributed to the sparse empirical literature on generational differences at work by examining the effect of generation on work attitudes and how Millennials' attitudes differ from prior generations. Their study, based on a diverse sample of U.S. employees, reveals that while work attitudes differ across generations, Millennials generally report higher levels of overall company and job satisfaction, satisfaction with job security, recognition, and career development compared to Boomers and Gen Xers. This underscores the importance of considering generational differences in crafting retention strategies tailored to each cohort's preferences.

However, in the pursuit of a better understanding of employee retention among diverse generational cohorts, recent literature offers some critical insights. Tupper, Ellis, Lee, Lim, Seo, and Kwak (2022) emphasize the evolving landscape of employee retention, projecting a substantial increase in turnover rates. This escalation, compounded by prolonged role vacancies, heightens pressure on managers and organizations. Consequently, there is a pressing need to realign efforts towards retention, empowering managers to concurrently preserve talent and propel organizational performance.

Moreover, Galanakis and Tsitouri (2022) conducted a systematic review to examine the applicability and relevance of the Job Demands-Resources (JD-R) model in the contemporary workplace environment. Their review offers substantial empirical evidence supporting the validity and effectiveness of the JD-R model in predicting work engagement and burnout, two contrasting states of employee well-being. By understanding the dynamics of work engagement and burnout, organizations can implement strategies to foster employee well-being and enhance retention across generational cohorts.

Additionally, the Substance Abuse and Mental Health Services Administration (SAMHSA, 2022) highlights the complexities of burnout resulting from chronic workplace stress. Burnout encompasses exhaustion, depersonalization, and

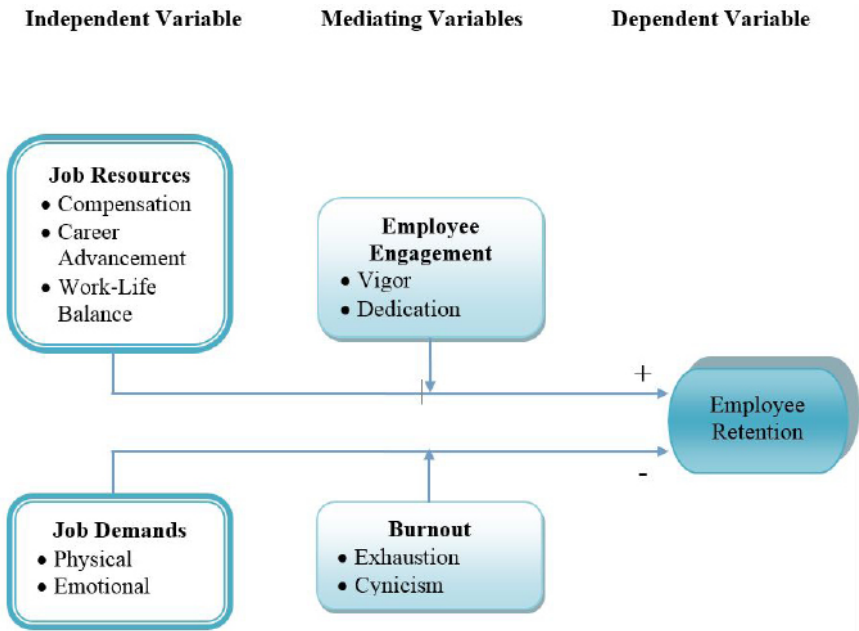
feelings of inefficacy, with significant physical and emotional consequences for individuals and organizations. To address burnout effectively, organizations must adopt strategies to modify the six drivers of burnout, including workload, control, reward, community, fairness, and values. By implementing organization-level interventions, organizations can prevent and reduce burnout among their workforce, thereby promoting employee well-being and retention.

The study by Tupper and Ellis (2022) underscores the crucial role of managers in retention dynamics, identifying three critical areas requiring managerial support. These include transitioning career conversations from promotion-centric to progression-oriented, fostering a culture conducive to career experimentation, and incentivizing managers based on organization-wide talent retention. Recognizing these imperatives, our study underscores the indispensable influence of managers on employee retention across generational divides.

As the generational landscape evolves with the retirement of Baby Boomers and the rise of Millennials, retention strategies must adapt to evolving needs (Hennelly & Schurman, 2023). While Baby Boomers often prioritize career advancement, Millennials lean towards valuing work-life balance and avenues for personal development (Basic, 2018). Hence, the theoretical and conceptual framework of this study acknowledges the necessity of tailoring retention strategies to align with each cohort's preferences.

