

## RESEARCH ARTICLE



# The Impact of Perceived Environmental, Social, and Governance (ESG) on Employee Retention in the IT-BPM Sector in Cebu City

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**Abstract:** This study investigates the impact of employees' perceptions of their organization's environmental, social, and governance (ESG) on their likelihood of remaining employed with the company. This study applied social identity and job embeddedness theories to examine the impact of ESG perceptions on employee retention. A structured survey using a Likert scale was used to collect the data from 382 employees in the growing information technology and business process management sector of Cebu City. Ordinal logistic regression was utilized to analyze the relationship of the variables gathered. Based on the empirical results, employee retention is positively and significantly impacted by employees' perception of the environmental (odds ratio = 1.482,  $p < 0.000$ ) and social initiatives (odds ratio = 2.693,  $p < 0.000$ ); however, the governance dimension (odds ratio = 0.795,  $p < 0.114$ ) does not have the same impact. Practical insights from this study can be used to create employee retention strategies, such as implementing measures to mitigate climate change, increase energy efficiency, reduce pollution, adopt green human resource management practices, safeguard human rights in workplaces, provide clear healthcare benefits, address consumer issues, and foster community development. The results indicate that sustainable and responsible practices are not only relevant to customers but also integral to retaining employees. This study contributes to the growing recognition of the beneficial effects of ESG factors on employee retention.

**Keywords:** ESG, employee retention, The Great Resignation, ordinal logistic regression

## 1. Introduction

During the COVID-19 pandemic, the labor market witnessed a seismic shift known as “The Great Resignation.” This term, introduced by Anthony Klotz in May 2021, encapsulates the surge of individuals resigning from their jobs in the post-pandemic era [1]. Data from Revelio Labs (2022) highlighted this trend noting that over 12% of Gen Z had left their positions in the past six months. Initially observed in the United States, this phenomenon soon resonated across countries such as the United Kingdom, Australia, France, and Germany, among others. In the Philippines, this wave has been felt strongly with 29% of the workforce expressing their inclination to seek new employment within the upcoming year. PwC Philippines' survey in August 2023 revealed that the intent of Filipino workers to transition to new roles in the coming year surpasses the global average of 26%. Specifically, in the information technology and business process management (IT-BPM) sector, an integral part of the Philippines' industrial landscape, the attrition rate has surged, as per a survey by the IT Business Process Association of the Philippines (IBPAP) in 2022. The survey emphasized that 40% of participants are considering a transition to another company in the upcoming months.

While compensation remains a key factor in job changes, new breeds of the workforce are motivated by intangible factors.

For instance, based on experience, individuals seek employment in an organization that gives them a sense of purpose, fulfillment, and opportunities for personal growth. On a global scale, there has been a substantial movement in the views of employees and workers, with an increasing number of individuals expressing concern for the societal consequences of their employment. The IBPAP survey in the Philippines highlighted a distinct shift in the expectations of younger generations. For millennials and Gen Z, ethical, cultural, relational, and individual factors act as crucial criteria [2]. These groups are veering toward values and self-fulfillment over traditional notions of job security. In addition, Sull et al. [3] posited that toxic organizational cultures, marred by behaviors such as disrespect and unethical practices, can have a more profound impact on attrition rates than compensation alone. Formica and Sfodera [4] further highlighted the crucial role of employees feeling connected with the overarching organizational purpose in their intention to stay with the organization.

Amidst these shifts in the labor market, the spotlight on environmental, social, and governance (ESG) as part of organizational strategy has intensified. The ESG concept was introduced in 2006, and since then, it has been an embedded business continuity measure for companies to stay afloat in these unprecedented times. ESG is frequently employed as a benchmark and approach utilized by investors to assess corporate conduct and anticipate future financial outcomes [5]. Recently, organizations leveraged ESG initiatives as a competitive advantage in attracting

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high-quality human talents, leading to sustainable competitive advantage and improved corporate value [6].

