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UNIVERSITY

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SEM Brief 10: Turnover Intention

Ana Antolin
Laura Babbitt
Drusilla Brown
Le Dang Trung

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The preceding briefs have focused on theory behind short-term and middle-term outcomes for workers and how Better Work affects those outcomes. The following briefs will now look at long term outcomes for workers. To fully grasp the effect of time on worker outcomes, we separate out baseline and endline relationships. This type of analysis requires a balanced dataset, which caused many of the Indonesia observations to be dropped. There is still a significantly large dataset to feel confident about the presented results, with over 1600 complete records.

Main Conclusion: Better Work (BW) reduces turnover intention by increasing wages and encouraging open workplace communication and promotion opportunities, while also allowing workers to feel like they have an improved work-life balance. Having a good work-life balance has a strong compounding effect over time

1. Turnover Intention

We are interested in whether workers in Better Work factories are more likely to quit their jobs and whether they will try to change to a different sector or start their own business. As can be seen from the first column of Table 10.1, workers in Better Work factories are less likely to consider changing their jobs at the baseline, 0.128 lower on a five-point scale. The impact of Better Work at the endline strengthens by 0.069 points, resulting in a long-term treatment effect of -0.197. We then must ask why workers want to stay in Better Work factories.

2. Working Hours and Wages

Columns 2 and 3 of Table 10.1 show results on workers' work weeks and monthly take-home pay. At the baseline, workers in BW factories work about 2 hours less per week and make 15.5 percent more per month than their non-BW counterparts. At the endline, BW workers no longer experience a shorter work week but they maintain some of their premium pay, receiving 7.5 percent more per month. The constant for work week lowers and the constant for monthly pay rises at the endline, suggesting that workers in all factories may have seen improvements in their hours and wages between the baseline and the endline.

3. Open Communication and Promotion Opportunities

Open communication in the factory is measured by the degree to which managers listen to their workers and workers feel that they receive all necessary information from their supervisors. Column 4 of Table 10.1 suggests that BW factories have more open communication than non-BW factories. The difference is observed in both the baseline and the endline.

In addition to considering the communication between workers and their managers and supervisors, we consider the extent to which workers feel like they can receive promotions within the factory. We consider workers' past experiences of not being promoted for unfair reasons (column 5) and their present beliefs in their opportunities for advancement (column 6). BW workers are less likely to feel that they have had an unfair obstacle to promotion. The treatment effect is small at the baseline (-0.087 on a five-point scale) but increases at the endline

(-0.236). At the endline, BW workers also believe they have greater promotion opportunities than other workers.

4. Work-Life Balance

Work-life balance measures the degree to which workers believe that their job does not prevent them from completing tasks and fulfilling their responsibilities at home. Column 7 of Table 10.1 shows that Better Work enables workers to have a greater sense of work-life balance. As with take-home pay, at the endline, the benefits of BW are not as strong (0.258 vs 0.175 on a five-point scale). However, the constant between the baseline and the endline decreases, suggesting that workers in all factories feel like they have a worse work-life balance at the endline than they did at the baseline

Better Work's effect on work-life balance is explored in Brief 9.

5. Simultaneous Equation Modeling

Figure 10.1 shows results for the SEM model on turnover intention. All of the factors discussed above, except for working hours, are mediators for Job_Search at either the baseline or the endline. At the baseline, by paying workers more, having greater intra-factory communication, having clear promotion practices and facilitating a better work-life balance, Better Work factories have workers that are less likely to consider leaving their jobs. By reducing turnover intention in the baseline, Better Work reduces turnover intention at the endline. The good factory practices also further reduce a worker's likelihood of changing jobs.

Interestingly, having a good work-life balance has a strong compounding effect. Baseline work-life balance impacts baseline turnover intention, while having an additional direct effect on endline turnover intention. This suggests that the way in which Better Work is able to facilitate a balanced life is strong enough to have lasting effects on the workers' desire to remain in the factory and likely maintain the work-life balance.

Data Construction

Job Change Composite (a=0.8055) 5-point common scale

Job_Search [How often do you devote] much effort to looking for another job
Move_Sector [How often do you think] about moving to a job in another sector
Think_About_Quitting I often think about quitting
Look_Job I will likely actively look for a new job in the next year
Small_Business I have seriously considered setting up my own small business.

Working Hours and Wages

Ln (monthly wage USD)
Work Week

Open Communication (a= 0.7352) 5-point agree scale

Management_Listen Management always listens to my ideas and complaints.
Supervisor_HR_Information I can easily get all information related to work from my supervisor or HR

Promotion Opportunities 5-point agree scale

Obstacle_Promotion You faced an unfair obstacle getting promoted
Promotion_Opportunity I have opportunities for advancement (promotions).

