

FACTORS AFFECTING EMPLOYEE RETENTION: AN EMPIRICAL STUDY IN THE GIA THY CONSTRUCTION CORPORATION (GIA THY), VIETNAM

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ABSTRACT

This study aims to investigate factors impacting employee retention at Gia Thy Construction Corporation (Gia Thy), Vietnam. Data used in this study were collected from respondents working in the construction industry. Various relationships were examined using Smart PLS structural equation modeling (PLS-SEM). In this study, five influential factors having a positive and significant relationship with employee retention were identified. The findings reveal that focusing on working environment, fostering training and development, investing in rewards and recognition, enhancing co-worker relationship and supervisor support could be a key to retaining employees, besides promoting the brand name and enhancing competitiveness as studied by other researchers. These can serve for further studying relevant areas to sustain employees in any company generally and particularly in the Vietnamese construction industry.

Keywords: Construction Company, Gia Thy Construction Corporation, Employee Retention.

JEL Classification Code: M12, M54, J53, J63, J81

INTRODUCTION

Employee retention is a critical concern for organizations operating in the construction industry, especially in Vietnam. As the construction sector in Vietnam continues to grow and develop, attracting and retaining skilled employees has become increasingly challenging for companies in the industry.

The construction industry in Vietnam has experienced significant changes in recent years, driven by factors such as urbanization, economic growth, and increased demand for infrastructure projects. These factors have created a competitive environment, prompting construction companies to focus on retaining their valuable employees.

Additionally, the nature of work in the construction industry poses unique challenges, including long working hours, physical labour, and hazardous conditions. Such factors can contribute to higher turnover rates and make employee retention a complex issue in the industry.

To address the specific factors influencing employee retention within the construction industry in Vietnam, it is essential to conduct empirical research. Therefore, this study aims to empirically investigate the factors affecting employee retention within the construction industry in Vietnam in 2023, focusing specifically on the Gia Thy Construction Corporation (Gia Thy), one of the prominent construction companies in Vietnam.

By conducting an empirical study in Gia Thy, this research will provide valuable insights into the factors that influence employee retention within the specific context of the construction industry in Vietnam. Understanding these factors will enable organizations to develop targeted strategies to enhance employee retention, improve job satisfaction, and ultimately contribute to the overall success and competitiveness of the construction industry in Vietnam.

The findings of this study will not only benefit Gia Thy Construction Corporation but also provide practical recommendations for other construction companies in Vietnam to improve their employee retention efforts. Ultimately, the aim is to create a skilled and motivated workforce, leading to enhanced organizational performance and the sustained growth of the construction industry in Vietnam.

LITERATURE REVIEW

Employee Retention

Talented employees are crucial for achieving business goals and ensuring quality outputs. Inadequate employee retention strategies and a high turnover rate can hinder these outcomes. Employee retention reduces turnover by keeping employees within the organization. Turnover causes extra expenses on recruitment and training, which disrupts work and performance. Retention is an employee's commitment to continue working with a specific company, while organizations have a responsibility to retain competent employees and reduce voluntary resignation (Hung et al., 2017).

Employee retention is a systematic effort by employers to create a culture that retains desirable employees and prevents them from leaving in order to meet business objectives. Retention policies and practices should address the needs and ethical views of employees, and require various management initiatives such as ensuring a safe and healthy working environment, fostering friendly working relationships, and promptly rewarding comprehensive performance. These initiatives not only maintain the workforce but also meet business performance requirements (Long, Duong, et al., 2022). The organisation's commitment to employees will increase their work excitement to support the company to achieve its goals (Thiet et al., 2019).

Rewards and Recognition

Pay, promotion, bonuses, or other types of rewards have been used to encourage high levels of performance in businesses. Employees gain a greater level of job satisfaction when rewards for the delivery of skills and achievement of challenging work are recognized as they feel valued in the organization.

There's a significant relationship between retention with rewards and recognition, motivation, and satisfaction. In human resources management, the element of recognition closely relates to performance, and the element of rewards have been identified as one of the key important factors impacting employee retention in an organization. Observing reasons for leaving, rewards, and recognition factor accounts for a considerable amount. Implementing a rewards system to retain employees is to improve employee performance and satisfaction in the long run, resulting in achieving organizational goals.