As illustrated in Figure 1, the theoretical underpinning of this study investigates the complex interplay between job resources, job demands, employee engagement, burnout, and employee retention. Critical job resources such as compensation, career advancement, and work-life balance are identified as influencers of employee engagement and burnout. Conversely, job demands, encompassing factors like work environment and pressure, correlate with burnout in its physical and emotional manifestations. Furthermore, employee engagement, typified by vigor and dedication, is theorized to exert an influence on employee retention.

This study hypothesized that perceptions of job resources, demands, engagement, and burnout may vary across generational cohorts. By embracing these nuances and equipping managers with requisite support, organizations can devise tailored retention strategies conducive to engaging and retaining talent across generations, fortifying organizational resilience and longevity.

Figure 1*Schematic Diagram of the Variables in the Study*

METHODOLOGY

Utilizing descriptive-correlational and causal-comparative research designs, this study seeks to describe and establish relationships among the identified variables. In particular, path analysis with maximum likelihood estimation and structural equation modeling were employed to test two hypothesized models. Four latent independent variables representing job resources, job demands, employee engagement, and burnout were analyzed against the latent dependent variable, employee retention. Using stratified random sampling, the respective HR teams of the participating companies handled the conduct of the survey among 256 participants. More than half of them (54%) belonged to the Millennials classification, followed by the GenXers (37%), and lastly, the Baby Boomers (9%).

The survey questionnaire contains five subjects: job resources, taken from the Employee Retention Scale by Dockel (2003) in Muleya (2017); job demands,

based on the Questionnaire on the Experience and Evaluation of Work by van Veldhoven et al. (1994) in Grigsby (2013); employee engagement, patterned after the Utrecht Work Engagement Scale (UWES) by Schaufeli, Salanova, Gonzales-Roma & Bakker (2002) in Schaufeli, Bakker & Salanova (2006); burnout, patterned after the Oldenburg Burnout Inventory (OLBI) by Lu, Bakker, Vardakou & Kantas, (2003) in Demerouti & Bakker (2008); and employee retention, based on Price and Mueller’s (1986) scale in Markowitz (2012). All were either modified versions of the original or adaptations by other researchers. A four-point Likert scale was employed in the questionnaire with a scale ranging from Strongly Disagree (1) to Strongly Agree (4).

RESULTS AND DISCUSSION

This section presents the results of the path and SEM analyses for two hypothesized models. Some relevant literature is dove-tailed to the findings to provide an in-depth analysis.

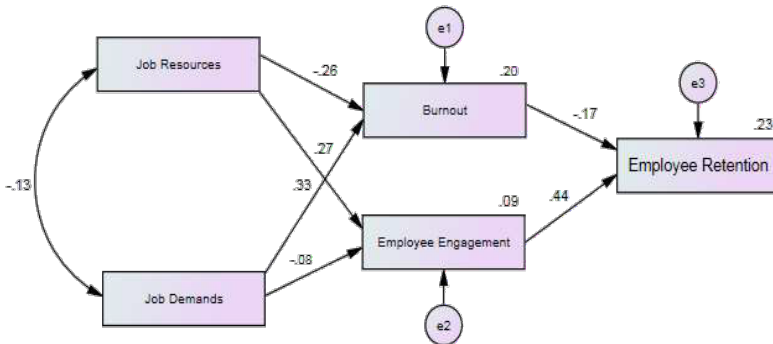
Hypothesized Model 1:

Employee retention is caused by burnout and employee engagement that are also in turn, influenced by job resources and job demands.

Figure 2 shows the schema of the first hypothesized model where employee retention is caused by burnout and employee engagement which were in turn influenced by job resources and job demands.

Figure 2

Schematic Diagram of Hypothesized Model 1



However, as shown in Table 1, the values for the hypothesized causal model have not satisfied the standard fit criterion. Specifically, where chi-square should be less than 2, it is 32.78. The RMSEA should range from 0 to 1, with smaller values indicating better model fit. In this model, RMSEA is 0.35. Other indices like NFI, TLI, CFI, and GI likewise did not meet the criteria set for a good fit. As such, this hypothesized model is not acceptable.

