

Determinants of Employee Retention

Felix Mendrofa, Sri Rahayu, Yohny Anwar

Abstract

Employee retention is a strategic issue for public sector organizations, including the Regional Office of the Directorate General of Corrections North Sumatra, given the high workload, safety risks, and professionalism demands inherent in correctional duties. This study aims to analyze the effect of compensation, work environment, and career development on employee retention, both partially and simultaneously. The study employed a quantitative associative approach using a saturated sampling technique on 110 employees. Data were collected through a 1-5 Likert-scale questionnaire and analyzed using multiple linear regression. The results indicate that compensation, work environment, and career development each have a positive and significant effect on employee retention, both partially (t-test) and simultaneously (F-test). The three variables jointly explain approximately 46.2% of the variance in employee retention, while the remainder is explained by factors outside the model. These findings indicate that compensation contributes the largest relative influence, followed by work environment and career development. This study recommends that management strengthen a fair compensation system, foster a conducive work environment, and provide clear career development pathways to improve employee retention.

Keywords: compensation; work environment; career development; employee retention; multiple linear regression

Felix Mendrofa ¹

¹ Master of Management, Universitas Pembangunan Panca Budi, Indonesia
e-mail: felixmendrofa@gmail.com ¹

Sri Rahayu², Yohny Anwar ³

^{2,3} Master of Management, Universitas Pembangunan Panca Budi, Indonesia
e-mail: srirahayu@dosen.pancabudi.ac.id, yohny.anwar@yahoo.com ³

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Introduction

Human resources are a strategic asset that determines the success of an organization in achieving its goals, including public sector organizations such as the Regional Office of the Directorate General of Corrections North Sumatra. As the unit overseeing Correctional Institutions, State Detention Centers, Correctional Supervision Centers, and State Confiscated Property Storage Houses, this institution faces unique operational challenges, including high workloads, occupational safety risks, an imbalanced staff-to-inmate ratio, and strict demands for discipline and professionalism. These conditions may encourage employees to consider transfers or even resignation, making employee retention a strategic issue that requires management attention.

Employee retention can be understood as an organization's ability to retain competent employees so they continue working and contributing over the long term (Mathis & Jackson, 2016). A low retention rate impacts increased recruitment and retraining costs, loss of institutional knowledge, and disrupted service continuity. Various prior studies have identified that employee retention is influenced by many factors, including compensation, work environment, and career development (Srimulyani & Jelita, 2022; Wahyudi & Bakri, 2023; Bahrin & Yusuf, 2022).

Fair and competitive compensation is believed to be one of the main factors influencing employees' decisions to remain in an organization (Hasibuan, 2020). In addition, a conducive work environment -- both physical and non-physical -- also affects employee comfort and job satisfaction (Mangkunegara, 2017). Another relevant factor is career development, where clear career paths and promotion opportunities can foster employee motivation to continue contributing (Panca et al., 2024).

Based on the above, this study aims to analyze the effect of compensation, work environment, and career development on employee retention at the Regional Office of the Directorate General of Corrections North Sumatra, both partially and simultaneously, involving the entire employee population of 110 people.

Problem Statement

Based on the background above, the problem statements of this study are as follows:

1. Does compensation have a significant effect on employee retention?
2. Does work environment have a significant effect on employee retention?
3. Does career development have a significant effect on employee retention?
4. Do compensation, work environment, and career development simultaneously have a significant effect on employee retention?

Research Objectives

This study aims to examine and analyze the effect of compensation, work environment, and career development on employee retention, both partially and simultaneously, among employees of the Regional Office of the Directorate General of Corrections North Sumatra.

Literature Review

Employee Retention

Employee retention is an organization's effort to retain quality employees so they continue working and do not move to other organizations (Mathis & Jackson, 2016).

Good retention is reflected in low turnover intention, high loyalty, and long-term employee commitment to the organization.

Compensation

Compensation is any form of reward, both financial and non-financial, given by an organization to employees in return for their contribution (Hasibuan, 2020).

Fair, competitive, and transparent compensation is believed to increase job satisfaction and encourage employees to remain with the organization (Bahrun & Yusuf, 2022)

Work Environment

Work environment encompasses all physical and non-physical conditions surrounding the workplace that affect employees in carrying out their duties, including physical comfort, security, and interpersonal relationships with colleagues and superiors (Mangkunegara, 2017). A conducive work environment contributes to employees' psychological comfort, thereby encouraging a desire to stay (Srimulyani & Jelita, 2022).

