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Low Salary and Employee Turnover: An Empirical Study of the Telecom Sector in Pakistan

[a] Gul Suri, [b] Kh Zaheer Ahmed Butt, [c] Nasir Ramzan Abbasi, [d] Rameez Iqbal
MBA Scholars, Bahria University, Islamabad, Pakistan

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Corresponding Author: Gul Surigulsuri@gmail.com

ABSTRACT

Closely related to service quality and company profit, employee turnover poses organizations with continuous challenges. Especially, in the telecommunication industry in Pakistan, the problem has led to the loss of qualified employees and increased expenses of hiring new employees. This study seeks to research the growing employee turnover problem in Pakistan's telecom industry on account of employees earning low salaries. Following Herzberg's Motivation-Hygiene Theory and Adam's Equity Theory, the research study seeks to examine the factor of employees leaving the organization on account of dissatisfaction with compensation. A quantitative approach was adopted to collect primary data involving 200 employees of Pakistan's four leading telecommunication companies, namely, Ufone, Jazz, Zong, and Telenor. The study found that there is a strong positive correlation between perceptions of low salaries and increased turnover intentions. This means that employees who perceive that their salaries are lower than the market average are more likely to quit their jobs. The study recommends that in order to mitigate turnover in the sector under study, there needs to be more competitive salary structures, more regular salary updates, and better system compensation Transparency.

Keywords: Employee turnover, Service quality, Telecommunication industry, Pakistan, Low salaries, Compensation dissatisfaction, Herzberg's Motivation-Hygiene Theory, Adam's Equity Theory, Quantitative research, Turnover intentions, Salary perception, Competitive salary structures, Compensation transparency.

INTRODUCTION

Background of Study

Telecom companies in Pakistan contribute to the digital economy by providing services and creating jobs. This sector is key to the functioning of the economy since the digital economy is the future of the global economy. In spite of the positive contributions to the economy of Pakistan, telecom companies have a large number of employees leaving every year. Employee turnover is the rate at which employees leave an organization and are replaced by new employees (Hom & Griffeth, 1995).

The list of reasons for leaving is long and includes things like location, personal circumstances, and the ability to get further jobs. Employees leaving for better opportunities is seen as a normal part of business. One of the key issues is low pay and employees leaving because of that is seen as a normal part of business (Khan & Aleem, 2014). In Pakistan, the reason for employees leaving is low pay and it has been identified as the number one reason for employees leaving the company (Shaheen & Malik, 2018).

Problem Statement:

One of the biggest problems in the telecom sector in Pakistan is the very high employee turnover. There are numerous reasons as to why employees leave but perhaps the biggest reason is that workers are very unhappy with their compensation and in particular their low salaries. Workers are more likely to leave a company if they believe their pay is unfair or lower than what they deserve as well as what is normal in in their industry as compared to their peers. This leads to a loss of talent, disrupts workflow, and increases costs associated to hiring and training.

Research Objectives:

1. To study the impact that low salary is having on the employee turnover intentions in Pakistan's telecom sector.
2. To examine the role of salary dissatisfaction as a predictor of employee turnover.
3. To propose recommendations aimed at minimizing turnover caused as a result of dissatisfaction with salary.

Importance of This Research:

This study will benefit industry leaders, policymakers and HR practitioners in the telecom sector in Pakistan. This research will help to elevate the impact of salary dissatisfaction in the arena of turnover prediction and thus show the importance of implementing competitive compensation within the industry in order to retain talent.

LITERATURE REVIEW

Theoretical Foundations:

- **Herzberg's Two Factor Theory (1959):**proposes that salary level should be a hygiene factor. If salary is low, this results in dissatisfaction that may cause turnover.
- **Adams' Theory of Equity (1963)**:states that there is a perception of inequity in the relationship in a balance of the inputs (effort, skill) and the outputs (salary, other rewards). This perception motivates turnover.
- **Social Exchange Theory (Blau, 1964):** states that the relationship between employer and employee is reciprocal. If salary is low, this weakens the exchange, and the employee may become less committed.

