

Employees' Retention by Training and Compensation in Generational Groups

Lucie Morin ^a and Stéphane Renaud ^b

^a Business School, University of Quebec in Montreal, Montréal, Canada, H3C 3P8
morin.lucie@uqam.ca

^b School of Industrial Relations, University of Montreal, Montréal, Canada, H3T 1N8
stephane.renaud@umontreal.ca

Extended Abstract

Retaining productive employees is becoming a critical issue in numerous North American organizations. To increase their retention's organizational capability, firms need to expand their human resource practices and go beyond the traditional offer of a competitive fixed wage (Towers Perrin, 2002). In line, authors have proposed that both training and alternative compensation practices can bring significant intangible benefits to an organization by having an impact, for instance, on one's intention to stay with an employer (Gerhart & Ryan, 2003; St-Onge & Thériault, 2006). In the last decade, few quantitative studies have been conducted to test the link between compensation and retention (e.g., Dale-Olsen, 2006; Frijters, Shields & Price, 2007; Guthrie, 2000; Shaw, Delery, Jenkins & Gupta, 1998) and between training and retention (e.g., Benson, Finegold & Mohrman, 2004; Davies, Taylor & Savery, 2001). In short, results have consistently indicated that compensation and training are positively associated with retention. Moreover, it has been suggested that organizational training represents a key factor in the retention of the Generation Y employees (Patten, 2007). This is not surprising if we consider that today's workforce is a mix of generations that each has a unique perspective. This suggests that the success of a firm's retention efforts can depend on offering appropriate incentives to workers in different age cohorts. Although very few empirical studies have been carried out on the topic, findings have consistently shown that generational groups have different reactions (e.g., job satisfaction, intent to stay) (see Blythe, Baumann, Zeytinoglu & Denton, 2008). However, to our knowledge, no study has been conducted to test the links among retention, training, alternative compensation and generational groups.

Our study aims to fill a gap in the retention literature by answering the following two main research questions: What are the links between training and alternative compensation practices in an organizational setting and the retention of employees? And, do generational groups matter in these relationships? Specifically, the following hypotheses have been tested:

- H1a: There is a positive link between the organizational offer of training and retention.
- H1b: This link differs for Generation X, Generation Y and the Baby Boomers.
- H2a: There is a positive link between the organizational offer of alternative compensation and retention.
- H2b: This link differs for Generation X, Generation Y and the Baby Boomers.

- H3a: There is a positive link between the interaction term (training X alternative compensation) and retention.
- H3b: This link differs for Generation X, Generation Y and the Baby Boomers.

Method

Our data come from the 2005 *Workplace and Employee Survey* (WES) administered by Statistics Canada. This representative national survey follows thousands of Canadian firms on an annual basis, and for each firm, a sample of their employees. In this study, firms' data and employees' data were merged. All analyses were weighted. Our dependant variable, *retention*, was operationalized as organizational tenure. Based on the date of employment, we created a continuous variable which reflects the number of years of tenure within the organization. The *organizational offer of training* was measured by adding offered training practices (from 0 to 12 possible training practices). The *organizational offer of alternative compensation* was measured the same way, which is by adding from 0 to 5 practices. Fixed compensation was measured with the hourly wage rate. For the variable *generations*, we used the categories proposed by Foot and Stoffman (2004). From the employee's year of birth, we created three dummy variables: GenY if age is less than 26, GenX if age is from 26 to 39, and Boomers if age 40 and over at the time of the survey.

Results

Table 1 reports mean for all variables used in this study. Descriptive statistics revealed that in our sample (N=24197), 12% of employees were Gen Ys, 32% Gen Xs and 56% Boomers. Findings indicate that organisations offer, on average, slightly over three training practices (M=3.34) and one alternative compensation practice (M=1.05). Boomers are the generational group which receives the greatest training offer while Gen Ys are those with the lowest training offer. Alternative compensation practice offer does not vary across the three generational groups.

Our main results are presented in Table 2. In short, for the main effects (Equation 1 - pooled data), findings provide support to hypothesis H1a; the more an organization offers training, the longer the employee's tenure after controlling for a series of variables (e.g., gender, education, marital status, occupation, industry, fixed compensation, firm size, hours worked per week, union status, and job satisfaction). Contrary to Hypothesis H2a, there is a significant negative link between alternative compensation and tenure; the more an organization offers alternative compensation, the shorter the employee's tenure, are else equal. However, in line with Hypothesis H3a, the interaction between training and alternative compensation is positively related to tenure. Hence, are else equal, the more an organisation offer alternative compensation with training, the longer the employee's tenure.

With respect to generational groups, results from Equations 2, 3, and 4 show only supports for Hypothesis H1b; while structured training is positively associated to tenure for both Boomers and Gen Xs, it is negatively associated to tenure for Gen Ys.