Career Development

Career development is the process of improving individual work capability achieved in pursuit of a desired career, encompassing clarity of job hierarchy, promotion opportunities, and training and coaching (Panca et al., 2024). Clear and equitable career development can motivate employees to continue contributing over the long term (Wahyudi & Bakri, 2023)

Conceptual Framework

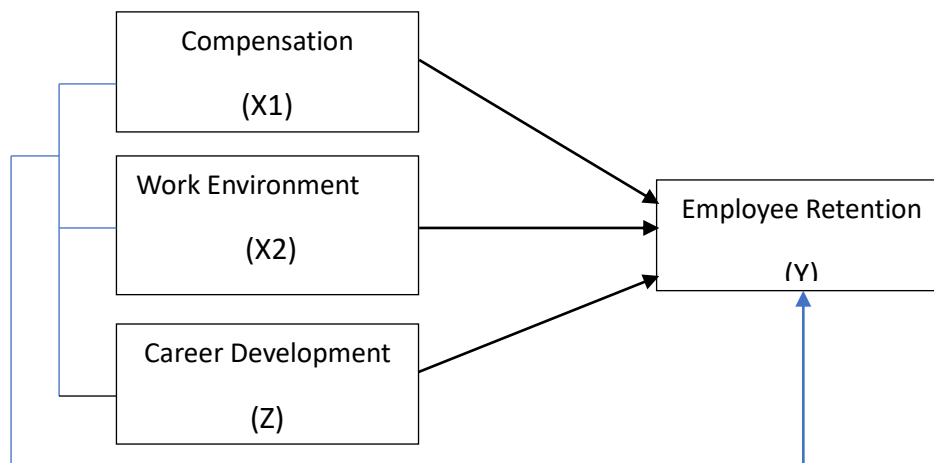


Figure 1 : Conceptual Framework

Hypotheses

H1: Compensation has a positive and significant effect on employee retention.

H2: Work environment has a positive and significant effect on employee retention.

H3: Career development has a positive and significant effect on employee retention.

H4: Compensation, work environment, and career development simultaneously have a positive and significant effect on employee retention.

RESEARCH METHOD

3.1 Research Type

This study uses a quantitative approach with a causal associative research design, testing the cause-and-effect relationship between independent and dependent variables.

3.2 Population and Sample

The study population consists of all employees of the Regional Office of the Directorate General of Corrections North Sumatra, totaling 110 people. The sampling technique used was

saturated sampling (census), in which the entire population was used as the research sample, resulting in a sample size of 110 respondents.

3.3 Data Collection Technique

Primary data were collected through a closed questionnaire using a 1-5 Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). Each variable was measured using 5 statement items developed from the indicators of each construct.

3.4 Operational Definition of Variables

Variable	Definition	Indicators
Compensation (X1)	Financial and non-financial rewards for employee contribution	Salary; benefits; incentives; compensation fairness; compensation satisfaction
Work Environment (X2)	Physical and non-physical conditions surrounding the workplace	Physical comfort; security; peer relationships; supervisor relationships; work facilities
Career Development (X3)	Process of improving capability toward a desired career path	Career path clarity; promotion opportunities; training; mentoring; promotion fairness
Employee Retention (Y)	Organization's ability to retain employees over the long term	Intention to stay; loyalty; job satisfaction; long-term commitment; reluctance to seek other jobs

3.5 Data Analysis Technique

Data analysis was conducted in several stages:

1. validity testing using item-total correlation,
2. reliability testing using Cronbach's Alpha,
3. classical assumption tests including normality (Kolmogorov-Smirnov), multicollinearity (Variance Inflation Factor/VIF), and heteroscedasticity (Glejser Test),
4. multiple linear regression analysis,
5. partial (t-test) and simultaneous (F-test) hypothesis testing, and
6. coefficient of determination (R^2). All statistical calculations were performed at a 5% significance level ($\alpha = 0.05$).

3.6 Respondent Characteristics

The characteristics of the 110 respondents in this study are presented in the following table.

Characteristic	Category	Frequency	Percentage
Gender	Male	73	66.4%
	Female	37	33.6%

Characteristic	Category	Frequency	Percentage
Age	≤ 30 years	29	26.4%
	31-40 years	22	20.0%
	41-50 years	33	30.0%
	> 50 years	26	23.6%
Education	High School	18	16.4%
	Diploma (D3)	18	16.4%
	Bachelor's (S1)	61	55.5%
	Master's (S2)	13	11.8%
Tenure	1-5 years	30	27.3%
	6-10 years	10	9.1%
	11-20 years	25	22.7%
	> 20 years	45	40.9%
Rank/Grade	Grade II	27	24.5%
	Grade III	64	58.2%
	Grade IV	19	17.3%

3.7 Validity and Reliability Tests

The reliability test using Cronbach's Alpha shows that all research instruments are reliable, as the alpha values exceed 0.60 (Ghozali, 2018).

Variable	Cronbach's Alpha	Remarks
Compensation (X1)	0.747	Reliable
Work Environment (X2)	0.798	Reliable
Career Development (X3)	0.751	Reliable
Employee Retention (Y)	0.811	Reliable

All statement items were also declared valid, as indicated by item-total correlation values above 0.30 for all questionnaire items.

