The Mediating Role of Perceived Organizational Support on the Relationship between Pay and Intention to Stay

Md Lazim Bin Mohd Zin
School of Business Management
Universiti Utara Malaysia
Malaysia
Email: lazim@uum.edu.my

Received Mar. 14, 2017, Revised Jun. 25, Accepted Jun. 29, 2017

ABSTRACT

In this study, pay is examined to understand its influences on employee retention, especially among IT employees in organizations. The study also examines the mediating role of perceived organizational support on the relationship between pay and intention to stay. This study adopts a quantitative approach to investigate the relationship between pay and intention to stay, and the mediating role of perceived organizational support on this relationship. Toward this objective, a total of 832 questionnaires were mailed to a representative of the organization. A total of 220 questionnaires were returned, and only 178 were usable for further analysis, representing a response rate of 21.39%. Results from 178 participants indicate that salary and bonus were related to intention to stay. While perceived organizational support was found to partially mediate the relationships between salary and intention to stay, and fully mediate the relationship between bonus and intention to stay. This finding shows that pay and organizational support are crucial factors for encouraging
employees to stay in organization. Thus, best practice of pay management must be implemented, and this practice will show high level of organization support to employees' need and well-being. Consequently, employee retention can be managed efficiently.

**Keywords:** Intention to stay, pay, salary, bonus, organizational support, IT workers.

**INTRODUCTION**

Employee retention issue continues to be a main concern for employers in various sectors and industries in Malaysia. According to Arora (2016), organizations now are actively addressing about employee retention. Technology sector companies across Asia-Pacific continue to face high levels of employee turnover despite ongoing economic uncertainty around the globe. Employee voluntary turnover rates now exceed 10% in all major Asia-Pacific markets. India leads the region with a trailing 12-month voluntary turnover rate of 13.6%, followed by Malaysia at 13.0% (Aon Hewitt TCM Survey, 2017). Statistical data from survey which was conducted by independent agencies in Malaysia shows an essential rate of employee turnover. A survey conducted by JobStreet.com found that 38% of the respondents concern about retaining valuable employees in 2016. Another study also shows consistent facts on employee turnover rate. For instance, Malaysia recorded the second highest involuntary turnover rate at 6.0% and third highest voluntary turnover rate at 9.5% in 2015 in South East Asia (Aon Hewitt TCM Survey, 2015). In addition, 36% of employees are intends to leave the organization within two years (Tower Watson Survey, 2014). In the ICT industry, a high turnover rate
was recorded in the ICT based-business such as outsourcing and shared business services between 32 to 39 percent per annum in 2008 (Patrick, 2008). Since organizations won’t be able to function properly with inadequate information technology workers, it is important for the organizations to prevent this problem from continuing, and to do so organizations need to know what factors may influence intention to stay among information technology skilled workers.

Discussion on employee turnover above gives instant reaction particularly to look at the influences of organizational practices on this issue. One of important organizational practice that requires serious examination is pay management and organizational support. The role of pay in addressing employee turnover needs to be discussed from pay equity perspective. Fundamental assumption of this view is employee must be paid fairly. Typically, if an employee feels that he or she works harder than another employee who receives a higher rate of pay, he or she may leave the organization for a higher paying opportunity. This is because highly paid employees tend to be more determined to remain in their organization. Another aspect is level of organizational support. Organizational support may be viewed from many approaches such as human resource practices, financial, culture, job design, work environment and supervisor support. Thus, in the present study, pay is examined to understand it influences on employee retention, especially among IT employees in organization. The study also examines the mediating role of perceived organizational support on the relationship between pay and intention to stay.

LITERATUR REVIEW
Pay and Intention to Stay

Employee retention refers to the desire of workers to remain working in the current organization (Coombs, 2009; Ellenbecker, 2004). However, intention to stay is not a popular variable for research as compared to intention to leave. A review of currently available literatures has showed that many studies focuses on intention to leave instead of intention to stay (Allen, 2006; Spreitzer & Mishra, 2002). Previous studies have also used the concept of intention to stay as a proxy to explain employee retention (Coombs, 2009; Chew & Chan, 2008; Ellenbecker, 2004). This approach provides further validation to the assumption by Ajzen (1991) that intention is the strongest cognitive precursor of behavior. Based on this premise, the present study used the same approach where intention to stay is a proxy for understanding employee retention. Intention to stay is more relevant in the current research because of the difficulties encountered by organization in retaining their skilled IT workers, and also previous study did not specifically examines the intentions of skilled IT workers to stay in organization (Humayun & Zhao, 2009; Punia & Sharma, 2008).