In the Philippine context, the concept of ESG has yet to gain influence among companies. In a 2019 memorandum, the Securities and Exchange Commission of the Philippines required publicly listed companies to include in their annual financial report ESG, which measures the company's initiatives in three dimensions: environmental, social, and governance. This memorandum underscored the correlation between ESG and a motivated workforce, which is a cornerstone for effective employee retention [7].

Numerous empirical studies show the positive impact of ESG dimensions on employee retention. For instance, Lee et al. [8] highlighted the impact of ESG on employees' decisions to stay with their company amidst the COVID-19 pandemic, particularly among younger generations. The study examined how each dimension of ESG impacts employee retention, as mediated by the generation to which the employee belongs. They found that, aside from the governance aspect, the company's ESG initiatives have a substantial influence on employee retention. Similarly, Carnahan et al. [9] provided, in the context of the legal services industry in the United States, that social responsibility practices employed by businesses may increase employees' inclination to stay with the company because people appreciate meaningful employment. In addition, Bang et al. [10], among Korean firms, found limited evidence supporting the negative relationship between external corporate social responsibility (CSR) activities and the turnover rate, indicating that firms with active sustainability initiatives may experience reduced turnover among employees.

Despite the growing acceptance of the ESG concept, most of the existing studies still use CSR in examining its impact on employee relations. In the Philippines, literature on ESG initiatives focused on their influence on a company's capital structure and investment scoring, neglecting how these initiatives may impact other aspects of business operations, especially employee retention. Moreover, following extensive online research, there appears to be a scarcity of studies concerning the impact of ESG on employee retention in the IT-BPM sector. Thus, the motivation for this study stemmed from several compelling reasons:

- 1) This will address the gap in the literature that specifically explores the impact of ESG on employee retention in the IT-BPM sector.
- 2) With the growing emphasis on ESG factors by businesses, investors, and regulators, it is imperative to study their internal impact, particularly on employee attitudes and behaviors.
- 3) The worldwide phenomenon known as The Great Resignation has significantly transformed the dynamics of the labor force, particularly in the aftermath of the COVID-19 pandemic. Comprehending the impact of ESG factors on employee retention during such transitions is vital for organizations and policymakers.

The objective of this study is to examine to what extent employee perception of ESG positively impacts employee retention in the IT-BPM sector. The goal is to provide evidence that explains the degree to which each dimension of ESG positively impacts the intention of employees to remain with the company.

## 2. Literature Review

### 1) ESG

The importance of incorporating ESG practices in corporate management strategies has become a topic of great interest in

modern business literature following its official adoption by the United Nations [11]. Stakeholders nowadays not just take into account the company's financial position and profitability but also evaluate its ESG performance that affects its value and sustainability in the long term. According to the European Banking Authority, ESG factors are "environmental, social or governance" matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual [5]. It can also be described as the nonfinancial elements that an organization must evaluate alongside financial aspects while making investment choices.

Although CSR and ESG have been used interchangeably in earlier years [12], the difference between the two ideas is that ESG formally includes governance, whereas CSR indirectly addresses governance issues regarding environmental and social considerations. Thus, ESG encompasses a wider scope than CSR [13]. Many methods exist for measuring ESG performance. One way is to use universal quantitative and qualitative ESG reporting metrics. No matter how measured, actual ESG performance differs from perceived. According to Koh et al. [14], perceived ESG is a client's opinion of a company's ability to meet stakeholder expectations and societal duties through spontaneous actions. As a key stakeholder and client of the organization, this study examines employee perceptions of ESG.

### 2) Employee Retention

In this evolving business landscape, organizations are placing paramount importance on employee retention strategies. Medallion [15] defines employee retention as a systematic effort to create a work environment that encourages people to stay by implementing rules and processes that meet their needs. Pradhan [16] lists compensation, perks, training, fairness, and organizational culture as retention factors. Retention aims to keep competent workers from leaving, which could hurt efficiency and service delivery [17]. Retention goals should be integrated into an organization's vision and values, according to Martins et al. [18]. This is crucial owing to personnel turnover costs and the risk of competitors gaining important skills and information [19]. Employee retention becomes a strategic issue for firms.

