

The Effects of Human Resource and Industrial Relations Practices on Employee Attachment: A Survey of Selected Local and Foreign Banks in the Philippines*

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Abstract

Encouraging employees to stay is essential as high quit rates are a significant cost to organizations, both because they raise labor costs and because they lower organizational performance (Batt, Colvin & Keefe, 2002) and morale. This paper shares the findings of research conducted during the first quarter of 2014, which included 120 bank employees representing two local, unionized banks and two foreign, non-unionized banks. The study compared employees' perception of Human Resource and Industrial Relations practices as manifested in ten social drivers, employer intention and presence of union, and how these concepts relate to and influence employee attachment. Findings indicate significant positive relationships between employee attachment and security, acceptance and sense of belonging, learning opportunities, work-life balance, compensation and benefits, trust and value and senior leadership. Distinguishing between local and foreign bank employees, significant positive relationships were observed between employee attachment and age, position and salary among local bank employees; employee attachment and gender among foreign bank employees. Moreover, employer intention to retain employees long-term and presence of union were also found to mediate the impact of employee attachment.

Accordingly, the research has important implications for the banking and financial industry and other organizations aiming to curb the exit tendencies of its members.

Keywords: human resource practices, industrial relations, social drivers, employee attachment, union, banking sector

Introduction

Historically, the design of internal labor markets encouraged long-term employment, fostered by a set of interrelated human resource (HR) policies designed to reduce quit rates (Batt, Colvin & Keefe, 2002), but current labor trends show that (i) employees only stay for an average of 4.6 years in one organization;¹ and (ii) HR practices nowadays provide contradictory incentives to workers. Since organizations are always finding ways to improve its efficiency and performance, there arises a need to comprehend and analyze factors that may either directly or indirectly contribute to or affect the individual's behavior and decision to stay in the organization (Ghalandari, 2013). Encouraging employees to stay is essential as high quit rates are a significant cost to organizations, both because they raise labor costs and because they lower organizational performance (Batt, Colvin & Keefe, 2002) and morale.

This study discusses the concept of employee attachment, which is defined as the strength of the bond tying worker to employer, as well as the probability that he will voluntarily dissolve his contract with his current employer (Halaby, 1986). Employees enter a new company seeing it as a new social structure, and how they assimilate to this structure determines their long-term employment prospects (Sork, 2012).

A correlational analysis of selected social drivers will explain the influence of demographic factors such as age, gender and civil status on local and foreign bank groups' levels of employee attachment. It also aims to examine employer intention as a possible mediating factor in fostering strong or weak employee attachment. The issuance of *Bangko Sentral ng Pilipinas* (BSP) Circular No. 268 legalizing outsourcing and contractualization in the banking industry has encouraged the use of

flexible employment schemes in the financial services sector. In light of this, will employee-organizational attachment continue to be a relevant concept amidst threats to job security and employee benefits? Moreover, this analysis aims to examine the role of unions as another mediating factor in curbing the exit tendencies of employees. The presence of a union is expected to reduce quit rates and resignations by (i) providing a “voice” option for employees to express their dissatisfaction and/or demands in the workplace; and (ii) by influencing HR policies and programs.

Theory and Hypothesis

Attachment is defined as the psychological and emotional bond shared between an individual and another entity, which in the case of employee-employer relationship pertains to the institution or organization itself. Attachment inside the organization is driven by interpersonal relationships at work, such as the process of a newcomer adjusting to the organization and the relationship of an individual employee to the organization as a whole. Attachment outside the organization, on the other hand, involves exploration at work, and this theory suggests that an individual’s behavior is determined by interpersonal relationships he maintains outside the workplace such as romantic relationships. In extending attachment theory to relationships between individuals and organizations, the organization takes on the primary attachment figure among its employees for several reasons, including economic security (typically enhanced when an individual belongs to an organization) and building one’s individual identity. The employer functions as “caregiver,” and attachment is based on how responsive the organization is to its employees’ needs for comfort. An employee receiving compensation for work done for his organization typically views it as a “secure base,” answering the question “Can I count on my attachment figure to be available and responsive when needed?” (Hazan & Shaver, 1994, p. 13). The organization, in its role as a “caregiver,” is expected to provide competitive compensation and benefits, security of tenure, a conducive working environment, as well as a range of programs addressing employees’ developmental needs.

Organizational socialization can also foster organizational attachment, especially when certain expectations are met. Employees find it beneficial

if their expectations and sense of belonging are met in the workplace. Employers, on the other hand, find it beneficial if they have employees who are productive and committed to serving the organization and furthering its goals.

Employee attachment has been explored in a number of studies, identifying factors such as salary (Halaby, 1986), autonomy (Halaby & Weakliem, 1989; Kashefi, 2004), authority in the workplace (Halaby & Weakliem, 1989; Kashefi, 2004), and career path (Kalleberg & Loscocco, 1983) in determining levels of attachment.

