Effect of Organizational Factors on Retention of Generation Y Employees in Parastatals: A Case of Kenya Revenue Authority

Gladys J. Chumba
Masters student, Jomo Kenyatta University of Agriculture and Technology, Department of procurement and entrepreneurship, school of Human Resource and Development, Nairobi, Kenya

Dr. Hazel Gachunga
Supervisor, Jomo Kenyatta University of Agriculture and Technology, Department of procurement and entrepreneurship, school of Human Resource and Development, Nairobi, Kenya

Abstract
The purpose of this study was to establish generally the effect of organizational factors on retention of generation Y employees in Kenya Revenue Authority. The specific objectives for this study were: career development, remuneration, employee recognition and management styles on retention of Generation Y employees in Kenya Revenue Authority. The target population for this study comprised of 461 the top level management, middle level management and lower level management. The research used descriptive survey design and stratified sampling technique. The sample size was 285 respondents. The study used primary data collected using predetermined questionnaires. The quantitative data was analyzed and presented using descriptive statistics, graphs, pie charts and qualitative data was analyzed through content analysis. The analysis was done using Statistical Package for Social Sciences (SPSS) version 21.

Keywords: career development, remuneration, employee recognition, management styles and retention of generation y employees.

1. Introduction
Globally, employees are the backbone of any organization and therefore employee retention is key to keeping the organization on track (Werner and Simone, 2009). Retention of great employees has never been so critical, but the way to get the job done has also changed drastically because employees view their work differently than they used to in the yester years. This has given rise to an increased demand on all organizations to invest in employee retention programmes and practices (Shivangee & Pankaj, 2011; Werner & De Simone, 2009).

The different generations of employees include the silent generation (those born before 1946), Baby Boomers (1946 to 1964), Generation X (1965 to 1980), and Generation Y (1981 to 2001). To better understand generation Y employees, it is critical look at the preceding age groups. (Dries, 2008; Zemke, 2000) provide a general description of the characteristics of each generation of employees. They describe the traditional Baby Boomers as workaholics who rarely job hop. They are dedicated, diligent, self-motivated employees who expect to be promoted based on their seniority and loyalty.

The millennial generation, born between 1980 and 2000 now entering employment in vast numbers, will shape the world of work for years to come. Attracting the best of these millennial workers is critical to the future of the organization. Their career aspirations, attitudes about work, and knowledge of new technologies will define the culture of the 21stcentury workplace. This is according to a research conducted by Pricewaterhouse cooper in 2008. Gursoy (2008) stressed that, members of generations who come of age in lean times or war years tend to think and act differently than those born in peace and abundance.

1.2 Statement of the Problem
It’s being estimated that over 70 percent of tomorrow’s future leaders might ‘reject’ what businesses offer traditionally, preferring to work independently by digital means in the long term. This is the problem, which has necessitated this study. This and other findings in Deloitte’s millennial survey (2014), point to significant challenges facing business leaders if they are to meet the expectations of the millennial generation. Additionally, and perhaps even more alarmingly, a significant majority of them appeared to lack interest in the traditional professional service career path, one that required an intense work commitment early in their career in exchange for the chance to make partner later. Two thirds of Kenyans in formal employment and aged below 30 are not satisfied with their jobs (Synovate: generation Y shakes up the workplace, 2011). Majority are not willing to stay in the same job for more than a couple of years. As a result the cost of recruitment for companies has risen and will continue to rise as more of generation Y enters the workforce.

Millennials represent a majority of employees; two out of three of KRA’s staff are in their twenties and early thirties (KRA database, 2015). Within this group, most are unmarried (75%) and without children (92%), and for three out of four of them, KRA is their first job out of college. Parastatals rely on the proficiency of their Generation Y employees in order to compete favorably and indeed survive in the ever-changing local and
international environment. Kenya Revenue Authority did not meet its target in revenue collection in the year 2014. The performance fell short of the initial treasury projection of 24.6% growth (KRA returns, 2015). Further, more of this generation Y employees after being taken up by KRA, most of them don’t sign their contract, while others are taken up by other organizations (KRA database, 2015).