Table 1

Standard Fit Indices and Standard Values for Hypothesized Causal Models

Standard Fit Index	Standard Criterion	Model 1 Fit Value	Model 2 Fit Value
Chi-Square/Degrees of Freedom (CMIN/DF)	< 2.00	32.78	1.19
Probability (P-value)	> 0.05	0.00	0.31
Normed Fit Index (NFI)	> 0.95	.73	.99
Tucker-Lewis Index (TLI)	> 0.95	.92	.99
Comparative Fit Index (CFI)	> 0.95	.73	.99
Goodness of Fit Index (GFI)	> 0.95	.34	.99
Root Mean Square Error of Approximation (RMSEA)	< 0.50	.35	.03

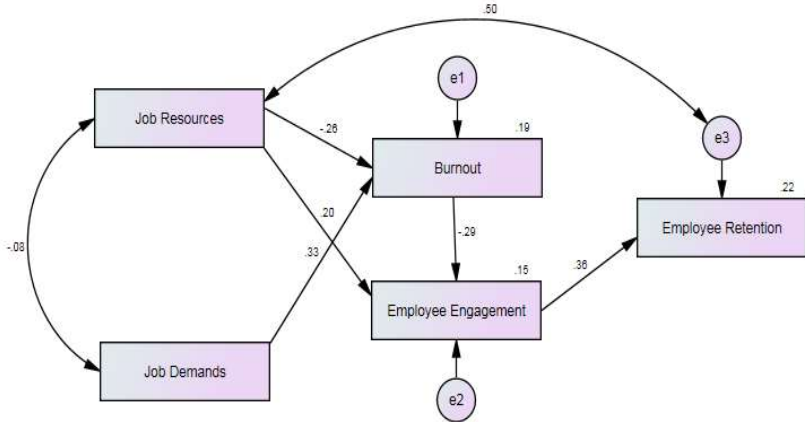
Hypothesized Model 2:

Employee retention is influenced by employee engagement which mediates the relationship between job resources and employee retention; burnout is influenced by job demands and is negatively affected by job resources; burnout negatively affects employee engagement.

Figure 3 presents the best-fit model with its path coefficients. The schema, as shown in Figure 3, shows the structural equation model using a path diagram.

Figure 3

Schematic Diagram of Hypothesized Model 2 (Best Fit)



Employee retention and employee engagement are seen as caused variables or endogenous variables, while burnout, job resources, and job demands, are reflected as exogenous variables. Employee engagement in this study was found to be both a cause and an effect variable. Based on the derived model, employee engagement ($r = 0.36$) directly explains the 22% employee retention. In turn, job resources ($r = 0.20$) influence employee engagement and as such, it has a mediating role between the two variables.

Meanwhile, job demands ($r = 0.33$) influence burnout which means that the higher the job demand, the higher the burnout. Job resources ($r = -0.26$) also negatively affect burnout which means that the greater the job resources, the lesser the burnout.

The model also shows a serious effect of burnout on employee engagement ($r = -0.29$) which suggests that the more burnout the experience is, the lesser the employee’s engagement. Job resources and job demands are covariance or negatively related ($r = -0.08$) which means that the higher perception of job demands is, the lower the job resources.

The criterion for indices of Model 2 as shown in Table 1 signifies a good fit with a CMIN/DF of 1.19 for the desired criterion of 0 to 2; p-value of .31; NFI (.99); TLI (.99); CFI (.99) GFI (.99) and RMSEA (.03). All of these figures met the criteria for a good fit; hence the model is acceptable.

The findings of this study offer valuable insights into the causal model that best elucidates intergenerational employee retention, shedding light on the intricate

interplay among job resources, job demands, employee engagement, burnout, and ultimately, retention. Aligning these findings with recent literature and the theoretical framework deepens one's comprehension of these relationships and their implications for organizational practices.

The first hypothesized model, which suggests that retention is influenced by burnout and employee engagement mediated by job resources and job demands, corresponds with the theoretical framework emphasizing the significance of these factors in shaping employee well-being and organizational outcomes (Demerouti et al., 2001; Schaufeli & Bakker, 2004). However, contrary to expectations, this model did not meet the standard fit criteria, suggesting its inadequacy in explaining intergenerational employee retention, contrasting with research emphasizing the relevance of job resources, job demands, and employee engagement by Galanakis & Tsitouri (2022).

Conversely, the second hypothesized model, proposing that retention is influenced by employee engagement mediating the relationship between job resources and retention, aligns well with the theoretical framework, reflecting the JD-R model's assertion (Demerouti et al., 2001). The findings support this model, indicating its efficacy in explaining intergenerational employee retention, consistent with recent literature highlighting the importance of these factors (Galanakis & Tsitouri, 2022). Consequently, organizations need to prioritize initiatives aimed at enhancing job resources, reducing job demands, and mitigating burnout to foster higher engagement levels across generational cohorts, recognizing the significant influence of managers in shaping retention outcomes as contended earlier by Bakker et al. (2014). Overall, by corroborating previous research and theoretical frameworks, the study contributes to a better understanding of intergenerational employee retention and offers practical insights for organizational practices, underscoring the importance of considering these factors for organizational success and sustainability in diverse workforce contexts.