March and Simon's (1958) study on organizations states that an individual's decision to continuously participate in the means of production is dependent on and determined by his level of job satisfaction. The higher his job satisfaction is, the less likely he is to quit, and the less likely he is to search for alternative employment opportunities. This is based on the assumption that "very few of the 'satisfied' participants leave an organization, whereas some, but typically not all, of the 'unsatisfied' participants leave" (p. 105). March and Simon further states that the decision of an employee to participate is determined by concepts of inducement and contributions. Inducements refer to payments (wages, salaries) made to the employee by the organization, whereas contributions refer to services rendered by the employee. "Increases in the balance of inducement utilities over contribution utilities decrease the propensity of the individual participant to leave" (p. 112).

Hirschman (1970) discussed organizations and employee dissatisfaction, which can be manifested in two ways: exit or voice. Exit in an organization translates to the decision of an employee to quit/resign from his post, while voice refers to the method of voicing out dissatisfaction or calls for changes and improvement within the organization. This happens when the members feel the organization is moving towards the "wrong" direction and "will use their influence to correct and reverse the process" (Hirschman, 1970, p. 88). Effectiveness of voice depends on how much influence the member has within his working group. The third concept in Hirschman's model is loyalty, which is the attachment of the member to the organization. This could potentially restrain the member from exiting the group as he is bound to the organization for reasons such as prestige, allegiance or having a strong sense of identification.

Halaby (1986) discussed the three models of employee-work attachment. The capital value (CV) model states that employees' attachment to the organization is defined by "pay relation and the relative value of worker skills, productivity, and earnings and conceptualizes the worker in his role as maximizer of capital value" (Halaby, 1986, p. 636). The Job Satisfaction/Organizational Commitment Approach (JSOC) views the concept of attachment as a "non-instrumental, emotionally-charged, affective psychological bond linking worker to employer," which is forged on the basis of "psychological costs and benefits" one derives from work (Halaby, 1986, p. 634). The Workplace Authority (WA) Approach states that employees go through the experience of "subordination" through the "normative codes" governing practices in the workplace. Employee attachment is viewed as "partly the outcome of a process whereby workers grade employer governance practices by reference to legitimating beliefs that prescribe proper modes of domination" (Halaby, 1986, p. 646).

Anthony Sork, who is actively engaged in contemporary studies of employee attachment (2012), published a report on employee attachment. The first 90-120 days of employment is very crucial to attachment and strength of bond between an individual and the organization that employs him. Sork (2012) identified 20 drivers of attachment, touching on vital issues such as the level of professionalism encountered by the employee during the recruitment and selection process, how well and clear job expectations were communicated, whether opportunities for training abound, whether the job description matches the actual job being performed, and how effective the orientation process was in making the employee aware of the organization's business processes and expectations.

Hypothesis 1: Wages and benefits stand out as the dominant driver of employee attachment as presented by the capital value (CV) approach.

Hypothesis 2: Employees of foreign banks with regional offices in the Philippines have higher levels of attachment compared to employees of local banks.

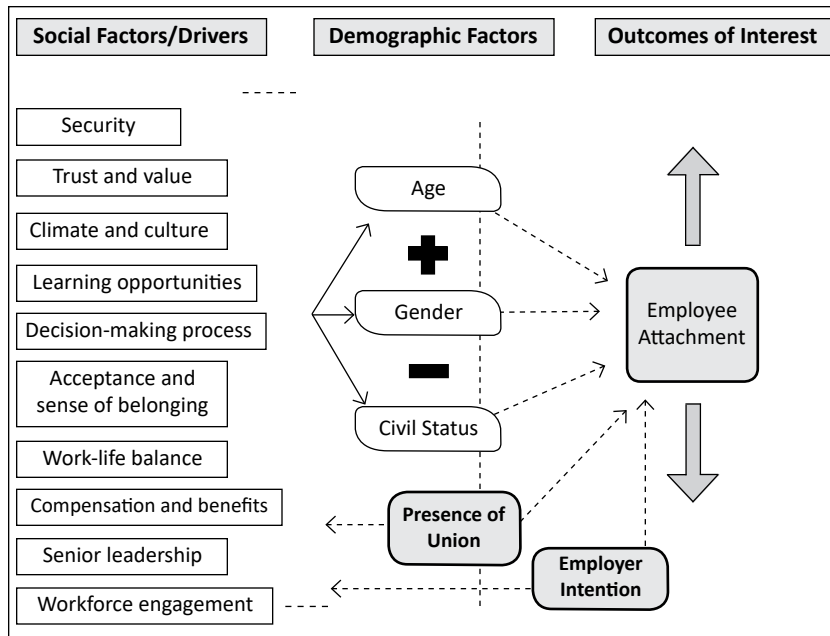
Hypothesis 3: Demographic factors such as age, gender and civil status mediate the impact or effect of the 10 selected drivers of attachment (i.e., lower levels of attachment are observed among males, younger

workers and single employees).