### 3) Environmental Initiatives and Employee Retention

Environmental sustainability, which is part of the broader category known as ESG factors, has gained significant recognition as a crucial aspect within the workplace. The existing body of literature has examined the relationship between employees' perception of environmental initiatives and their likelihood to stay in different contexts. Lee et al. [8] examined how environmental-related ESG (E-ESG) affects employees' decisions to stay with their organization during the COVID-19 pandemic and if these consequences vary across generations. According to the study, E-ESG includes firms' practices on energy and water conservation, waste reduction, and advancement in eco-friendly products and services. According to 716 respondents from diverse generations, they found that E-ESG implementation improves employee retention, with magnitudes ranging by generation. Similarly, based on 403 employees in Australia, Fazal-e-Hasan et al. [20] proposed that employees' preferences for green innovation positively influence their emotional state of hope, which in turn has a positive effect on their intentions to stay with the organization. The study defined green innovation as an innovative or substantially enhanced method, approach, framework, or procedure developed to prevent or

minimize ecological damage and subsequently improve organizational efficiency. In a hospital setting in India, Shetty and Gujarathi [21] examined the impact of hospitals' green practices on doctor retention. The study revealed that there is a positive association between hospital green practices and doctors' organizational commitment, indicating that green initiatives led doctors to appreciate their hospitals for being environmentally friendly. In their study, hospital green practices include waste management, energy conservation, electricity and water conservation, purchasing green products, and constructing green buildings. In educational institutions setup, Jam and Jamal [22] have explored the connection between adopting green human resource management (HRM) strategies and achieving sustainability. Based on 150 respondents, including HR managers and heads of educational institutions in Pakistan, there is a positive but moderate relationship between green HRM practices and employee retention. Based on the prior research findings and the discussion above, it can be deduced that organizations can retain talented employees by implementing environmental initiatives.

#### 4) Social Initiatives and Employee Retention

Multiple research studies have consistently shown a positive relationship between social initiatives and employee retention. Society-related ESG is the connections that companies make with their suppliers, customers, workers, and local communities, among other stakeholders. This includes aspects such as promoting rights in workplaces, providing healthcare benefits for employees, providing equal opportunity, ensuring the well-being and protection of customers, and engaging in initiatives that contribute to community welfare. In addition, Emeka-Okoli et al. [23] presented findings based on a study involving 9,821 workers of a worldwide management consulting firm, which demonstrated that engagement in corporate social initiatives (CSI) can have a beneficial impact on employee views and experiences, potentially impacting their likelihood to stay with the company. Zainee and Puteh [24] also suggested a moderate but significant relationship between social initiatives and the retention of Generation Y employees. This evidence derived from 377 accounting professionals from firms in Malaysia supported the notion that there is a meaningful connection between CSR's philanthropic obligations and the ability to retain Generation Y employees. These studies indicate that organizations can gain advantages by implementing CSI, such as enhancing employee retention and reducing the costs linked to high employee turnover.

#### 5) Governance Initiatives and Employee Retention

The governance of companies plays a crucial role in ESG elements as it directly affects the everyday work lives of employees. The governance factor of ESG evaluates the quality of an entity's management structures, including board composition, risk management, and business ethics [5]. The way a company manages its operations has a direct impact on the level of employee fulfillment, engagement, and retention. For instance, Hirota et al. [25] study on large Japanese firms argued that a strong organizational mission statement enhances employee retention by cultivating a work environment of stability and dedication to current employees at the same time the company's values and objectives. These companies, as highlighted in the study, prioritized their employees by instituting policies that focus on elements like competitive compensation, career development avenues, and a conducive work ambience. Similarly, corporate governance practices, board diversity, and incentive systems are crucial in fostering employee retention, as proposed by Akinteye et al. [26],