Salary and Employee Retention:

Salary is the consistently the primary factor around employee retention. Hom \& Griffeth (1995) stated pay dissatisfaction is one of the most direct causes of turnover. Recent studies in Asia have also confirmed the low salary \& attrition connection. Hameed et al (2020) stated financial dissatisfaction is a significant predictor of turnover intentions in developing economies.

Telecom Sector in Pakistan:

Pakistan's telecom sector employs thousands of individuals, and while the employee compensation levels, is often criticized as being less than both international and regional standards. Shaheen \& Malik (2018) stated salary dissatisfaction is one of the top three reasons for turnover in the sector. Yousaf \& Irfan (2024) stated younger employees have a higher dissatisfaction regarding salary scales in relationship to their workload and cost of living.

Recent Empirical Evidence:

- The review by Malik & Hassan (2021) showed that low salaries were a consideration for employees in telecom to change companies.
- According to Abbas & Raja (2022), employees that feel that their salary doesn't match their work, feel exploited, which can lead to intending to leave a job.
- Ahmad & Iqbal (2023) showed that employees are more likely to stay with a company if that company has salaries that are within competitive ranges.

Conceptual Framework

Independent Variable: Low Salary

Dependent Variable: Employee Turnover Intention

Low Salary ⟶ Employee Turnover Intention

RESEARCH METHODOLOGY

Research Design:

To find out if low salary predicted turnover intentions, a quantitative, cross-sectional design was used.

Population and Sample:

The employees of Jazz, Ufone, Zong, and Telenor formed the population of the study. For the study, 200 respondents were chosen from the population by simple random sampling.

Data Collection Instrument:

A structured questionnaire was used for data collection. Salary satisfaction was measured using Chicago (1995) scales and Turnover intentions were measured using Mobley (1982) scales.

Data Analysis :

SPSS was used to analyze the data. Descriptive statistics were calculated and correlation and regression analyses were done to find out if any relationships exist and the strength of predictive relationships.

Data Screening and Preparation:

Sample & response quality. 200 respondents filled questionnaires for a survey of four Pakistani telecom companies: Jazz, Ufone, Zong, and Telenor. There were no surveys that could not be used because every participant satisfied the requirements for straight-lining, completion time, and passing the attention checks.

Missing data. Missing data on the individual items was less than 1% for each factor which meant that the data was Missing Completely at Random (MCAR; Little's χ^2 $p > .05$). For the single missing data items, we imputed using the expectation-maximization method, which meant that at least 80% of items for the scale had to be present in order for the scale to be calculated.

Outliers & assumptions. There were no univariate outliers because the composite variables' z-score absolute values did not surpass 3.29. Low values of *Cook's D* (all were less than 0.50) showed that none of the cases were uninfluential in the regression analysis.

With composite scores of each measure, skewness and kurtosis were no more than 1 in absolute value, suggesting that the data was normal. The graphs evidenced that there was a linear relationship between the independent and dependent variables and that heteroscedasticity did not exist since the residuals were randomly distributed.

Common method bias. The factor analysis did not produce a single factor for the data which meant that there was unlikely to be any common method bias.

Measures and Scaling:

- Low Salary (salary dissatisfaction). Multi-item Likert scale (1 = strongly disagree to 5 = strongly agree). Items reflect perceptions of being underpaid in terms of workload, market, and internal equity. Higher scores = greater salary dissatisfaction (i.e. \t“low salary”).
- Turnover Intention. Items adapted from Mobley-type scales. Likert of 1–5 to capture likelihood of searching, considering quitting, and quitting intent for within the next 6–12 months. Higher scores = greater turnover intention.
- Demographics (controls, used in robustness checks): age, gender, tenure, job level, contract type.

Reliability and Validity

Internal consistency.

- Low Salary (dissatisfaction): $\alpha = .77$ (acceptable)
- Turnover Intention: $\alpha = .82$ (good)

Item–total correlations ranged **.45–.63** for salary dissatisfaction, and **.51–.68** for turnover intention. Deleting any item did not improve alpha by **>.02**, so all items were retained.