Hypothesis 4: Employer intention (to retain employees long-term) may intensify or weaken levels of employee attachment.

Hypothesis 5: Presence of a union affects levels of employee attachment.

Figure 1. Conceptual Model for Employee Attachment



Methods

Research design combined quantitative and qualitative approaches. Quantitative data was gathered through a survey questionnaire collecting employees' (i) demographic profile; (ii) employees' perception of HR practices as manifested in 10 social drivers; and (iii) intention to quit or stay in the organization. Survey questions were adopted from survey measurement tools, including sections of the 61-item Employee Attachment Inventory (Sork, 2012) and employee attachment survey (Halaby, 1986). Participants were asked to provide demographic information such as age, gender, civil status, position and salary range,

as well as respond to statements on a 5-point scale (similar to the Likert scale). A total of 120 fully completed questionnaires were used, 64 from two foreign banks and 56 from two local banks. The average response rate for both groups is 48.50 percent, 58.03 percent for foreign banks and 38.98 percent for local banks. Data gathered from the survey was analyzed using the SPSS 16.0 statistics software package. The initial analysis using SPSS consisted of descriptive statistics to analyze the data, including means, standard deviations, frequencies and percentages. Chi-square test for independence, also called Pearson's chi-square test or the chi-square test of association, was used to verify a possible relationship between (i) demographic factors and employee attachment, and (ii) 10 social drivers and employee attachment.

Qualitative data was gathered through (i) face-to-face interviews with union officers and employees of selected banks; and (ii) document examination (CBA handbooks, employee guideline handbooks) to determine whether the employer's intention is to retain employees long-term, and to observe how this affects levels of attachment among its employees.

The scope of the study was limited to a population of 120 out of 484,000 employees within the banking and financial sector. Direct interviews with HR managers/officers were not made accessible due to privacy and confidentiality reasons, and refusal to participate on the part of foreign banks. Local HR officers do not have enough decision-making power to divulge their particular bank's information and clearance must be obtained from executive directors based overseas.

Results and Discussion

Drawing from responses of 120 local and foreign bank employees, our findings are as follows:

Finding No. 1: Employee attachment levels for local, unionized banks and foreign, non-unionized banks are not significantly different.

Comparing data from local and foreign bank employees, results showed attachment levels for two groups are not significantly different. About

57.1 percent (n=32) from local banks and 51.6 percent (n=33) from foreign banks said they have no intention of finding a new job with another employer within the next year ($\chi^2=.375$). For Q2, 26.8 percent (n=15) from local banks and 31.2 percent (n=20) from foreign banks said they will stay with their current organization even if they were offered the same job for a higher pay at a competitor bank ($\chi^2=.288$).

Finding No. 2: Aggregated analysis of 120 responses show demographic factors (gender, civil status, age) do not mediate the impact of employee attachment.

Chi-square analysis testing the correlation of employee attachment and demographic factors did not show statistically significant relationships when total sample of 120 responses were aggregated. However, when responses from foreign and local bank groups were distinguished, several significant positive analyses materialized. Significant correlation were observed between (i) attachment and age; (ii) attachment and salary; and (iii) attachment and position in the organization among local bank employees. Attachment and gender posed significant correlation as observed among foreign bank employees.

Finding No. 3: Age and employee attachment exhibit a significant positive relationship as observed among local bank employees.

Comparing younger and older employees, the attachment level of those belonging to the 31-year-old and above group is higher among local bank employees, with 73.9 percent (n=17) stating they will not make an effort to find a new job with another employer within the next year. Foreign bank employees, on the other hand, showed similar levels of attachment for both age groups. Of the 20-30 year-old group, 43.2 percent (n=16) will attempt to find a new job within the next year, and 56.8 percent (n=21) will not attempt to do so. The 31-year-old and above group showed 55.26 percent (n=15) as having the intention to find a new job within the next year, and 44.4 percent (n=12) stating they will not attempt to do so. Pearson's chi-square test showed correlation between employee attachment and age is statistically significant only among local bank employees ($\chi^2=4.482$)*.

Table 1: Results of Pearson's Chi-Square Tests for Demographic Factors and Employee Attachment

Local, Unionized Banks					Foreign, Non-unionized Banks				
Demographic Factors	Q1 χ^2 value	df	Q2 χ^2 value	df	Demographic Factors	Q1 χ^2 value	df	Q2 χ^2 value	df
Age	4.482 ^{**10}	1	1.273	1	Age	.947	1	1.772	1
Gender	3.500	1	.273	1	Gender	.160	1	6.886 ^{**}	1
Civil Status	.982	1	1.385	1	Civil Status	1.339	1	.104	1
Position	9.130 ^{**}	1	3.345	1	Position	1.393	1	.021	1
Length of stay in organization	.140	1	.351	1	Length of stay in organization	1.081	1	.462	1
Salary	8.256 ^{**}	2	5.769	2	Salary	3.178	2	.297	2

Finding No. 4: Significant relationship was observed between gender and employee attachment only among foreign bank employees.