Inspite of the great importance of employee retention to an organization, Kenya Revenue Authority has not addressed this issue to the maximum. This was shown by a survey conducted to determine the employee satisfaction index at the institution in 2012/2013 financial year which showed a drop in: Reward system by 20%, promotions by 25%, training of employees by 26%, employee involvement in decision making by 28% and delegation of work from supervisors 10% from what was got in 2009/2010 financial year’s reports (Annual report 2013). It is against this background that the study sought to establish the effects of organizational factors on retention of generation Y employees in Kenya.

1.3 The specific objectives were
i. To determine the effect of career development on retention of Generation Y employees in Kenya Revenue Authority.
ii. To establish the effect of remuneration on retention of Generation Y employees in Kenya Revenue Authority.
iii. To explore the effect of employee recognition on retention of Generation Y employees in Kenya Revenue Authority.
iv. To examine the effect of management styles on retention of Generation Y employees in Kenya Revenue Authority.

1.4 Conceptual Framework
Conceptual framework is defined as the result of when a researcher conceptualizes the relationship between variables in the study and shows the relationship graphically or diagrammatically (Mugenda and Mugenda, 2003). The conceptual framework of the study consisted of independent variables; career development, remuneration, employee recognition and management styles and a dependent variable; the retention of generation Y employees.

![Conceptual Framework](image-url)

**Career Development**
- On or off the job training
- Mentoring and opportunities for promotion
- Job enrichment initiatives

**Remuneration**
- Monetary rewards for good performance
- Benefits that are competitive
- Indirect compensation alternatives

**Employee recognition**
- Recognize and promote positive behavior
- Providing timely recognition to employee and quality of work
- Improve employee productivity and quality of work

**Management Style**
- Support from top management
- Participation of employees in decision making
- Cooperation and teamwork

**Retention of generation Y employees**
- Intention to leave or stay
- Actual level of turnover

*Figure 2.1 Conceptual framework*
2. Career Development of Generation Y Employee Retention

Growth and development are the integral part of every individual’s career. If employees, especially the Generation Y category, cannot foresee their path of career development in their current organization, there are chances that they will leave the organization as soon as they get an opportunity (Bratton and Gold, 2003). The important factors in employees’ growth that employees look for themselves are work profile, personal growth and dreams, and training and development. Nel (2008) define career development as a formal approach by the organization to ensure that employees with proper qualifications and experience are available when needed. To realize this goal, the organization needs to support career development and be committed to it.

Thus, opportunities for career development are considered as one of the most important factors affecting Generation Y employee retention. Any organization that wants to strengthen its bond with its Generation Y employees must invest in the development of these employees (Hall and Moss, 1998; Hsu et al., 2003; Steel et al., 2002; Woodruffe, 1999). This not only involve the creation of opportunities for promotion within the company but also opportunities for training and skill development that allow employees to enhance their employability on the internal and/or external labor market. Roehling (2000) advice that organizations should look into other factors relating to career development including the provision of mentoring or coaching to employees, the organization of career management workshops and the set-up of competency management programs.

In their study Allen et al. (2003) found that employees’ perceptions of growth opportunities offered by their employer reduced turnover intentions. Steel et al. (2002) reported empirical data indicating that lack of training and promotional opportunities were the most frequently cited reason for high-performers to leave the company. Also, retention factors relates to employees’ job content, more specifically the provision of challenging and meaningful work. This is built on the assumption that people do not just work for the money but also to create purpose and satisfaction in their life (Mitchell 2001 & Pfeffer, 1998).

Steel (2002) also warns that when Generation Y employees’ work mainly consists of the routine-based performance of tasks, the likelihood of demotivation and turnover is relatively high. By thinking carefully about which tasks to include in which jobs, organizations can affect their retention rates. According to Butler and Waldrop (2001), this is referred to as job sculpting; the art of matching people to jobs that allow their deeply embedded career interests. Generation Y wants personal and professional development (Deloitte; Parment, 2008; Martin & Tulgan, 2001). The average Generation Y’er is planning to stay on his first position one-two years (Deloitte, 2001). Then he believe to have learned everything he can on that position and it is time to move on, either to the next level within the organization or to a different organization altogether.