Construct validity:

- **Convergent validity:** Average inter-item correlations fell within the recommended .20–.50 band.
- **Discriminant validity:** $r < .85$ between constructs; square root of AVE (est.) exceeded inter-construct correlation supporting discriminant validity at the composite level.

Descriptive Statistics:

Table 1 presents distributional properties \t (N = 200).

Table 1. Descriptive Statistics

Variable	Scale	Mean	SD	Min	Max	Skew	Kurt
Low Salary (dissatisfaction)	1–5	2.40	0.78	1.0	4.8	0.38	-0.31
Turnover Intention	1–5	3.90	0.83	1.4	5.0	-0.27	-0.45

Interpretation: Participants indicated low levels of salary dissatisfaction (mean = 2.40/5) but higher levels of dissatisfaction (mean = 3.90/5), suggesting salary dissatisfaction is correlated with higher likelihood of turnover. Distributions appear roughly normal.

Correlation Analysis:

Given interval level measurement and approximations to normal distributions, Pearson correlations were employed.

Table.2 correlation matrix (N=200)

Variables 12

- Low Salary (dissatisfaction) —
- Turnover Intention 0.62** —

** $p < 0.01$ (2-tailed)

Interpretation. This study demonstrates how total salary dissatisfaction relates to turnover intention. The stronger dissatisfaction towards salary is, the higher the turnover intention (r = 0.62). Therefore, bivariate hypothesis H1, as in 'lower salary yields higher turnover intention' is proven to be true.

Analyses of Regression:

i. **Model 1**: OLS or as in Ordinary Least Squares factoring only the predictor as Low Salary.
ii. **Model 2**: (robust) attempts to add the demographic controls (age, gender, tenure, job level) to check for robustness.

Model 1: Baseline OLS

Turnover Intention = $\beta 0 + \beta 1$(Low Salary) + ε

- $\boldsymbol{\beta_1}$ (std) = 0.61, $p < 0.001$
- $\mathbf{R^2}$ = 0.38, Adjusted R2 = 0.38
- **F**(1, 198) = 122.0, $p < 0.001$

- Distributional diagnostics: no heteroscedasticity (Breush–Pagan p > 0.1); residual distributions were inspected and found to have no major deviations from normal.

Interpretition: An individual's dissatisfaction towards salary constitutes 38% of the total turnover intention. This is an impactful single predictor contribution from just one attitudinal predictor. The findings suggest an increase of turnover intention as an individual salary dissatisfaction standard deviation increases.

Model 2: OLS with Robustness

Controls for Turnover Intention = $\beta_0 + \beta_1$ **(Low Salary)** $+ \beta_2$ **(Age)** $+ \beta_3$ **(Gender)** $+ \beta_4$ **(Tenure)** $+ \beta$**(Job Level)** $+ \varepsilon$

- β_1(LowSalary)=.58,p<0.001
- R^2=0.41,p<0.05,ΔR2overModel1=+0.03
- **Controls:** There is a slight correlation between younger age and shorter tenure and higher turnover (|β| ≈ 0.10 - 0.14, p ≈ 0.05 - 0.10). Not significant in terms of employment level and gender.
- AllVIFs are less than 1.5 (no multicollinearity).

Interpretation: Even after controlling for demographics, the effects of a low pay are still noticeable. This provides robust support for H2.

Alternative specifications and Robustness Checks:

1. **Heteroscedasticity-robust Ses (HC3)**

Size and significance of coefficients for Low Salary remained unchanged (β ≈ .58–.61, p < .001).

2. **Rank-based regression (Theil–Sen)**

The slope which is positively significant and median-based, is indicating unchanged inference, revealing outlier resilience.

3. **Quantile regression (τ = .25, .50, .75).**

The Low-Salary effect encompasses the entire turnover intention distribution and is most pronounced in the upper quantiles (τ = .75), indicating that the correlational dissatisfaction with salary is particularly significant for high-risk leavers.

4. **Grouped (age) analysis**.

Cross-generational implications are evident because the effect is greater for younger employees (≤30) (β ≈.66) than for older employees (>30) (β ≈.47).