which involved managers, employees, and board members from several multinational enterprises in Nigeria. Their study, utilizing both qualitative and quantitative methodologies, emphasized the importance for firms to adopt strategies that cultivate a favorable work atmosphere, promote diversity, and ensure transparency and open disclosure. Furthermore, based on 250 full-time employees in the United States, Sumlin et al. [27] suggested that the presence of an ethical culture within the company can have a significant impact on its ability to retain employees. Their study expounded that when employees see alignment between the company's values and ethical practices, they are more inclined to perceive themselves as valued individuals, experience job satisfaction, and demonstrate emotional dedication to the firm. Lastly, the literature review conducted by Lahkar-Das and Baruah [28] proposed that the governance of an organization has significant effects on employee retention by shaping the corporate culture, leadership approach, and decision-making procedures. The study further explained that good governance can result in a favorable work atmosphere where employees feel appreciated and empowered, thus boosting job satisfaction and reducing turnover intentions.

### 2.1. Theoretical framework

The impact of ESG factors on employee retention is influenced by the social identity theory [29] and the job embeddedness theory [30]. According to Tajfel's [29] social identity theory, individuals get a sense of pride and self-worth from belonging to different groups, like their family and social class. The relationship between employees' identification with their organizations and their perception of ESG values is explored by the theory. When employees view their company as a group with a strong connection with their personal beliefs, it strengthens their sense of belonging. This shared set of values creates an environment where employees feel appreciated, thereby enhancing their desire to stay with the company. Thus, the link between perceptions of ESG and employee retention can be deeply explored through the social identity theory, highlighting how shared values shape loyalty and commitment within organizations. Similarly, job embeddedness theory postulates that when employees feel that they are a part of their communities, they will continue to be important members of the organization [30]. Under this theory, employees who see their organization's ESG commitments as fostering community and interpersonal bonds tend to feel more attached to the company. Lastly, when there is alignment between an employee's values and the company's ESG principles, this sense of attachment becomes even stronger, thus solidifying their connection with the organization.

Thus, the study hypothesizes the following, as depicted in Figure 1:

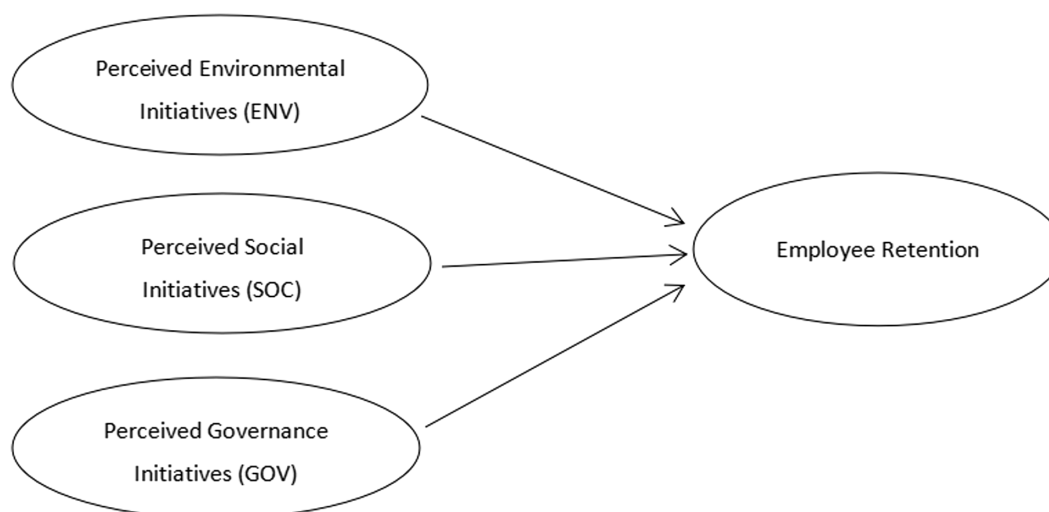
**H1:** The employee perception of environmental initiatives positively impacts employee retention in the IT-BPM sector.

**H2:** The employee perception of social initiatives positively impacts employee retention in the IT-BPM sector.

**H3:** The employee perception of governance initiatives positively impacts employee retention in the IT-BPM sector.

The hypothesized model presented in Figure 1 examines the impact of three ESG dimensions (independent variables) on employee retention (dependent variable). The model posits that employees' perception of each one of the ESG factors would positively impact their willingness to stay with their company.