An analysis of gender and levels of employee attachment indicated that male employees' attachment within the foreign bank group is higher, with 55.6 percent (n=10) indicating they have no intention to find another job within the next year, compared to only 21.4 percent (n=3) in the local bank group. The two variables therefore were found to be significantly correlated only among foreign bank employees ($\chi^2=6.886$)^{**}. Comparing salary levels with gender showed that male employees of foreign banks (i) are better paid than females, and (ii) hold more managerial positions. Data from Bank A showed that 18.8 percent (n=2) of male employees earn 60,000 and above monthly as opposed to zero percent among female employees. In Bank B, zero percent of male employees earn below 25,000 monthly compared to 36.84 percent (n=7) of female employees earning the same amount. Also, 28.57 percent (n=2) of male employees earn at least 80,000 monthly while only 21.05 percent (n=4) of female employees earn the same.

Finding No. 5: Significant positive relationships were observed between employee attachment and position and salary range among local bank employees.

Other than the three main demographic factors of gender, age and civil status, additional control factors such as length of stay in organization, job level/position, and salary range and their correlation with employees'

levels of attachment were also analyzed. Salary ($\chi^2=8.256$)** and position in the organization ($\chi^2=9.130$)** also showed significant correlation with employee attachment among local bank employees. One hundred percent of the respondents (n=8) from the local bank group earning 60,000 and above stated they will not attempt to find another job within the next year, compared to the foreign bank group (of the same salary range), with only 27.3 percent (n=3) respondents intending to stay with their current organization.

Moreover, all respondents (n=10) from the local bank group who hold a manager/team leader position stated they will not attempt to find another job within the next year, compared to the foreign bank group, with only 33.3 percent (n=3) of those holding managerial posts intending to stay with their current organization.

Significant relationships were observed between employee attachment and age, position and salary range only among local bank employees. As employees gain tenure in local banks, their salary increases and promotion opportunities arise. Compensation for entry-level staff among local banks is comparably lower than those employed by foreign banks. However, once managerial positions have been secured, compensation scale then becomes comparable with those of the foreign bank group. This explains the pay satisfaction of managers within local banks with 100 percent of those earning 60,000 and above stating they do not intend to find jobs elsewhere.

An analysis of 10 selected social drivers using aggregated data (120 responses of local and foreign bank employees) showed seven drivers are significantly correlated with employees' level of attachment. Three social drivers, namely climate and culture, workforce engagement and decision-making process, did not materialize as being significantly correlated with employees' level of attachment.

Table 2: Results of Pearson's Chi-Square Tests of HR Practices as Manifested in 10 Social Drivers and Employee Attachment (Aggregated Responses)

Social Drivers	Attachment Q1 χ^2 value	df	Attachment Q2 χ^2 value	df
Security Q1	4.048* ¹¹	1	.688	1
Security Q2	1.418	1	.869	1
Climate & Culture Q1	1.418	1	.035	1
Climate & Culture Q2	1.345	2	.418	2
Acceptance & Belonging Q1	1.888	1	4.034*	1
Acceptance & Belonging Q2	.111	1	1.699	1
Learning Opportunities Q1	1.333	1	1.340	1
Learning Opportunities Q2	6.993**	1	1.627	1
Learning Opportunities Q3	7.950	2	3.584	2
Work Engagement Q1	.001	1	.610	1
Work Engagement Q2	.383	1	.674	1
Work Engagement Q3	2.423	1	.202	1
Decision-making Process Q1	1.456	1	1.474	1
Decision-making Process Q2	.903	2	8.869	2
Decision-making Process Q3	1.422	1	2.010	1
Work-life Balance Q1	5.009*	1	6.019*	1
Work-life Balance Q2	2.528	1	6.041*	1
Compensation & Benefits Q1	2.693	2	11.248	2
Compensation & Benefits Q2	8.081**	1	1.948	1
Compensation & Benefits Q3	1.160	1	5.910*	1
Trust & Value Q1	1.907	1	11.092**	1
Trust & Value Q2	3.223	1	8.273**	1
Trust & Value Q3	9.923**	1	7.409**	1
Senior Leadership Q1	.484	1	4.504*	1
Senior Leadership Q2	6.713**	1	3.953*	1

Finding No. 6: Trust and Value is the dominant driver of employee attachment.

The strongest perceived social driver among bank employees was Trust and Value, with correlational analysis yielding p-values ranging from 0.01 to 0.006 (highly significant). Data gathered showed that 61.7 percent (n=58) of those who feel valued by the organization said they do not intend to find a new job within the next year. Moreover, 73.1 percent (n=19) of those who do not feel they are valued intend to find a new job soon ($\chi^2=9.923$)**. Similarly, 90.6 percent (n=29) of those who do not view the organization as a positive and rewarding workplace will accept an external offer with higher pay ($\chi^2=8.273$)**. One hundred percent of those who disagreed the organization looks after the welfare of its employees stated they will choose to transfer to another organization for a higher pay ($\chi^2=11.092$)**.