Investing in total rewards is a strategy that organizations can utilize in order to increase employee satisfaction. The rewards offered to employees in the form of financial such as salary, remuneration, and stock options... is an extrinsic motivation factors, while the non-financial rewards such as acknowledgment, career advancement, and development opportunities... are the intrinsic motivation factor. These extrinsic and intrinsic motivating factors included in the total rewards model depict human resources management in attracting, motivating, and sustaining employees (Trang et al., 2022). When it comes to designing retention techniques, the model can be described as a philosophy, set of principles, and way of thinking. In successful firms, appreciation is used as an investment instrument. Businesses can establish appealing organizational reward systems by incorporating both extrinsic and intrinsic motivators, as defined by the whole rewards model (Trang et al., 2019).

Training & Development

Training and development are non-financial factors that increase employee commitment, loyalty, and align individual and organizational goals (Van et al., 2021). They affect both employee retention and turnover. Investing in employee training and development can improve performance, commitment, and retention (Long et al., 2018). Unlike other retention strategies, training and development is seen as a company's commitment to employees and can improve confidence, motivation, and attachment to the organization. Providing different forms of training, including on-the-job and cross-training, can improve job-related competence, while planned development opportunities can foster long-term personal growth and make employees feel valued (Le et al., 2022).

Supervisor Support

Employee commitment towards organizations depends on the attitude of managers. Employees are put under the supervision of intermediate managers, who directly influence job satisfaction. The level of job satisfaction originating from the immediate managers determines retention thinking. Through supportive supervisors, employees will have the perception of being valued for their contribution to the success of organizations, and feel the care for their well-being. The correlation between leadership style and retention was considered a contributing factor to employee retention. Supervisor support can be presented in form of providing consultation, coaching, and training where required, recognizing upon accomplishment, and giving feedback (Hung et al., 2017). Promising employees value employers who provide helpful and quality supervision, as well as the leadership style of the firm. The leadership style allows employees to participate in decision-making at a certain level, making employees feel like they are a part of the organization (Long, Ooi, et al., 2022).

The correlation between employee retention and manager behaviour from two perspectives: leadership style and management support. The management support was reaffirmed where employee performance and retention are impacted by managerial consultation, delegation, and encouragement. Lack of trust in the management and supervisor support are barriers to employee retention. Supportive supervision of the leadership style perceived as a contributing factor to employee retention (Thiet et al., 2019).

Working Environment

To encourage employee commitment and increase retention, it's important to identify needs and provide a suitable work environment where employees feel valued and productive. Social, mental, and physical dimensions impact retention. The social dimension involves managerial activities such as consultation and delegation. The mental dimension includes workload, decision-making, and support, as well as transparent communication about growth opportunities and a supportive work environment. Physical working conditions such as lighting, office layout, and toxic substances can also affect retention. A lack of compensation planning can be perceived as a poor working environment and increase the cost of retaining employees (Van & Long, 2022).

Co-worker Relationships

Co-worker relationships play a crucial role in employee retention, with positive or negative interactions influencing performance, satisfaction, and commitment. Organizations promote team activities to foster cooperation, and studies show that employees who spend more time with their colleagues have stronger unity. A poor work environment with negative colleague and supervisor relationships is a driver of undesired attrition. Trust and support between colleagues and leaders are essential for job satisfaction, crisis management, and personal responsibility. Management and co-worker support contribute to employee well-being, performance, and satisfaction, ultimately increasing retention (Long et al., 2017).

Literature Gap

The construction industry is quite complex and dynamic based on projects that are customized to client specifications. Remaining skillful and knowledgeable construction workers with a high commitment to passing the risk of new team formation is a real challenge. Past research on employee retention in the construction industry is also based on the implications of employee satisfaction. Similar factors concerned by employees staying with the same company are listed in various studies. Since there are various influential retention factors that share similarities, it can be argued that there is no one formula that can be used to retain employees within an organization. On another hand, this serves as the research gap for studying employee retention in a certain construction company in the contemporary context. Referring to the above-mentioned literature survey, the conceptual framework developed in this study aims to bridge this gap.