Work Life Balance (a=0.8375) 5-point agree scale

Job_Family_ResponsibilityR The amount of time my job takes up makes it difficult to fulfill family / social responsibilities
Home_ResponsibilityR Things I want to do at home do not get done because of the demands my job puts on me

Demographic Controls

Age
Factory_Experience
i.Position
i.Education
Female
i.Married
Work_Experience
changed_jobs

Factory Characteristics

Factories_Nearby Are there other factories nearby where you could get another job?
Vietnam
bw_factory

Figure 10.1 Turnover Intention SEM Findings

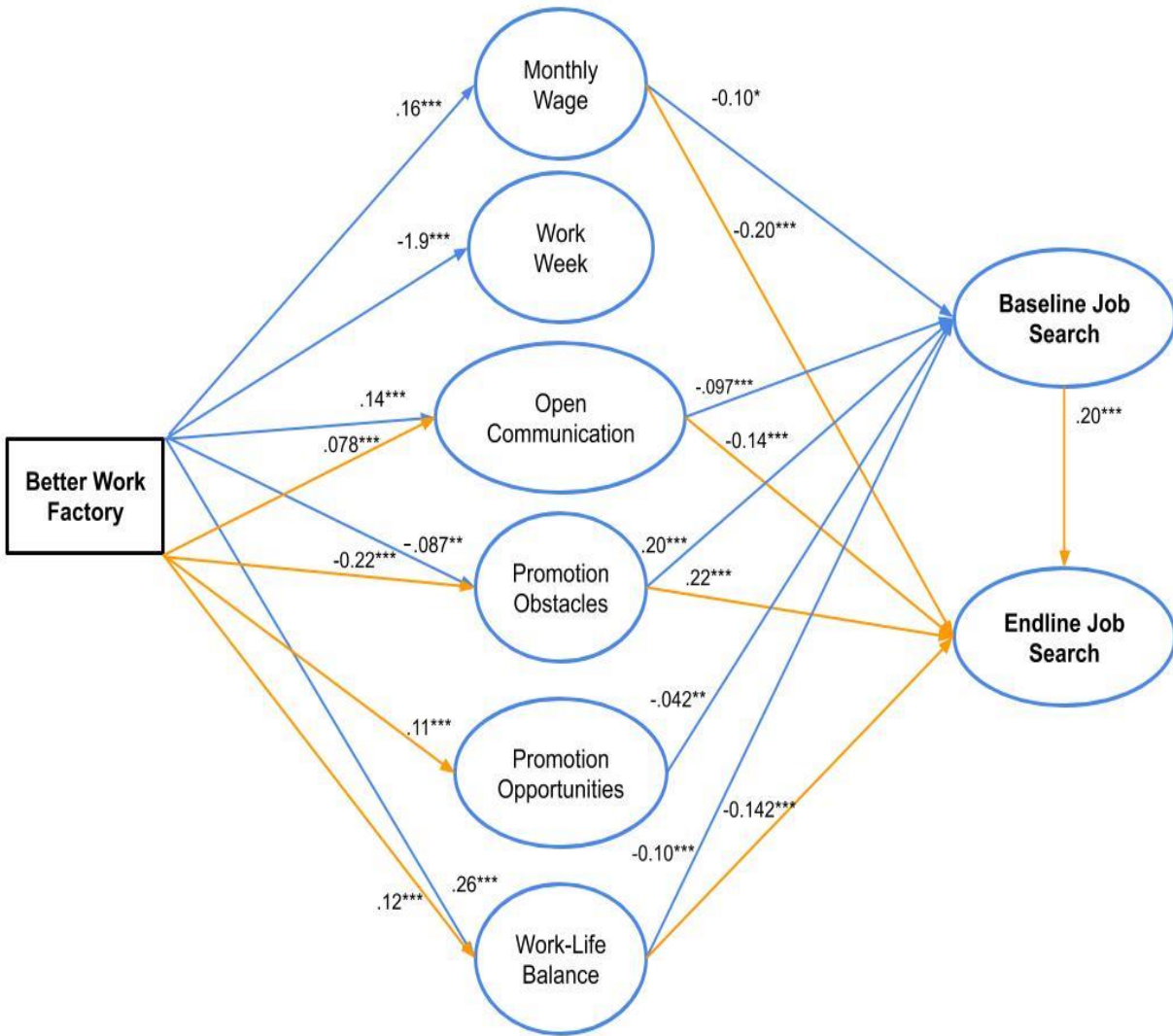


Table 10.1 Reduced Forms

VARIABLES	(1) Job_Change_ Composite	(2) Lnmonthlywage USD	(3) Work_Week	(4) Open Communication	(5) Obstacle_Promotion	(6) Promotion_ Opportunity	(7) Work-Life Balance
<u>Baseline</u>							
bw_factory	-0.128*** (0.0382)	0.155*** (0.0181)	-1.927*** (0.322)	0.141*** (0.0328)	-0.0870** (0.0390)	-0.0375 (0.0501)	0.258*** (0.0484)
Constant	2.461*** (0.152)	5.116*** (0.0716)	51.30*** (1.278)	3.751*** (0.131)	1.795*** (0.155)	3.628*** (0.199)	3.264*** (0.192)
Observations	1,562	1,648	1,656	1,607	1,594	1,587	1,647
R-squared	0.080	0.240	0.339	0.164	0.042	0.024	0.041
<u>Endline</u>							
bw_factory	-0.197*** (0.0380)	0.0752*** (0.0244)	-0.938 (0.861)	0.116*** (0.0290)	-0.236*** (0.0367)	0.113*** (0.0397)	0.175*** (0.0438)
Constant	2.581*** (0.151)	5.326*** (0.0969)	48.45*** (3.416)	3.457*** (0.115)	1.471*** (0.146)	3.327*** (0.158)	3.154*** (0.174)
Observations	1,629	1,656	1,639	1,655	1,642	1,646	1,658
R-squared	0.088	0.279	0.046	0.127	0.084	0.079	0.038

Demographic and factory controls

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1