Finding No. 7: Work-life balance is significantly related to employee attachment.

About 89.3 percent (n=25) of those who are not able to balance their work and out-of-work commitments ($\chi^2=6.019$)*, and 87.9 percent (n=29) of those who do not view their organizations as supporting a good work-life balance will choose to transfer to another organization when offered a higher pay ($\chi^2=6.401$)*.

Finding No. 8: Senior leadership holds a significant positive relationship with employee attachment.

Analysis of employee attachment and senior leadership in the organization showed that 62.5 percent (n=50) of employees who are satisfied with the quality of their leadership are likely to stay. In comparison, about 62.5 percent (n=25) of those who are not satisfied with their leadership will choose to leave the organization ($\chi^2=6.713$)**.

Finding No. 9: Range of compensation and benefits may influence an employee's decision to quit the organization.

Results showed that the fewer benefits employees enjoy from the organization, the greater the possibility of them making an effort to find a new job. About 67.7 percent (n=21) of employees who feel they do not enjoy enough benefits will choose to find another employment within the next year or so. Similarly, 61.8 percent (n=55) of employees who

feel they enjoy a wide range of benefits stated they will stay with their current employer ($\chi^2=8.081$)**. If there are no adequate mechanisms to reward high performance in divisions/units within the organization, the higher the tendency of its members to take up a similar position elsewhere when offered a higher pay. About 84.15 percent (n=37) of employees who confirmed the lack of adequate mechanisms to reward high performance in their division will choose to transfer when offered higher compensation elsewhere ($\chi^2=5.910$)*.

Finding No. 10: Acceptance and sense of belonging are significantly related to employee attachment.

Employees who are less likely to perceive “the organization as an extension of their home and family” are more likely to leave if they are offered the same job elsewhere for a higher pay. About 87.5 percent (n=21) of those who do not view the organization as extension of their home and family stated that they will choose to transfer when offered a higher pay, the χ^2 value of 4.034* confirms this.

Finding No. 11: Security is significantly related to employee attachment.

The more secure the employee’s job is, the more likely the employee will stay. Among the group who stated their jobs are secure, 60.8 percent (n=48) have no plans of finding a job within the next year. This is consistent with the group who stated they are likely to lose their jobs with 58.5 percent (n=24) and stated they also plan on finding a new job ($\chi^2=4.048$)*.

Finding No. 12: Local bank employees value security, acceptance and sense of belonging, while foreign bank employees value learning opportunities, and participation in decision-making process.

Segregating the responses into two groups, the first being local, unionized banks and the second being foreign, non-unionized banks, yielded varied results. Local bank employees were observed to exhibit correlation between security, acceptance and sense of belonging, work-life balance, compensation and benefits, trust and value, and senior leadership with level of attachment. Foreign bank employees, on the other hand, valued learning opportunities, decision-making process, work-life balance, compensation and benefits, trust and value, and

senior leadership. Some of the remarkable trends among responses include:

- A fair distribution of social drivers and its correlation with overall attachment (Q1) and attachment related to pay (Q2) among local bank employees;
- A slightly stronger correlation among social drivers and attachment related to pay (Q2) than overall attachment (Q1) among foreign bank employees;
- *Security and sense of acceptance and belonging* are valued by local bank employees, whereas *learning opportunities* and a chance to participate *decision-making processes* are valued by foreign bank employees.

Foreign bank employees share characteristics with “emergent workers,” workers who adopt an emergent mentality about their career, workplace needs and expectations. They are high achievers, ambitious and the most difficult to retain (Spherion, 2010). Their identification with this group is further enforced by social drivers they value (which did not materialize in the local bank group). These include learning opportunities and a chance to participate in decision-making processes, as opposed to local bank employees who value security and acceptance and sense of belonging. Local bank employees are more inclined to embrace Filipino values leaning towards feelings of belongingness in a group, *pakikisama* and *pakikipawa*.

Table 3: Results of Pearson's Chi-Square Tests for 10 Social Drivers and Employee Attachment (Responses Grouped into Local and Foreign Bank Employees)