3.9 Descriptive Statistics

Variable	N	Mean	Std. Deviation	Min	Max
Compensation (X1)	110	3.78	0.59	2.20	5.00
Work Environment (X2)	110	3.77	0.59	2.40	5.00

Variable	N	Mean	Std. Deviation	Min	Max
Career Development (X3)	110	3.53	0.59	2.00	4.80
Employee Retention (Y)	110	3.66	0.58	2.00	5.00

3.1.0 Classical Assumption Tests

The Kolmogorov-Smirnov normality test on the residuals produced a significance value of 0.868 (> 0.05), indicating that the residuals are normally distributed. The multicollinearity test showed VIF values for X1, X2, and X3 of 1.014, 1.042, and 1.028 respectively, all well below the threshold of 10, indicating no multicollinearity among the independent variables. The Glejser heteroscedasticity test produced significance values above 0.05 for each variable ($X1 = 0.263$; $X2 = 0.820$; $X3 = 0.202$), indicating no heteroscedasticity. Thus, the regression model satisfies all classical assumptions and is suitable for hypothesis testing.

3.1.1 Multiple Linear Regression Results

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	-0.216	0.409	-	-0.529	0.598
Compensation (X1)	0.386	0.070	0.397	5.535	<0.001
Work Environment (X2)	0.336	0.071	0.342	4.704	<0.001
Career Development (X3)	0.327	0.071	0.333	4.605	<0.001

The resulting multiple linear regression equation is: $Y = -0.216 + 0.386X1 + 0.336X2 + 0.327X3 + e$

Partial Hypothesis Testing (t-test)

The t-test results show that the t-table value at $df = 106$ and $\alpha = 0.05$ is 1.982. Compensation obtained a t-value of 5.535 (Sig. < 0.001), work environment obtained a t-value of 4.704 (Sig. < 0.001), and career development obtained a t-value of 4.605 (Sig. < 0.001). Since all t-values exceed the t-table value and significance values are below 0.05, H1, H2, and H3 are accepted, meaning that compensation, work environment, and career development each have a positive and significant effect on employee retention.

Simultaneous Hypothesis Testing (F-test)

The F-test produced an F-value of 30.361 with a significance of < 0.001 , while the F-table value at $df1 = 3$ and $df2 = 106$ is 2.69. Since the F-value exceeds the F-table value and significance is below 0.05, H4 is accepted, meaning that compensation, work environment, and career development simultaneously have a positive and significant effect on employee retention.

Coefficient of Determination (R^2)

The R Square value obtained is 0.462, with an Adjusted R Square of 0.447. This indicates that compensation, work environment, and career development jointly explain 46.2% of the variance in employee retention, while the remaining 53.8% is explained by other variables.

outside this research model, such as job satisfaction, organizational commitment, or leadership style.

DISCUSSION

The Effect of Compensation on Employee Retention

The results show that compensation has a positive and significant effect on employee retention, with the largest relative contribution compared to the other two variables (Beta = 0.397). This finding is consistent with Bahrudin and Yusuf (2022), who found that compensation significantly affects employee retention. This indicates that employees of the Regional Office of the Directorate General of Corrections North Sumatra regard the fairness and adequacy of compensation as a primary consideration in deciding to remain with the institution.

The Effect of Work Environment on Employee Retention

Work environment is shown to have a positive and significant effect on employee retention (Beta = 0.342). This finding is consistent with the results of Srimulyani and Jelita (2022) as well as Wahyudi and Bakri (2023), who also found a significant effect of work environment on employee retention. In the correctional context, a conducive work environment -- including good relationships among officers and with superiors, as well as a sense of safety while on duty is an important factor given the high operational risks employees face.

The Effect of Career Development on Employee Retention

Career development is also shown to have a positive and significant effect on employee retention (Beta = 0.333), consistent with the findings of Wahyudi and Bakri (2023). Clarity of career paths and equitable promotion opportunities are among the drivers of employee commitment to the institution, given that career systems within the civil service are generally structured but require transparency in implementation.

Simultaneous Effect

Simultaneously, the three independent variables are shown to significantly affect employee retention, with a combined contribution of 46.2%. This confirms that efforts to improve employee retention need to be carried out comprehensively, not focusing on a single aspect alone, but integrating compensation policy, the creation of a conducive work environment, and the provision of clear career development pathways.

Conclusion

Based on the analysis and discussion, it can be concluded that:

1. compensation has a positive and significant effect on employee retention;
2. work environment has a positive and significant effect on employee retention;
3. career development has a positive and significant effect on employee retention; and
4. compensation, work environment, and career development simultaneously have a positive and significant effect on employee retention, with a combined contribution of 46.2%.

Recommendations

Based on the research findings, it is recommended that: (1) management review the compensation system to make it fairer and more competitive, given that compensation makes the largest contribution to employee retention; (2) the institution continue to improve the

quality of the work environment, both physical and non-physical, including safety aspects and interpersonal relationships; (3) the institution provide clear and transparent career development pathways, including training and equitable promotion opportunities; and (4) future research consider other variables such as job satisfaction, organizational commitment, or leadership style, and expand the scope of research to other correctional regional offices to improve the generalizability of findings.

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