For the Y’ers, the opportunity to grow, through for example promotion, in-house training or mentoring, is the most important incentive according to the Deloitte survey, and the second most important (after compensation). Generation Y’ers have an idea of what their career might look like, and they know that they would rather be loyal to their career than to the organization which employs them (Parment, 2008). That means that if the organization cannot provide the opportunities they seek, they will move on.

2.1 Remuneration of Generation Y Employee Retention

Salary and other monetary benefits have been important incentives for employees since the creation of the labor market, and it is a significant factor for Generation Y too (Deloitte; Parment, 2008; Martin & Tulgan, 2001). Like for generations before them, one top concern for Generation Y’ers is their salary (Deloitte, 2001). The Y’ers have grown up getting rewards for good behavior and they are expecting the same thing in their working life. While in their childhood the rewards might have been a big smile or encouraging words, at the job the Y’ers are expecting mainly financial rewards.

Through Generation Y’s entrance on the labor market, employers will experience a change in the way employees view themselves and their relationship with an organization (Gherson, 2001). Gherson writes: “Increasingly, employees are behaving more like investors than assets, and are seeking the best return on their investment of time and energy with an employer”. As a result, organizations must offer an appealing compensations package to attract and retain employees.

A compensations package is a combination of different rewards and can include tangible rewards, such as pay – base salary, variable pay, stock etc; and benefits – health care, retirement savings, paid vacation etc; and intangible rewards, such as learning and development, and a satisfying work environment (Gherson, 2001; Jensen, McMullen & Stark, 2007).

Even though money is not the only incentive for staying at a job (Taylor, 2000), a fair compensations package is a basic condition for employee satisfaction. Generation Y is expecting to receive both a competitive base salary, and monetary benefits such as health insurance or college tuition reimbursement. Hertzberg (1959) discussed salary as one of five hygiene factors, or dissatisfiers. By that he meant that salary is something which is expected. If the expectation is not met, employees will be dissatisfied. Even though base salary and benefits constitutes hygiene factors for the Y’ers, other parts of the compensation package will work as motivators. That
2.2 Recognition of Generation Y Employee Retention

According to Jacobson (2008), every employee has a need to be commended and recognized in the best way possible. Supervisors are in a better position to commend and recognize employee performance. In order to make employee recognition more effective, it is crucial that managers strategically tie recognition results with employee performance and reward employees for great achievements in a timely manner and to use a wider menu of options for employee recognition.

Recognition of personal job accomplishments is one of the most effective ways of retaining employees across all ages (Nelson, 2003). Fulfilling peoples need for acceptance by acknowledging individual work accomplishments prolongs employment of Generation Y employees. Recognition is normally restricted by age, and motivates positive behavior, ethics, teamwork, confidence, and growth in all employees (Nelson, 2003). According to Jacobson (2008), the most important part of any recognition system is that it must be linked to organizational values and that it is management-centered or driven. It is therefore important for organizations to make employee recognition a common practice, not a scarce resource. In particular, organizations must develop a work environment that fosters employee recognition, success and retention.

2.3 Management Style of Generation Y Employee Retention

Bagrain (2007) define management as the process of working with and through others to achieve organizational objectives in an efficient and ethical manner. They argue that managers operate in a much unstructured environment and they have to respond rapidly to demands that are often unpredictable. Managing in a global environment has many implications. Most Generation Y employees want more than money to stay with an organization (Farren, 2008). Although pay sometimes becomes a justification and often shows up in exit interviews, most of them stay in organizations because they have a trusting relationship with their managers. Given the frequent changes in management, re-organization, mergers and the like, building and maintaining a trusting two-way relationship is becoming harder than ever for managers leading to high turnover of Generation Y employees.

Starting with clear expectations of the employee, management has a critical role to play in retention. Anything that management does to make the employee feel unvalued will contribute to turnover. Schuler and Jackson (2006) list several ways that Generation Y employees, employers and managers can be involved in during the recruitment and retention of employees. They include: working with HR staff to develop recruiting objectives and plans that meet the organization’s strategic needs and address employees’ concerns; developing an understanding of the linkages that exist between recruiting activities, other aspects of the HRM system, and long term employee retention; helping disseminate information about open positions to all potentially qualified internal candidates; staying informed of labour market trends in order to anticipate the implications for recruiting and retaining talent; understanding and abiding by relevant legal regulations; and facilitating retention efforts by being supportive of employees and facilitating their development. Beardwell (2007) also observes that the role of managers is crucial in staff retention, and argues that Generation Y employees leave managers not companies. These employees are more likely to remain with an organization if they belief that their managers show interest and concern for them, if they know what is expected of them, if they are given a role that fits their capabilities and if they receive regular positive feedback and recognition. The quality of relationship a Generation Y employee has with his or her immediate managers elongates their stay in an organization (Beardwell and Claydon, 2007; Michael, 2008).