LOCAL, UNIONIZED BANKS					FOREIGN, NON-UNIONIZED BANKS				
Social Drivers	Attachment Q1 χ ² value	df	Attachment Q2 χ ² value	df	Social Drivers	Attachment Q1 χ ² value	df	Attachment Q2 χ ² value	df
Security Q1	6.389*	1	1.368	1	Security Q1	.190	1	.001	1
Security Q2	2.765	1	.570	1	Security Q2	.002	1	.338	1
Climate & Culture Q1	¹²		¹³		Climate & Culture Q1	1.205	1	.078	1
Climate & Culture Q2	.121	1	.000	1	Climate & Culture Q2	.521	1	.000	1
Acceptance & Belonging Q1	3.662	1	4.454*	1	Acceptance & Belonging Q1	.018	1	.805	1
Acceptance & Belonging Q2	.249	1	.351	1	Acceptance & Belonging Q2	.724	1	1.496	1
Learning Opportunities Q1	1.171	1	.129	1	Learning Opportunities Q1	.438	1	1.496	1
Learning Opportunities Q2	.667	1	.637	1	Learning Opportunities Q2	6.417*	1	1.512	1
Learning Opportunities Q3	2.667	1	2.927	1	Learning Opportunities Q3	4.321*	1	1.308	1
Work Engagement Q1	.734	1	.069	1	Work Engagement Q1	.338	1	.422	1
Work Engagement Q2	2.765	1	.759	1	Work Engagement Q2	.155	1	2.087	1
Work Engagement Q3	.249	1	.351	1	Work Engagement Q3	2.832	1	.060	1
Decision-making Process Q1	3.529	1	2.331	1	Decision-making Process Q1	.008	1	.104	1
Decision-making Process Q2	.028	1	2.808	1	Decision-making Process Q2	.008	1	4.187*	1
Decision-making Process Q3	.389	1	.273	1	Decision-making Process Q3	.948	1	2.166	1

Table 3: Results of Pearson's Chi-Square Tests for 10 Social Drivers and Employee Attachment (Responses Grouped into Local and Foreign Bank Employees) (continuation)

LOCAL, UNIONIZED BANKS				FOREIGN, NON-UNIONIZED BANKS				
Social Drivers	Attachment Q1 χ^2 value	df	Attachment Q2 χ^2 value	df	Social Drivers	Attachment Q1 χ^2 value	Attachment Q2 χ^2 value	df
Work-life Balance Q1	4.809*	1	1.122	1	Work-life Balance Q1	1.049	5.511*	1
Work-life Balance Q2	3.529	1	2.331	1	Work-life Balance Q2	.188	4.091*	1
Compensation & Benefits Q1	.553	1	9.705**	1	Compensation & Benefits Q1	1.557	1.714	1
Compensation & Benefits Q2	5.340*	1	1.343	1	Compensation & Benefits Q2	3.101	1.133	1
Compensation & Benefits Q3	.058	1	.730	1	Compensation & Benefits Q3	1.506	6.284*	1
Trust & Value Q1	1.494	1	5.588*	1	Trust & Value Q1	.634	5.387*	1
Trust & Value Q2	.389	1	1.487	1	Trust & Value Q2	3.332	7.696**	1
Trust & Value Q3	8.485**	1	5.008*	1	Trust & Value Q3	2.607	2.927	1
Senior Leadership Q1	.038	1	2.186	1	Senior Leadership Q1	.544	2.400	1
Senior Leadership Q2	2.541	1	5.439*	1	Senior Leadership Q2	4.047*	.445	1

Finding No. 13: Presence of union and employer intention act as mediating factors of employee attachment.

Employer intention to retain employees long-term is manifested in the total number of contractual staff versus permanent staff. It was observed that foreign, non-unionized banks employ a bigger share of contractual staff. Employee attachment levels were examined among four banks, and Bank D, which employs the least number of contractual staff (approximately 2 percent or 260 contractual staff) yielded the highest level of attachment (mean value of 1.68) among its employees. Similarly, Bank B, which employs the highest number of contractual staff (16 percent of total staff) also had the lowest level of employee attachment observed (mean value of 1.38).

Local, unionized banks have levels of employee attachment comparable to foreign, non-unionized banks in the Philippines. It was observed that the pay grade for entry-level and junior staff is higher in foreign banks, but managerial positions show comparable compensation between local and foreign bank employees. Additionally, it was observed that, although foreign bank employees receive a higher range of benefits (cumulative monetary value), local bank employees enjoy a wider range of benefits. Moreover, foreign bank employees do not have a strong “voice” option available to them in the event of harassment from superiors or coworkers, as their grievance procedures are coursed through their HR offices (closely tied with the organization’s management). Local bank employees enjoy more flexibility, as they can request branch transfers in the event of harassment from superiors or simply for reasons of accessibility from home. Foreign bank employees, in comparison, would often resort to resignation in the event of escalated issues encountered in the workplace. Freeman and Medoff’s (1985) study states that unions provide trainings to better equip employees with necessary skills, improve morale, increase pay and improve fringe benefits, provide greater safety and healthier working conditions, and give the “voice” option, especially among its marginalized members, thereby reducing quit rates.

The introduction of *BSP Circular No. 268* has resulted in minimal impact in banking operations; thus, strong employee attachment is continuously sustained in the country’s banking and financial sector. Managements of the two local banks surveyed (Bank C, Bank D) engage

local unions on use of contractors through open consultations. Unions do not object to the use of contractors as long as it does not meddle with basic, regular banking functions or threaten union members' employment. The existence of a Bankers' Industrial Tripartite Council (BITC) composed of the *Bangko Sentral ng Pilipinas* (BSP), local banks and their unions also safeguards bank employees from drastic changes in labor policies. The council regularly engages in meetings to discuss pertinent issues within the banking and financial industry. This ensures that no radical or abrupt changes will be implemented without due consultations among three parties.