CONCLUSIONS

The accepted model (Model 2) unveils crucial relationships. Employee engagement, as a cause-and-effect variable, directly explains 22% of employee retention. Job resources act as mediators, influencing employee engagement ($r = 0.20$) and, subsequently, employee retention. Job demands ($r = 0.33$) positively affect burnout, while job resources ($r = -0.26$) negatively impact burnout. Burnout, in turn, negatively influences employee engagement ($r = -0.29$).

This research supports and extends the Job Demands-Resources (JD-R) model by Demerouti et al. (2001). The findings confirm the positive relationship between job resources and employee engagement, emphasizing the crucial role of compensation, career advancement, and work-life balance in retaining employees. Additionally, the negative impact of job demands on burnout aligns with existing literature, emphasizing the need to address stressful working conditions.

The study contributes to the understanding of intergenerational employee retention dynamics. The proposed model provides a notable perspective on the complex interactions among job resources, job demands, burnout, employee engagement, and ultimately, employee retention. Organizations can leverage these insights to tailor strategies that foster positive work environments, thereby enhancing employee engagement and retention.

The research findings likewise echo established literature, reinforcing the importance of employee engagement in retaining a diverse workforce across generations. By acknowledging the degree of relationships among organizational variables, organizations can craft targeted interventions to improve employee well-being and foster a culture conducive to long-term retention.

A relevant study generally supports the effect of generation on work attitudes, highlighting that Millennials generally report higher levels of job satisfaction and other positive work attitudes compared to previous generations (Kowske, B. J., Rasch, R., & Wiley, J., 2010). This consistency underscores the importance of considering generational differences in understanding work attitudes and designing retention strategies. This further corroborates the theoretical framework by highlighting the significance of job resources, such as recognition and career development, in influencing employee engagement and retention. Moreover, the differences in work attitudes among generational cohorts underscore the relevance of the framework's emphasis on understanding generational preferences and priorities.

Tupper and Ellis (2022) also emphasize the importance of refocusing efforts on retention due to forecasted increases in employee turnover, urging organizations to enable managers to retain talent while delivering results. By recognizing the significant influence of managers on employee retention, the study reinforces the need to support managers in navigating generational differences and implementing targeted retention strategies. It further underscores the theoretical framework's emphasis on managerial influence in shaping employee retention outcomes. By acknowledging the pivotal role of managers and providing them with adequate support, organizations can enhance their ability to retain talent across generational cohorts effectively.

Galanakis, M. D., & Tsitouri, E. (2022) conducted a systematic review of the Job Demands-Resources (JD-R) model, affirming its validity in predicting work engagement and burnout, essential factors for employee well-being and retention. This likewise supports the findings of this study consistently with the previous empirical studies on employee retention.

A more recent report addresses burnout as a complex issue resulting from chronic workplace stress, emphasizing the need for organizational interventions to modify the drivers of burnout and promote employee well-being (Substance Abuse and Mental Health Services Administration (SAMHSA, 2022).

In summary, the findings of the study align with the recent literature and theoretical framework, highlighting the importance of considering generational differences, job resources, job demands, and managerial influence in understanding and enhancing employee retention. By integrating insights from the literature and theoretical framework, organizations can develop tailored retention strategies that promote organizational success and sustainability in the face of evolving workforce dynamics.

Implications to Human Resource Management Practices and Research

The study provides significant practical recommendations and implications for organizations, regulatory bodies, academe, and future research endeavors. Firstly, organizations are advised to promote knowledge-sharing and mentoring platforms, particularly across generational cohorts, to facilitate the transfer of valuable insights and expertise, thereby fostering a culture of continuous learning and development. Secondly, encouraging the active involvement of line managers in the development of company programs related to engagement and retention is crucial to ensure alignment with the diverse needs and preferences of employees across different generations. Moreover, regulatory bodies like the Energy Regulatory Commission are urged to consider the findings of this study when influencing distribution utilities, emphasizing the importance of policy frameworks that prioritize employee engagement and retention to enhance performance and sustainability within the energy sector.

The academe likewise plays a vital role by incorporating relevant elements in the curriculum on topics on talent management and employee retention that can better equip students with the knowledge and skills needed to address workforce dynamics in real-world settings.

Future researchers are also encouraged to replicate the study in diverse organizational settings and expand the scope of research to include additional variables or longitudinal studies, providing deeper insights into the effects of

organizational changes on intergenerational retention dynamics.

Overall, the research contributes valuable insights into intergenerational employee retention complexities and offers practical recommendations for organizations and stakeholders to enhance talent management practices. Furthermore, HR practitioners are encouraged to foster engagement and improve retention rates across generational cohorts, ultimately leading to increased organizational efficiency, competitiveness, and long-term sustainability in today's dynamic workforce landscape.