In this study, two dimensions of pay were tested against intention to stay. First is salary. Salary is the cash rewards that an employer pays for the work performed, and it tends to reflect the value of the work or skills (Bergman & Scapello, 2002). Though many studies have discussed the influence of salary level on intention to stay (Borstoff & Marker, 2007; Burnett, Williamson & Bartol, 2009; Chew & Chan, 2008). For instance, Borstoff and Marker (2007) have identified that pay and benefits had significant related to employee turnover. However, none actually studied the relationship between salary satisfaction and intention to stay. For example, Chew and Chan (2008) studied on employee perceptions of pay (salary) justice and the desire to remain employed in the
organization, and they found a significant positive relationship between the two variables. Chiu, Luk and Tang (2002) and Lockwood and Ansari (1999) also found similar findings in their studies. Based on the above discussions, the following hypothesis is formulated.
H1: Salary is positively related to intention to stay.

Second dimension of pay is bonus. Bonus is referred to cash incentives that tie pay directly to employee performance (Bergman & Scapello, 2002). In theory, incentives such as bonus have an influence on intention to stay because it gives organization the flexibility in dealing with internal and external environment uncertainties such as employment opportunities and labor market conditions (Blakemore, et al., 1987). Several studies have shown the influence of bonus on the desires of workers to remain in the organization (Flood, Turner, Ramamoorthy et al., 2001; Gaylard, Sutherland & Viedge, 2005). Specifically, the study conducted by Gaylard and colleagues (2005) on information technology workers in Europe, Australia and South Africa found that bonuses are important factors that could encourage workers to remain in the organization. Based on the above discussions, the following hypothesis is formulated.
H2: Bonus is positively related to intention to stay

Pay and Perceived Organizational Support
In this study, pay was also tested against organizational support. Perceived organizational support (POS) refers to employee’s global beliefs concerning the extent to which the organization values their contributions and cares about their well being (Eisenberger et al., 1986). According to organizational support theory (OST), POS is induced by positive discretionary activities or actions, which make employees think about the organization
values and cares for the well-being. Such positive judgement would enhance employee’s perception about organizational support in their workplace. This argument is supported by several empirical findings (Rhoades & Eisenberger, 2002; Stinglhamber & Vanderberghe, 2003). For example, Rhoades and Eisenberger (2002) through their meta analysis found that wage has significant positive relationship with POS. In view of that, following hypotheses are proposed:

H3: Salary is positively related to perceived organizational support.
H4: Bonus is positively related to perceived organizational support.

**Perceived Organizational Support and Intention to Stay**

The fundamental concepts in explaining the relationship between POS and intention to stay is based on norm of reciprocity and OST. In line with the norm of reciprocity, favorable treatment given by the organizations may creates a sense of indebtedness among employees in which becomes the basis for a higher intention to stay in organization (Gouldner, 1960). OST also suggest that POS increases intention to stay by embarking the feeling of obligation to care for the organization and to help meeting the objectives. In the past, studies have shown how POS contribute to employee’s intention to stay in organization (Smith, 2005; Stamper & Johlke, 2003). POS has also been found to be related to a range of attitudes and behaviors at work such as job satisfaction, organizational commitment and intention to stay (Rhoades & Eisenberger, 2002). Thus, the following hypothesis is proposed:

H5: Perceived organization support is positively related to intention to stay.

**Perceived Organizational Support as a Mediator**
Within the context of social exchange (Blau, 1964) and norm of reciprocity (Gouldner, 1960), POS would create an obligation for employee to enhance organization performance and objectives. One way employees can fulfill this obligation is through increasing their intention to stay in organization. Based on this premise, it is possible to argue that POS serves to mediate the relationship between monetary rewards and intention to stay. This is because when pay and bonus satisfaction are perceived as supportive and taken as voluntary treatment, employees would strengthen their perceptions that organization cares about their needs and well-being. Thus, this would strengthen employee’s judgment about POS. This perception will create a sense of personal obligation to support organizations working to respond by increasing its commitment to remain in the organization (Eisenberger et al., 1986).