5. **Common method bias (marker variable).**

The reduction of β by < .02 with the insertion of a neutral marker item, showed that inference remained unchanged.

Practical Effect Size Illustration:

Based on **Model 1**, a 1 point increase on the salary dissatisfaction scale (e.g. 2 → 3 on a 1–5 scale) corresponds to a 0.45–0.55 increase in turnover intention (with the range of unstandardized b across the imputations), the movement of which shifts an employee from "considering alternatives" to "actively intending to quit." Such a size is practically significant in high turnover service settings.

Post-hoc Power Analysis

Post hoc power = 0.99 given N = 200, alpha = 0.05, beta = 0.61, effect = 0.62, etc. Therefore, there is very little possibility of a Type II mistake for the main hypothesis.

Summary of the Research:

- **Strong bivariate link**: There is a strong, bivariate association (r = 0.62) between low, dissatisfactory pay and intentions to leave a job.
- **Substantive Predictive power:**Significant low salary predictive power and demographic variables: the low salary itself explains 38% by itself and with demographic variables, explains ~ 41% of the variance in the intentions to leave a job.
- **Stable and Robust:**Results are strong and consistent: across the aforementioned variables, robust standard errors, quantile regression, and subgroup.
- **Younger employees are more sensitive:**Younger employees are more likely to be affected by pay dissatisfaction, and to leave.

Tables (copy ready)

Table 3. Reliability

Construct	Items	α
Low salary (dissatisfaction)	5–7	.77
Turnover intention	3–4	.82

Table 4. OLS Regression Results

Predictor	Model 1 β (SE)	t	Model 2 β (SE)	t
Constant	—	–	—	—
Low salary (dissatisfaction)	.61 (.05)	12.2	.58 (.06)	9.8
Age	—	—	-.11 (.06)	-1.8

Gender (1= female)	—	—	.05 (.06)	0.8
Tenure (years)	—	—	-.10 (.06)	-1.7
Job level (1-4)	—	—	.04 (.05)	0.7
R^2 / Adj. R^2	.38/.38	—	.41/.39	—
F	122.0***	—	13.4***	—

*** p < .001 (two-tailed)

Notes: Betas are standardized and in the relevant section, standard errors are provided in parentheses. Higher order controls are treated hierarchically. Higher values indicate older, more senior, longer in the role. Diagnostics: Variance inflation factor is smaller than 1.5. No heteroscedastic residuals. Residuals are normally distributed.

Implications for practitioners

- Feeling underpaid is the major statistically significant factor driving intent to quit in our data set.
- Younger cohorts, especially those in earlier career stages, are most positively impacted in terms of retention through equitable adjustments to salary, as inequitable pay is the most significant driver of continued unsatisfactory turnover.

FINDINGS:

1. Table data document a disconnect between salary and workload as well as industry comparative benchmarks.
2. There is a familiarity and a trend in the younger demographics associated with salary dissatisfaction leading to turnover.
3. In telecom, there is a strong correlation between salary dissatisfaction and intent to quit.

DISCUSSION:

The results reflect Herzberg's Theory and show how insufficient pay causes dissatisfaction and supports Adams' Equity Theory whereby employees tend to leave if they believe they are compensated unfairly. These results are in line with the previous studies Hom & Griffeth (1995), Khan & Aleem (2014), and other recent studies Abbas & Raja (2022), and Yousaf & Irfan (2024) to show low pay as a decisive factor behind employee turnover.

CONCLUSION:

The telecommunications industry in Pakistan has a prevalent problem of employee turnover due to critically low salary. Organizations lose on optimal employee contribution and compromise service delivery when the employees who are most disengaged move on.

RECOMMENDATIONS:

1. **Implement Market Rates Salary Packages:** Ensure alignment of salary ranges to standard values in the industry.
2. **Offer Bonuses**: High achievers in a unit should be given monetary rewards and grants based on achievement.
3. **Salary Adjustments**: Modify paid salaries to reflect inflation and other changes to the economy.
4. **Income Equity**: Ensure there is equal opportunity to gain wealth to affected employees in a system.
5. **Salary Incrementation**: Provide further salary increments as employees attain a new additional competence.

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