Table 1
Descriptive statistics

	Mean Pool data	Mean Boomers	Mean Gen X	Men Gen Y
Woman	0.52	0.51	0.52	0.56
Graduate Studies	0.07	0.07	0.07	0.01
Undergraduate Studies	0.15	0.12	0.22	0.09
Certificate	0.03	0.03	0.03	0.02
Community College	0.28	0.26	0.31	0.33
High School or less (ref cat.)	0.47	0.52	0.37	0.55
Spouse	0.68	0.77	0.69	0.24
Manager	0.13	0.15	0.11	0.05
Hourly Wage Rate	20.71	22.90	20.32	11.46
Firm Size	477.74	552.90	449.60	209.64
Hours worked per week	36.32	37.12	37.2	30.33
Union	0.27	0.31	0.23	0.17
Satisfaction	3.23	3.28	3.21	3.10
Boomers	0.56	1	0	0
Gen X	0.32	0	1	0
Gen Y	0.12	0	0	1
# of alternative compensation practices	1.05	1.04	1.09	1.02
# of structured training practices	3.34	3.50	3.36	2.60
Organizational tenure	9.23	12.63	5.77	2.52
N valid listwise	23 267	12 978	7 432	2 857

Table 2
Regression of training and alternative compensation on organizational tenure
 OLS Regressions (standardized coefficients)

	Equation 1 Pooled data Org.Tenure	Equation 2 Boomers Org.Tenure	Equation 3 Gen X Org.Tenure	Equation 4 Gen Y Org.Tenure
Woman	0.010 **	-0.003	0.085 ***	-0.004
Graduate Studies	-0.083 ***	-0.092 ***	-0.167 ***	0.015
Undergraduate Studies	-0.079 ***	-0.080 ***	-0.133 ***	0.028 *
Certificate	-0.020 ***	-0.034 ***	-0.013	0.039 **
Community College	-0.045 ***	-0.072 ***	-0.009	0.059 ***
Spouse	0.037 ***	0.039 ***	0.055 ***	0.019
Manager	0.009 *	0.016 **	0.015 *	0.064 ***
Hourly Wage Rate	0.189 ***	0.213 ***	0.152 ***	0.280 ***
Firm Size	0.049 ***	0.072 ***	-0.009	-0.060 ***
Hours worked per week	0.065 ***	0.107 ***	0.019 *	0.009
Union	0.140 ***	0.182 ***	0.108 ***	0.085 ***
Satisfaction	0.026 ***	0.034 ***	0.030 ***	0.063
Boomers	0.412 ***			
Gen X	0.080 ***			
# of alt.compensation practices	-0.032 ***	-0.031 ***	-0.056 ***	-0.040 *
# of structured training practices	0.039 ***	0.045 ***	0.064 ***	-0.079 ***
Interaction pay X training)	0.022 **	0.023 *	0.023	0.039
Constant	0.092 ***	4.669 ***	3.564	0.847 ***
Adjusted R ²	0.286 ***	0.148 ***	0.072 ***	0.095 ***
N valid listwise	23 267	12 978	7 432	2 857

Conclusions

The typical North American organizational offer of human resource practices has significantly changed in the last two decades. For instance, many firms now go beyond the traditional offer of a competitive fixed wage and propose alternative compensation practices to their employees. Many firms also propose various training practices other than the traditional class seminar. The aim of this expanded offer is to have a positive impact on various key work related outcomes. With respect to training and alternative compensation, very few empirical studies have been conducted to test the link between these practices and retention. Applied researchers need to expand their mental model on what impacts employees' retention. Our significant results should encourage future research on the topic. In regard to generational groups, our results suggest that future research should include this variable as a key variable, not just

controlling for age as it is usually the case. In terms of practical implications, our findings suggest that, for an organization, it pays to invest in training and alternative compensation practices. However, because of the particularities of each generation, some investment might not get a high return, at least with respect to retention. For instance, even if a firm trains well a worker in the Generation Y, this worker being at the beginning of his or her career, should not stay as long as a worker in Generation X or in the Boomers. Organizations should have a diversified training and alternative compensation offer customized to each generational group rather than a one-size-fits-all limited traditional offer. However, firms should be realistic about what they can gain: a younger worker will always be more prone to leave than an older worker.

References

- Benson, G. S., Finegold, D., & Mohrman, S. A. (2004). You paid for the skills, now keep them: tuition reimbursement and voluntary turnover. *Academy of Management Journal*, 47(3), 315-331.
- Blythe, J., Baumann, A., Zeytinoglu, I., Denton, M., AkhtarDanesh, N., Davies, S., & Kolotylo, C. (2008). Nursing Generations in the Contemporary Workplace. *Public Personnel Management*, 37(2), 137-159.
- Dale-Olsen, H. (2006). Wages, fringe, benefits and worker turnover. *Labour Economics*, vol.13, 87-105.
- Davis, D., Taylor, R., & Savery, L. (2001). The role of appraisal, remuneration and training in improving staff relations in the Western Australian accommodation industry: a comparative study. *Journal of European Industrial Training*, 25(6/7), 366-373.
- Foot, D., & Stoffman, D. (2004). *Boom Bust & Echo : Profiting from the Demographic Shift in the 21st Century*. Toronto, Ontario: Footwork Consulting.
- Frijters, P., Shields, M. A, & Price, S. W. (2007). Investigating the quitting decision of nurses: panel data evidence from the British national health service. *Health Economics*, 16, 57-73.
- Gerhart, B., & Rynes, S.L. (2003). *Compensation : Theory, Evidence, and Strategic Implications*, Thousand Oaks, CA: Sage.
- Guthrie, J. P. (2000). Alternative pay practices and employee turnover: an organization economics perspective. *Group & Organization Management*, 25(4), 419-439.
- Patten, R. (2007). Effective succession planning and talent management. *Rotman Magazine*, Fall, 95-97.
- Shaw, J. D., Delery, J.E., Jenkins, G.D., & Gupta, N. (1998). An organization-level analysis of voluntary and involuntary turnover. *Academy of Management Journal*, 41(5), 511-525.
- St-Onge, S., & Thériault, R. (2006). *Gestion de la rémunération : théorie et pratique (2ème édition)*. Boucherville, Québec: Gaëtan Morin Éditeur.
- Towers Perrin. (2002). *The Towers Perrin Talent Report 2001: New Realities in Today's Workforce*. <http://www.towersperrin.com/towersperrin/towersperrin.htm>