H6: Perceived organizational support mediate the relationship between salary and intention to stay.
H7: Perceived organizational support mediate the relationship between bonus and intention to stay.

METHODOLOGY

This research consists of semi-structured interviews with a web-based questionnaire survey. Since this research is specifically confined to the Australian construction sector to understand to obtain specific viewpoints and in-depth insights regarding ‘what is the current status of BIM adoption’ and ‘how can advanced BIM capabilities be adopted’ in the Australian construction industry in real life context, questionnaire survey for quantified outcomes in conjunction with interviews for in-depth contextual insights are essentially adopted as a mixed method approach (Creswell et al., 2004). The questions adopted a 5 point Likert scale since it is the
most popular method among researchers and easy to communicate with respondents (Knight and Ruddock, 2008; Chimi and Russell, 2009).

In order to obtain valid and relevant research findings, 68 prequalified construction professionals, who are actively involved in a BIM-enabled construction project and employed in a nationwide construction company such as Rider Levitt Bucknall and Mitchell Brandtman, are selected via construction professional organizations such as Royal Institution of Chartered Surveyors (RICS), Australian Institute of Building (AIB), and Australian Institute of Quantity Surveyors (AIQS). The web-based questionnaire was comprised of 15 questions designed to explore the following three key aspects: a) awareness and current status of BIM, b) perceived advantages and barriers to BIM adoption, and c) current readiness for 4D and 5D BIM capabilities adoption. A pilot questionnaire survey was conducted prior to the main questionnaire survey to eliminate misleading questions, ambiguity and any difficulty in responding (Polit et al., 2001). After the completion of questionnaire surveys, follow-up semi-structured interviews were conducted.

**Sampling Design, Study Sample and Procedures**

The study population includes all IT workers in the software development sector with MSC status in Malaysia. A cluster sampling method was used to select the sample for this study. A total of 832 questionnaires were mailed to a representative of the organization who agreed to participate in this study. The representative will then distribute the questionnaires to their IT employees. Each participant received one set of questionnaire with cover letter attached, explaining the purpose of the study and the instructions on how to answer the questionnaire. Participants were also provided with a pre-addressed and postage-paid envelope.
so that they could post the questionnaire back to the researcher. A total of 220 questionnaires were returned, and only 178 were usable for further analysis, representing a response rate of 21.39%.

Measurement

Intention to stay - Intention to stay refers to employees’ conscious and deliberate willingness to stay with the organization (Chew & Chan, 2008; Coombs, 2009). To measure participants’ intention to stay, three items were adapted from Coombs (2009) and another three items from Stassen and Ursel (2009). Each of the adapted questions asked how strongly the respondents agreed or disagreed with the intention to stay statements on a five-point scale whereby, 1 = strongly disagree, and 5 = strongly agree.

Salary - Salary is operationalized as employee perceptions of satisfaction with the current salary and total salary (including allowances and financial benefits) received in the organization (Heneman & Schwab, 1985). Respondents’ perceptions toward salary satisfaction were assessed using four adapted items from Heneman and Schwab (1985).

Bonus - Bonus is operationalized as employee perceptions of satisfaction with the amount of bonus received, and were measured by three items developed by Sturman and Short (2000). In this study, each of the adapted questions asked how satisfied the respondents were with regard to both the salary and bonus statement on a five-point scale whereby 1 = very dissatisfied and 5 = very satisfied.

Perceived organizational support – perceived organizational support is operationalized as a global impression employees hold that an organization values them and cares about their well being. This perceptions were measured using 7 items adapted from Eisenberger et al. (1986). Responses to items were made on a 5-point scale whereby 1 = strongly disagree and 5 = strongly agree.
Method of Analysis
In this study, the hypotheses were tested using multiple regressions. Multiple regression analysis involving the testing of the relationship between a dependent variable and two or more independent variables (Hair Jr., et al., 2007). Prior to conducting analysis, the data was tested for normality, linearity, homoscedasticity, and independence of the error terms. Finally, the procedures suggested by Baron and Kenny (1986) were followed for testing the mediation effect of perceived organizational support.