2.4 Retention of employees

The recruitment of valuable employees still occurs in economic downturns and the retention of high-performing and scarce employees is still paramount (Smith, 2009). Highly educated workers with portable knowledge and skills can easily transition to alternative employment opportunities if provided with an incentive to resign and move (Solimano, as cited in Rahman, 2012). Organizations are especially concerned about the retention of key workers such as high performers and those with scarce and critical skills (Allen et al., 2010). It has been shown that high unemployment rates have little impact on the turnover of high-performing employees or those with scarce skills (Trevor, 2011).

Studies have shown that Generation Y engineers act differently with regard to their turnover behaviour. A study conducted by Rose and Gordon (2010) among engineering and technical professionals in Australia found that, in line with generational differences, factors relating to attraction, retention and turnover intention among staff were different across age groups. The authors suggest that generational differences should thus be taken into account when deciding on retention strategies. In the same vein, Karlsson (2008) studied retention among young (Generation Y) engineers in Sweden and found that these employees act differently from other occupational groups with regard to turnover.
Kennedy and Diam (2010) studied retention and engagement in an engineering environment in the USA and based on their findings, recommended that researchers further investigate the antecedents of engagement and also that existing practices be evaluated to determine whether they are associated with engagement and retention. In light of the above I expect that understanding the lived work experiences of Generation Y engineers will contribute valuable insight into how to better retain and engage them. Previous researchers suggested several factors which play pivotal role in employee retention Cappelli (2000). The factors which are considered and have direct effect are; career development opportunities, work environment existing leave and organizational image. Employee stay and are loyal with such organization where employee and have value, sense of pride and work to fulfill their full potential Cole (2000).But it does not end there, the management need to work hard to retain them. They have to find out which is the most suitable management style that enables this type of employee achieve their maximum best and be able to retain them Crooks,(2008).

Allen, (2000) did a research on career development as an organization strategy to increase rate of employee retention and concluded that organizations need to analyze employee aspirations and abilities and align them to their roles and responsibilities assigned to them. Mulwa, (2010) carried out research on benefits as a factor that affects employee retention in World vision and recommended that a review of existing benefits plan is needed to address staff expectations.

3. Research Methodology
Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). The study adopted a descriptive survey aimed at investigating organizational factors impacting on retention of Generation Y employees at Kenya Revenue Authority. This design refers to a set of methods and procedures that describe variables. It involved gathering data that describe events and then organizes, tabulates, depicts, and describes the data.

Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2002). According to Cooper and Schindler (2004), a study concerned with finding out who, what, when, where and how of a phenomenon is a descriptive study, which is the concern of the proposed research project. This research design was deemed appropriate because it showed an in-depth investigation on not only reasons for Generation Y employees’ choice to leave KRA but also expose the organizational factors impacting on the retention of these employees. Stratified random sampling technique was employed for the survey. The stratified random sampling technique involved the dividing of the population into strata or groups and then drawing samples randomly from each group to interview (Kumar, 2005). This was necessary so as to ensure that each group is represented in the entire sample, which was selected for the study; in proportion to their numbers in the entire targeted population.

4.7 Management Styles and Retention of Generation Y employees
The study investigated the influence of management style on retention of generation Y employees by probing the management style that is mainly used at the firm, extent to which management style is a challenge to employee retention and how has the senior management support affected employee retention (Refer Figure 3.1)
Figure 3.1: Management style mainly used at the company

Majority 185 (65%) of the respondents indicated that the firm uses both autocratic and permissive type of management style while 60 (21%) indicated permissive only and 40 (14%) indicated autocratic only. This means that the organization should change the autocratic leadership style they use since it causes oppression. This will lead to retention of generation Y employees.