METHODOLOGY

The independent variables identified in this study include reward and recognition, training and development, supervisor support, working environment, and co-worker relationship. The dependent variable is employee retention. The relationship between variables is examined with the following hypotheses and illustrated in Figure 1 “Research framework”.

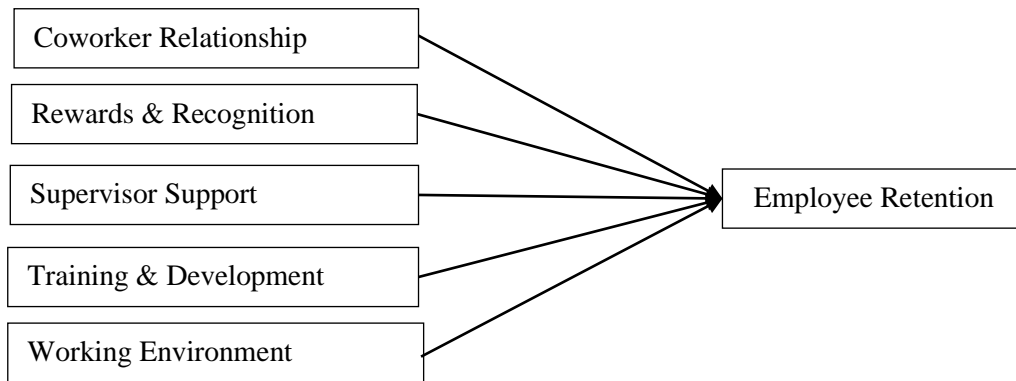


Figure 1. Research Framework

- H1: There is a relationship between rewards and recognition and employee retention.
- H2: There is a relationship between training & development and employee retention.
- H3: There is a relationship between supervisor support and employee retention.
- H4: There is a relationship between working environment and employee retention.
- H5: There is a relationship between co-worker relationship and employee retention.

RESULTS

Demographic Profile

The hypotheses were tested considering age, working experience, monthly income, and education degree of participants from Gia Thy Construction Corporation. The major part of the respondents consists of people who are under 30 years old, who have under 5 years of consecutive service in the corporation, who earn from 5 to 10 million VND per month, and who hold a graduate degree with a percentage of 53%, 47.7%, 69.8%, and 54.4 % respectively.

Table 1. Demographic Profile

No.	Characteristic	Frequency (N = 285)	Percent (%)
1	Gender	Male	50.2
		Female	49.8
2	Age	<30	53
		30-40	30.9
		41-50	12.3
		>50	3.9
3	Years of Work	<5 years	47.7
		5-10 years	35.8
		>10 year	16.5
4	Monthly Income	<5 million VND	10.5
		5-15 million VND	69.8
		> 15 million VND	19.6
5	Education Level	College	26
		Graduation	54.4
		Post Graduation	19.6

PLS Structural Model Results**Construct Reliability and Validity****Table 2.** Outer Loading, Construct Reliability and Validity

No.	Construct	Item	Outer Loadings	Composite Reliability (CR)	Average Variance Extracted (AVE)
1	Coworker Relationship (CR)	CR1	0.786	0.899	0.641
		CR2	0.804		
		CR3	0.781		
		CR4	0.767		
		CR5	0.862		
2	Rewards & Recognition (RR)	RR1	0.830	0.934	0.738
		RR2	0.897		
		RR3	0.861		
		RR4	0.803		
		RR5	0.901		
3	Supervisor Support (SS)	SS1	0.890	0.897	0.687
		SS2	0.863		
		SS3	0.824		
		SS4	0.728		
4	Training & Development (TD)	TD1	0.910	0.942	0.765
		TD2	0.851		
		TD3	0.883		
		TD4	0.810		
		TD5	0.916		
5	Working Environment (WE)	WE1	0.858	0.943	0.768
		WE2	0.881		
		WE3	0.865		
		WE4	0.864		
		WE5	0.914		
6	Employee Retention (ER)	ER1	0.847	0.941	0.762
		ER2	0.877		
		ER3	0.831		
		ER4	0.893		
		ER5	0.915		