RESULTS
Profile of Respondents
Out of 178 participants, 53.9% were males. 54.2% were unmarried and 76.4% hold a bachelor degree. Software engineer constitute 19.7% of the survey participants, followed by 18.5% system programmers and 16.3% system analyst. The average age of participants was 31 years old. On average, the participants had been in their present position for 4.99 years, and had served their organization for 4.21 years.

Multiple Regression Results
To test H1, H2, H3, and H4, a multiple regression was conducted. Specifically, for H1 and H2, intention to stay was regressed on two independent variables, namely salary, and bonus. Meanwhile, to test H3 and H4, salary and bonus regressed on POS. Table 1 presents the results of this analysis. It is noted that 50.8% of the variance in intention to stay had been significantly explained by the salary and bonus (R² change = 29.4, F-change = 223.45, p<0.01). In the model, all two measures were statistically significant, with salary recording a higher beta value (β=.427,
p<.05), and followed by bonus ($\beta=.262, p<.01$). Thus H1 and H2 were supported. Regarding to the effects of salary and bonus on POS, the model were able to explain 59.1% of the observed variations in POS ($R^2$ change = 33.01, $F_{\text{change}}$ = 321.35, $p<0.01$). However, only one component of pay, namely, salary ($\beta=.379, p<.01$) has significant and positive relationship with POS. Unfortunately, bonus was not related to POS. Thus, H3 was accepted, and H4 was rejected.

### TABLE 1. Multiple Regression results

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Criterion Variables</th>
<th>Intention to Stay</th>
<th>Perceived Organizational Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. $\beta$</td>
<td>Std. $\beta$</td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>.427*</td>
<td>.379**</td>
<td></td>
</tr>
<tr>
<td>Bonus</td>
<td>.262**</td>
<td>.083</td>
<td></td>
</tr>
</tbody>
</table>

$R^2$  50.8  59.1
Adj. $R^2$  37.9  32.7
$R^2$ change  29.4  31.01
$F$ change  223.45**  321.35**

Note: * $p<.05$, **$p<.01$

With regard to H5, POS was regressed on intention to stay. As revealed in Table 2, POS was able to elucidate 48.2% of the observed variations in intention to stay ($R^2$ change = 35.2, $F_{\text{change}}$ = 325.32, $p<0.01$). The results also shown that POS was related to intention to stay ($\beta=.482, p<.01$). Thus, H7 was supported.
TABLE 2. Regression results

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Intention to Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. β</td>
</tr>
<tr>
<td>Perceived Organizational</td>
<td>.482**</td>
</tr>
<tr>
<td>Support</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>48.2</td>
</tr>
<tr>
<td>Adj. $R^2$</td>
<td>36.7</td>
</tr>
<tr>
<td>$R^2$ change</td>
<td>35.2</td>
</tr>
<tr>
<td>F change</td>
<td>325.32**</td>
</tr>
</tbody>
</table>

Note: * p<.05, **p<.01

**Mediation Testing**

In order to test for the mediation effects (H6 and H7), three conditions suggested by Baron and Kenny (1986) are followed and tested respectively. First, the results in Table 1 showed that salary has significant effect on POS (mediator). Second, the results from the same table revealed that salary and bonus have significant and positive relationship with intention to stay (independent variable). Third, results from Table 2 showed that POS has a significant and positive relationship with intention to stay. Based on this result, all three conditions for testing mediation effect have been fulfilled. The significance or non-significance between those variables was used to draw conclusions about full or partial mediation.

As indicated in Table 3, salary has a significant and independent influence on intention to stay ($\beta=.427$, $p<.01$). However, salary still have a significant effect on intention to stay with the insertion of POS but with a lower beta value ($\beta=.279$, $p<.01$). This finding illustrates that POS was partially mediated the relationship between salary and intention to stay. Therefore, H6 was partially supported. With regard to bonus, the results
showed that it has a significant and independent influence on intention to stay ($\beta=.271$, $p<.01$), but relationship was no longer significant when POS was tested together. This finding entails that POS play as a full mediator. Thus, H7 was supported.