Conclusion

Reducing employee turnover through HR retention practices is an area of great interest to employers, whose organizational success is dependent on providing quality services and building strong relationships with their client base. Below is a summary of findings vis-à-vis initial hypotheses formulated during the start of the research. Findings are based on analysis of gathered data from employees of two local, unionized and two foreign, non-unionized banks.

Hypothesis 1: Wages and benefits stand out as the dominant driver of employee attachment as presented by the capital value (CV) approach.

Compensation and benefits proved to be a strong driver of attachment, particularly when other social drivers were not perceived positively by employees. However, the strongest perceived social driver among bank employees was Trust and Value, with correlational analysis yielding p-values ranging from 0.01 to 0.006 (highly significant).

Hypothesis 2: Employees of foreign banks with regional offices in the Philippines have higher levels of attachment compared to employees of local banks.

Equal and comparable levels of employee attachment were observed among local, unionized and foreign non-unionized bank employees, contradicting the initial hypothesis that predicted higher levels of attachment among foreign bank employees. Comparable levels of

employee attachment between local and foreign bank groups can be attributed to:

- (i) a formalized and independent “voice” option for local bank employees via the union, which fosters employee attachment and reduces quit rates, and a less flexible grievance procedure for foreign bank employees coursed through a sometimes pro-management HR, which reduces openness and disclosure among organizational members;
- (ii) enhanced ease and desirability of movement among foreign bank employees, majority of which come with tenure and high-skill sets;
- (iii) additional benefits provided to members of local bank unions as a result of the union’s collective bargaining agreement;
- (iv) competitive compensation packages for managerial positions in local banks, comparable to compensation packages offered to managerial positions in foreign banks.

Hypothesis 3: Demographic factors such as age, gender and civil status mediate the impact or effect of the 10 selected drivers of attachment (i.e., lower levels of attachment are observed among males, younger workers and single employees).

Results of the study showed demographic factors such as age, gender and civil status do not mediate the impact or effect of the 10 selected drivers of attachment. Statistical analysis did not reveal significant variances when these demographic factors were used as control factors. However, when responses from foreign and local bank groups were distinguished, significant correlation were observed between (i) attachment and age; (ii) attachment and salary; and (iii) attachment and position in the organization among local bank employees. Attachment and gender posed significant correlation as observed among foreign bank employees.

Hypothesis 4: Employer intention (to retain employees long-term) may intensify or weaken levels of employee attachment.

Employer intention to retain employees long-term is manifested in the total number of contractual staff versus permanent staff. It was observed that foreign, non-unionized banks employ a bigger share of contractual staff and also displayed the lowest levels of employee attachment. Local banks that employ less number of contractual staff displayed higher levels of attachment among its members. As Stum's (2001) study suggests, the primary requirement of an employee to commit to and stay with an organization is to feel a sense of safety and security. If the job provides security of tenure, then employees are more likely to stay.

Hypothesis 5: Presence of a union affects levels of employee attachment.

Results of data analysis from four banks showed that presence of a union affects level of employee attachment as it (i) provides a "voice" option for employees to express their dissatisfaction and/or demands in the workplace; (ii) influences HR policies and programs, particularly the range of compensation and benefits enjoyed by employees; (iii) narrows the gender wage gap by standardizing wages for males and females alike; and (iv) enforces job security.

Recommendations

Build and Improve Organizational Trust.

As trust and value displayed the strongest correlation with bank employees' attachment, it is vital for financial organizations to enhance their members' level of trust. As John Bowlby's (1958) attachment theory suggests, attachment stems from two parties whose relationship is built on trust. Attachment will not be cultivated if the member does not trust in and is not aware of the organization responding in his time of need.

A study by Blanchard (2010) suggests eight different ways by which organizational trust can be improved: (a) demonstrating trust; (b) sharing information; (c) telling it straight; (d) providing opportunities for everyone to win; (e) providing feedback; (f) resolving concerns head on; (g) admitting mistakes; and (h) walking the talk. Trust can also be enhanced by rising to the "transparency" challenge wherein leaders

act openly and are candid about sharing information with the rest of the group. This can be done by being accessible, communicating with fellow employees, acknowledging that people have concerns, creating opportunities for a dialogue, following through, and keeping one's word even on small things. These practices show integrity and build a leader's credibility. When employees see their leaders as trustworthy, they are more inclined to contribute to organizational goals and act with a greater sense of responsibility. Leaders should periodically assess their own trustworthiness and whether the HR programs and policies they have in place actually promote trust in the organization.