Factor loadings ranged from 0.728 to 0.916 are greater than 0.3, indicating components converged satisfactorily (Hair et al., 1998). Cronbach's Alpha (CA) coefficient is greater than 0.7, showing good reliability or internal consistency of the measurement items in this construct (Hair et al., 2010). The values of Composite Reliability (CR) above 0.7 (Hair et al., 2014, Hair et al., 2016) and Average Variance Extracted (AVE) above 0.5 (Fornell and Larcker, 1981) determine convergent validity and discriminant validity of the measurement. These demonstrate the adequate construct validity for specific items of five independent variables: reward and recognition, training and development, supervisor support, working environment, and co-worker relationship and one dependent variable of employee retention.

Discriminant Validity**Table 3.** Heterotrait–Monotrait (HTMT) Ratio Correlations

	CR	ER	RR	SS	TD	WE
Coworker Relationship (CR)						
Employee Retention (ER)	0.549					
Rewards & Recognition (RR)	0.242	0.609				
Supervisor Support (SS)	0.187	0.493	0.343			
Training & Development (TD)	0.442	0.689	0.397	0.325		
Working Environment (WE)	0.397	0.668	0.343	0.277	0.488	

To ensure the strongest relationship of the reflective construct between indicators, the discriminant validity is assessed using the Heterotrait–Monotrait (HTMT) ratio correlations (Hair et al., 2022). The results in Table 2 show that all values are under 0.9 demonstrating adequate discriminant validity of the measurement indicators.

Collinearity Statistics (VIF), Effect Size (f²), Explained Variance (R²) and Predictive Relevance (Q²)

The structural model is examined with the main evaluation metrics R² (explained variance), f² (effect size), and Q² (predictive relevance) shown in Table 5 (Hair et al., 2017).

Table 5. Collinearity Statistics (VIF), Effect Size (f²), Predictive Accuracy (R²) and Predictive Relevance (Q²)

	VIF	f ²	R ²	Q ²
Reward and recognition	1.246	0.184		
Training and development	1.488	0.169		
Supervisor support	1.156	0.080		
Working environment	1.374	0.199		
Co-worker relationship	1.249	0.089		
Employee retention			0.676	0.479

The coefficient of determination (R²) is the overall effect extent measure for the structural model (Garson, 2016). In this study, the R² value for the overall model of 0.676 is regarded as a fairly substantial impact (Chin, 1998). The effect size (f²) enables the evaluation of the independent variable's contribution to the dependent variable. Variable of Co-worker relationship (0.089) and Supervisor support (0.080) have light impact on the dependent variable of Employee retention. The other three variables - Working environment (0.199), Reward & recognition (0.184), and Training and development (0.169) – have a moderate or substantial impact on Employee retention (Cohen, 1998). The Q² value estimated the structural model's predictive relevance for each endogenous construct. The variable of Employee retention has Q² value of 0.479. These results confirmed the model's predictive power that is suited for the endogenous latent variables. (Hair et al., 2017).

Hypothesis Results

Table 6. Path Coefficients

No.	Path Coefficients	Original Sample (O)	P Values	Results
H4	Working Environment → Employee Retention	0.295	0.000	Supported
H2	Training & Development → Employee Retention	0.283	0.000	Supported
H1	Rewards & Recognition → Employee Retention	0.270	0.000	Supported
H5	Coworker Relationship → Employee Retention	0.188	0.000	Supported
H3	Supervisor Support → Employee Retention	0.172	0.000	Supported

The Bootstrap analysis is used to check the significance of coefficients. The output showcases the relationship impact of independent variables on the dependent variable. The P values of all impact indicators are equal to 0.000, meaning that all impact indicators in this study are statistically significant. All constructs are significantly related to Employee retention with the impact degree being positive and escalating from 0.172 to 0.295 (Hair et al., 2017).