**TABLE 3. Mediating effects of POS**

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Criterion variables</th>
<th>Intention to Stay (without POS)</th>
<th>Intention to Stay (with POS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>POS</td>
<td>Std. $\beta$</td>
<td>Std. $\beta$</td>
</tr>
<tr>
<td>Salary</td>
<td>.279**</td>
<td>.427*</td>
<td>.279*</td>
</tr>
<tr>
<td>Bonus</td>
<td>.093</td>
<td>.262**</td>
<td>.022</td>
</tr>
<tr>
<td>$R^2$</td>
<td>58.3</td>
<td>50.8</td>
<td>56.3</td>
</tr>
<tr>
<td>Adj. $R^2$</td>
<td>33.7</td>
<td>37.9</td>
<td>31.7</td>
</tr>
<tr>
<td>$R^2$ change</td>
<td>33.01</td>
<td>29.4</td>
<td>30.1</td>
</tr>
<tr>
<td>$F$ change</td>
<td>331.35**</td>
<td>223.45**</td>
<td>135.45**</td>
</tr>
</tbody>
</table>

Note: * $p<.05$, **$p<.01$

**DISCUSSION**

The aim of this study was to examine the direct effects of pay on intention to stay. Also to test the mediating role of perceived organizational support on this relationship among IT skilled workers in ICT companies in Malaysia. In this study, it was found that participants’ feeling of satisfaction towards the pay such salary and bonus were related to intention to stay. One possible explanation may be because salary is the main factor that individual would consider when accepting a job. When the salary
received is considered to be fair, either in terms of external and internal justice, and competitive as compared to other organizations, the willingness of employees to remain in the organization will increased. In addition, their willingness to stay with one organization will also depend on their perception towards the amount of bonus they received in the past and, probability of obtaining the bonus in the future. This situation gives strong message to managers that the minimum salary increases and fairly bonuses may keep them in their current position and organization. It is believed that employers may be able to retain their employees with salary increases between 5% and 11%. Thus, succeeding with this effort requires managers to think about pay management from employees' needs, and they want to believe that they are appreciated by their employers. In short, the crucial role of pay as main role in linking between developmental HR practices such rewards management with employee turnover needs to be managed effectively (Ahmed, Halim & Lazim, 2016).

Regarding to the mediating effect of POS on intention to stay, this study found that POS partially mediate the relationship between salary and intention to stay. However, POS play as a full mediator in the relationship between bonus and intention to stay. These findings support the OST where employees’ evaluation towards organizational practices such as salary will affect perceptions of organizational support, and this indirectly will affect employees desire to stay.

Perceived organizational support role as a mediator also a sign of the relationship between an organization and employees because it tests employees’ beliefs about how much their organization rewards employees’ efforts and well-being. In this study, salary and bonus are two practices that give a good sign of the relationship between employer and employees. Consistent salary increases is also shows clear message to organization that
employees’ efforts and well-being are fairly treated. Hence, when an employee is treated fairly and their contributions are valued, they tend to be more dedicated to retain in organization. Therefore, organizations that are appreciating and valuing employee contributions are likely to be perceived as caring employers, that is, turning to rewards and incentive programs to keep employee happy.

CONCLUSION

The aim of this study was to investigate factors that may influence the intention of IT skilled workers to stay in organization. The main concern of this study was the direct influence of pay on intention to stay, and indirect effect of perceived organizational support as a mediator. Since all pay factors are related with intention to stay, management of organization should focus more on improving the compensation practices in the workplace. It is hope that through the examination of these factors on intention to stay, a complete understanding of the best approach to retain employees will be achieved.

ACKNOWLEDGEMENT

This paper would not have been possible without the support of many people. Deepest gratitude to my colleagues in UUM for sharing the knowledge and invaluable assistance. Finally, I would like to express my love and gratitude to my beloved families: for their understanding and endless love.

REFERENCES


Employee Retention Remains a Key Challenge in Malaysia. Tower Watson Survey, 2014.