The findings indicated that employees agreed that their jobs gave them opportunity for personal growth as shown by a mean of 3.56 and a standard deviation of 1.98. Majority disagreed that they had the tools and materials needed to do their jobs as shown by a mean of 2.48 and standard deviation of 1.39. Employees agreed that they were able to balance between work and personal life as revealed by a mean of 4.45 and a standard deviation of 1.82. Employees agreed that they had the support of their supervisors at work as indicated by a mean of 4.12 and a standard deviation of 1.21. The employees were also proud to be an employees of the organization as shown by a mean of 4.37 and a standard deviation of 1.45. The findings indicate the generation Y employees are not satisfied with the motivation offered by the firm. They would want to have personal growth career wise and be supported in their daily work through provision of necessary materials and tools for work (Refer Table 3.1).

Table 3.1 Factors influencing retention of generation Y employees

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>My job gives me opportunity for personal growth</td>
<td>3.56</td>
<td>1.98</td>
</tr>
<tr>
<td>I have the tools and materials i need to do my job</td>
<td>2.48</td>
<td>1.39</td>
</tr>
<tr>
<td>I am able to balance between work and personal life</td>
<td>4.45</td>
<td>1.82</td>
</tr>
<tr>
<td>I have the support of my supervisors at work</td>
<td>4.12</td>
<td>1.21</td>
</tr>
<tr>
<td>I am proud to be an employee of KRA</td>
<td>4.37</td>
<td>1.45</td>
</tr>
</tbody>
</table>

Table 3.2 shows the results of the regression analysis based on the sign of the coefficient of 0.00. This means the joint contribution of the four factors: career development, remuneration, employee recognition and management styles positively influence retention of generation Y employees. This indicates that the other factors that affect retention of generation Y employees and have not been included in the model are statistically significant in determining the retention of generation Y employees. The constant is also positively related to retention of generation Y employees implying that the impact of these factors which are not in the model will influence it positively.

Table 3.2 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5.336</td>
<td>1</td>
<td>12.5243</td>
<td>0.412</td>
<td>0.005</td>
</tr>
<tr>
<td>Residual</td>
<td>4.821</td>
<td>284</td>
<td>0.6291</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.157</td>
<td>285</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: Retention of Generation Y employees

From the results in table 3.3, where its very clear that when all the independents are regressed with the dependent
variable, they give a negative results which is good. Meaning there is a strong effect on retention generation Y employees. Creating a new knowledge that the Variables has a appositive effect on the retention (refer table 3.4)

Table 3.4 Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.512</td>
<td>.160</td>
</tr>
<tr>
<td>Career development</td>
<td>.237</td>
<td>.541</td>
</tr>
<tr>
<td>Remuneration</td>
<td>.8593</td>
<td>.368</td>
</tr>
<tr>
<td>Employee recognition</td>
<td>.281</td>
<td>.471</td>
</tr>
<tr>
<td>Management styles</td>
<td>.271</td>
<td>.357</td>
</tr>
</tbody>
</table>

4. Conclusion

Results from the findings, it is clear that career development pospositively influences retention of generation Y employees. The generation Y employees are not comfortable with the way the organization offers opportunity for career development. They don’t think there is proper structures to offer guidance in how they can develop. It can be concluded that remuneration influences the retention of generation Y employees. The employees are not comfortable with the salaries, bonuses, and awards they get as recognition. The organization is not fair in promotion of employees. Generation Y were found to be productive if they were to be offered better packages.

Employee’s recognition was a major factor in retention of generation Y employees. The employees do not receive awards for good work. This means that the organization does not motivate the generation Y employees. They do not feel appreciated and therefore this might be leading to them leaving the organization for firms that recognize employees. Management style positively influences retention of generation Y employees. The firm uses both autocratic and permissive type of management style. Management style is a challenge to employee retention to a great extent. There is need for the management to provide support to the employees to ensure they meet the company objectives. The management do not participate in promoting career development programs. There new knowledge creation out of this findings, hence the need re-think again on how to explore the independent variables under this study.

References


Deloitte survey. “Generation Y. Moving with the times” published on www.deloitte.com/dtt/cda/doc/content/ie_M_generation.


Deloitte survey. “Generation Y. Moving with the times” published on www.deloitte.com/dtt/cda/doc/content/ie_M_generation.