It is important to encourage employees to stay as high quit rates are a significant cost to organizations, both because they raise labor costs and because they lower organizational performance (Batt, Colvin & Keefe, 2002) and morale. In organizations where relationships are extremely important to the success of their mission, frequent turnover of highly valued employees can be detrimental. Employee exit is a cause for concern when valued and skilled employees are leaving the organization for another, and there may be something that could be done to retain those employees. Turnover is costly for organizations. Direct costs such as recruitment, selection and training of new employees, as well as indirect costs such as stress on remaining workers, reduced productivity and low morale for organizations, can cost as much as two year's pay and benefits (Ramlall, 2004).

Engage Unions in Organizational Efforts to Increase Levels of Employee Attachment.

The two local banks surveyed both have unions in place collectively bargaining for employee rights, compensation and benefits. Their members are provided not only financial gains, but more importantly job security and a "voice" option for their grievances and other concerns. As we face increasingly globalized economies, unions' role within organizations has been evolving, and unionization rate worldwide has been noted to be on a steady decline. Reasons for such is the decrease in manufacturing industries (where unionization is most prominent), increase of service sectors, as well as rise of interactive/participatory forms of HR management in the workplace. Although frequently touted as dead or dying, the union movement remains, arguably, the most

important form of working-class representation in the world today (Bratton & Gold, 2003; Flavin, 2009).

Results of the study highlighted the importance of unions as independent bodies within the organization. Unions' primary duties include collectively bargaining for improvement of employee compensation and benefits, and protection of workers' rights. Although interactive and participatory forms of management are on the rise, unions continue to flourish because they alone provide employees with an independent voice. Grievance procedures coursed through HR were found to discourage openness and disclosure.

Organizations should engage unions in their efforts to curb their members' intention to quit. Having employee suggestion programs in place, information-sharing campaigns, and problem-solving teams are all deterrents of employee's intention to quit. Sharing information with employees regarding the firm's performance and technological or organizational changes implies that employees have some feedback and opportunity to voice their opinion. By engaging employees through union participation, employees will be encouraged to voice their concerns rather than directly escaping unsatisfactory work conditions through resignations.

Results of the study show compensation and benefits become an even stronger driver of employee attachment or employee intention to quit when other social drivers are not met. For example, an employee who views his organization as not supporting work-life balance will tend to transfer to another organization when offered a higher pay. The competitiveness of the foreign banks' group relies on providing higher compensation. However, foreign does not necessarily mean "better." Local companies and organizations should strive to make their HR and IR practices competitive with foreign organizations. If local companies are hampered by low salary offers, they could capitalize on enhancing trust and value in the workplace, encouraging employee voice through union participation, and providing more flexible work programs to foster work-life balance, among others, to intensify the influence of other social drivers on employee attachment.

Draft HR Policies Based on Seven Dominant Drivers of Attachment.

Taking note of which of the seven dominant drivers—security, acceptance and sense of belonging, learning opportunities, work-life balance, compensation and benefits, trust and value, senior leadership—stood out in this study of employee attachment among bank employees is valuable for organizations belonging to the financial and banking industry. Trust and value proved to be the strongest driver of attachment, and it would be useful for banks to continue enhancing openness and organizational trust. Employees display their loyalty to organizations they view as open, transparent and fair. Senior leadership is also one of the significant drivers, and enforces the idea that employees' decision to stay or leave an organization is significantly influenced by daily interactions with their supervisors. Local and foreign banks alike should ensure that their leaders are trustworthy, understanding of their employees' needs and cognizant of their organizational value. Moreover, the rise of dual-career families and single parents also placed emphasis on achieving work-life balance. Employee attachment could be further enhanced by putting work-life balance programs into place, such as (i) allowing employees to work from home, made possible by providing security tokens to access work computers from home; (ii) flexible schedule; and (iii) team-building and collaboration events at work/offsite. Lastly, compensation and benefits still remain one of the top drivers of employee attachment. Financial organizations should ensure that they provide competitive compensation packages which would keep employees' interest beyond the initial four to five years of employment.

This strategy is in line with Farzad, Nahavandi and Caruana's (2008) concept of internal marketing as a driver of employee attachment. Internal marketing treats employees as customers (internal customers) and their respective jobs as the firm's products. Khan et al. (2010) states that among service-oriented firms such as banks, internal marketing can be devised to meet the needs of the employees so they, in turn, will meet the needs of the customers. As financial firms have established a KYC ("know your customer") system composed of due diligence practices to identify their clients, it is also valuable for organizations to know its employees and formulate HR practices, benefits and policies relevant to its employees.

Recommendations for Additional Research

The study was conducted within the National Capital Region (NCR) and represent perceptions of employees in a bustling, capital city. It should be replicated in other parts of the country to see if the results are consistent or would vary as views represented by those residing in the provincial areas may be different from employees working in the city. Moreover, since only 120 out of 484,000 bank employees were included in this study, it is recommended that future studies include a larger population size, with the possibility of showing more significant results when demographic factors such as age, gender and marital status are used as control factors.

Endnote

* This is an abridged version of the author's thesis for Master of Industrial Relations at the School of Labor and Industrial Relations, University of the Philippines.

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