Discussion

The research framework model consisting of 5 variables - reward and recognition, training and development, supervisor support, working environment, and co-worker relationship - is produced from 25 variables. The output of analyses shows that there is no variable among these 25 tested variables being rejected from the structural model. The factor analysis implies a practical significance via the outer loadings of 25 variables. The output of the linear regression analysis indicates that all 5 explanatory factors impact employee retention. The strongest impact degree happened to the variable of working environment ($B=0.295$), followed by training and development ($B=0.283$), rewards and recognition ($B=0.270$), co-worker relationship ($B=0.188$), and supervisor support ($B=0.172$).

In all business sectors, employee retention is extremely critical for having a stable workforce with excellent skills, knowledge, and high commitment. Retention is the commitment from both organization and employees. Organizations have retention strategies and policies to provide support activities to attract, retain and develop their manpower, hence, in turn, employees get the satisfaction of the job, the management support, and in turn, increase productivity, deliver good performance, and enhance loyalty.

The construction sector is a very complex and dynamic industry of the economy. The booming of the construction sector reflects the fast-growing economy. This means construction companies face more management challenges to handle and complete projects in due time, to control inconsistently changing costs of acquiring the workforce and raw materials.

Work environment is the first priority to retain such talents since they can easily find a job with generous offers. It is not a coincidence that Anphabe, a consulting company on comprehensive human resources solutions and employer branding in Vietnam, conducts an annual survey on the top 100 businesses for the best workplace in Vietnam. The work environment is conducive when it satisfies employees' needs for social contact and mental and physical working conditions. The work atmosphere is flexible, open communication and available resources to perform are a plus. Construction companies should take note of this as a competitive advantage in the labour market.

The second priority is building a learning environment, where the development strategies and career plans for long-term personal and professional growth are put in place, and training and development opportunities are given to employees. Employees feel supported by coaching and mentoring by the management so that they become more confident to perform currently existing and new tasks.

The third priority refers to trade-off for employees' efforts, namely rewards and recognition. Performance results need to be stimulated promptly and fairly owing to the availability of the total rewards system. Employees feel valued by the organizations being given financial and non-financial rewards. Organizations investing in training and development shall be proactive towards any change in the uncertainty of the economy and the market, especially for project-based businesses like construction companies.

The fourth priority regards co-worker relationships since organizations is a condensed societies. Accommodating the need for socialization between colleagues, including the relations between managers and employees, employees and employees, to a satisfactory level helps retain employees. In organizations, the dominance of trust and support from the managers and between peers prevails reduction of turnover.

One of the factors organizations to consider as a priority is supervisor support. Perception of satisfaction can be gained when employees see that their development plan is deployed, owing to their superiors. Two-way trust is built throughout the process of consultation, delegation, empowerment as well as open communication. In the construction industry, jobs and teams are formed upon project availability, then trust from both sides, and communication for career growth are extremely necessary to ensure that quality jobs are done.

In this study, five factors reward and recognition, training and development, supervisor support, working environment, and co-worker relationship, were identified to significantly influence employee retention at Gia Thy Construction Corporation. Working environment, training and development, rewards, and recognition have the most significant influence on employee retention among five factors, co-worker relationships, and supervision support come last. In other words, co-worker relationships and supervision support have less influence compared to those three factors.

CONCLUSIONS

The overall conclusion was that the five identified factors can be parts of the intention strategies of Vietnamese construction companies. From this framework, enterprises, governmental officers, policymakers, researchers, human resources specialists, financial organizations, and educators can cooperate to develop Vietnam's intention strategies in the construction industry. Quantitative theory implications and practice emanating from the findings were explored in detail, and implications involving employee intention in the construction industry were speculated upon based on a literature review. The study was carried out using data collected from 285 employees working at Gia Thy Construction Corporation in 2021 and 2022. Responses to the survey may vary if it was conducted prior to these dates or in the future due to the slowdown of the economy in the country in general and in the construction industry in particular because of Covid-19. By offering a framework that provides the relationship between the five factors of employee retention in the construction industry, this study has added to the body of knowledge. The study also posed theoretical and practical research concerns that need further investigation. Improving employee intention with strategies and practices in the Vietnamese construction industry will continue to challenge the governors, managers, and researchers. Therefore, this is a topic that requires continuous research.

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