LITERATURE CITED

Basic, L. (2018). Examining Generational Differences in The Workplace: Employee Engagement Practices and their Impact on Retention of Different Generations of Human Resources Employees in Higher Education (Doctoral dissertation). Retrieved from https://digitalcommons.umassglobal.edu/edd_dissertations/207

Demerouti, E., Bakker, A., Nachreiner, F., & Schaufeli, W. (2001). The Job Demands–Resources Model of Burnout. *The Journal of applied psychology*. 86. 499-512. 10.1037/0021-9010.86.3.499. Retrieved on July 1, 2018 from https://www.researchgate.net/publication/11920243_The_Job_Demands-Resources_Model_of_Burnout

Gaffin, K. (2022, June 15). The Rules of Engagement: How Employee Engagement Affects Burnout. *Insightful Business Management*. Retrieved from <https://www.insightful.io/blog/employee-engagement-burnout>

Galanakis, M. D., & Tsitouri, E. (2022). Positive psychology in the working environment. Job demands-resources theory, work engagement and burnout: A systematic literature review. *Frontiers in Psychology*, 13, 1022102. <https://doi.org/10.3389/fpsyg.2022.1022102>

Grigsby, MAA (2013). *Testing the Job Demands-Resources Model in a Workplace Health Promotion Context*. (Doctoral Dissertation). Retrieved on July 22, 2018 from https://getd.libs.uga.edu/pdfs/grigsby_mari-amanda_a_201308_phd.pdf

Hennelly, D. S., & Schurman, B. (2023, January 05). Age and Generational Issues: Bridging Generational Divides in Your Workplace. *Harvard Business Review*. Retrieved from <https://hbr.org/2023/01/bridging-generational-divides-in-your-workplace>

Kowske, B. J., Rasch, R., & Wiley, J. (2010). Millennials' (Lack of) Attitude Problem: An Empirical Examination of Generational Effects on Work Attitudes. *Journal of Business and Psychology*, 25(2), 265–279. <https://doi.org/10.1007/s10869-010-9171-8>

Lee, C.C., Lim, H.S., Seo, D.(J). and Kwak, D.-H.A. (2022). Examining employee retention and motivation: the moderating effect of employee generation. *Evidence-based HRM*, 10(4), 385-402. DOI: 10.1108/EBHRM-05-2021-0101. <https://doi.org/10.1108/EBHRM-05-2021-0101>

Lee, C. C., Luppi, J. L., Simmons, T., Tran, B., & Zhang, R. (2023). Examining the Impacts of ESG on Employee Retention: A Study of Generational Differences. *Journal of Business & Management*, 29(1), 1-22. DOI: 10.6347/JBM.202307_29(1).0001

Muleya, D. (2017). Retention Factors and Employee Organization Commitment at a Higher Education Institution in South Africa. (Masteral Thesis) Retrieved on July 1, 2018 from <http://univendspace.univen.ac.za/bitstream/handle/11602/957/Dissertation%20-%20Muleya%2C%20d.-.pdf?sequence=1&isAllowed=y>

Schaufeli, W.B., Bakker, A.B., & Salanova, M. (2006). The Measurement of Work Engagement With a Short Questionnaire: A Cross-National Study. *Educational and Psychological Measurement*, 66(4). 10.1177/0013164405282471 Retrieved on August 6, 2018 from <https://www.wilmarschaufeli.nl/publications/Schaufeli/251.pdf>

Substance Abuse and Mental Health Services Administration (SAMHSA). (2022). *Addressing burnout in the behavioral health workforce through organizational strategies* (SAMHSA Publication No. PEP22-06-02-005). Rockville, MD: National Mental Health and Substance Use Policy Laboratory, Substance Abuse and Mental Health Services Administration. Retrieved from <https://store.samhsa.gov/sites/default/files/pep22-06-02-005.pdf>

Tupper, H., & Ellis, S. (2022, July 04). Employee Retention: It's Time to Reimagine Employee Retention. *Harvard Business Review*. Retrieved from <https://hbr.org/2022/07/its-time-to-reimagine-employee-retention>

Van den Broeck, A., Elst, T. V., Baillien, E., Sercu, M., Schouteden, M., De Witte, H., & Godderis, L. (2017). Job Demands, Job Resources, Burnout, Work Engagement, and Their Relationships: An Analysis Across Sectors. *Journal of Occupational and Environmental Medicine*, 59(4), 369–376. <https://www.jstor.org/stable/48510436>