**Figure 1**  
**Hypothesized model**



### 3. Methodology

#### 3.1. Research design

A quantitative causal research approach was employed to determine the degree of impact of ESG perception dimensions on employee retention. A structured survey was used to collect empirical data to identify the perceptions of employees and test the proposed hypotheses. As observed by Mohajan [31], the findings obtained from sample surveys can be extrapolated to represent entire populations. Additionally, the results can be combined and compared across different population groups, and the data collected in quantitative research are often highly consistent, precise, and reliable.

#### 3.2. Participants

The data collection method used was purposive sampling, which involved selecting participants based on specific criteria [32]. In this study, the criteria used were individuals who had been working in an IT-BPM organization for more than one year.

Using a sample size calculator, calculator.net, with a population of 100,000, a 95% confidence level, 5% margin of error, and 50% response proportion, the minimum required sample size was determined to be 383. There were 407 responses collected. To guarantee the accuracy of the collected data, various steps have been put in place, such as filtering out those that did not qualify as target respondents, and those that had missing values. Among 407 respondents, 382 were valid for analysis.

#### 3.3. Instruments

The measurement scales used for each variable were derived from existing literature. The survey consisted of a total of 14 scale items. The 11 items to measure the independent variables, perceived ESG constructs, were adopted from several studies [33–37]. This study used a unique approach by combining different research to look at how ESG factors affect employee retention. The survey questions were taken from various studies

that explored the impact of ESG factors on retention. In this current study, these factors are categorized based on the specific aspects mentioned in the original paper. Three items to measure employee retention, the dependent variable, were adopted from Lee et al. [8]. Participants were instructed to evaluate each question using a 7-point Likert scale, where “1” indicated strong disagreement, “7” indicated strong agreement, and “4” represented a neutral position.

To ensure the validity and reliability of the survey, we adopted questions from previous studies to form our survey design. For instance, the survey statements used to examine how environmental factors influence employee retention were adapted from Chung et al. [35], which surveyed 276 respondents in various industries in China. The survey statements were also adapted from Afzali and Kim [33], which surveyed 422 respondents in cosmetic companies in South Korea. The Cronbach alphas of these statements are 0.83 and 0.89, which suggest an acceptable level of reliability. As for the social factors, the questions were adapted from Lee et al. [8], which surveyed 716 respondents from various industries in South Korea. The same statements were used by Woo and Jin [38], which surveyed 447 respondents in the United States and South Korea. The Cronbach alpha of these statements is 0.90, which suggests an acceptable level of reliability. Last, for the governance factor, survey statements were adopted from Fatma et al. [39], which surveyed 489 respondents in ridesharing services in India. Survey questions from Akbari et al. [34] were also adapted to measure the effect of company governance on retention. The Cronbach alphas of these statements are 0.90 and 0.78, which suggest an acceptable level of reliability.

The survey has been pretested for reliability and validity. Table 1 presents the results of the indicator, internal consistency, and convergent validity. As part of the evaluation of indicator reliability, the factor loadings of every variable on its respective construct were examined. The factor loadings for all four variables surpassed the criterion of 0.70 [40], indicating that the model’s reliability has been confirmed. The research model’s internal consistency and convergent validity were verified by the utilization of Cronbach’s alpha, composite reliability, and average



**Table 1**  
Variables, indicators, items, and sources

Variable	Items	Factor loading
Employee retention (ER)	ER1	0.891
	ER2	0.860
	ER3	0.888
Perceived environmental initiatives (ENV)	ENV1	0.901
	ENV2	0.892
	ENV3	0.905
Perceived social initiatives (SOC)	SOC1	0.918
	SOC2	0.855
	SOC3	0.888
	SOC4	0.848
	SOC5	0.907
Perceived governance initiatives (GOV)	GOV1	0.845
	GOV2	0.780
	GOV3	0.914
Cronbach's alpha		
	AVE	Composite reliability
0.882	0.774	0.911
0.920	0.809	0.927
0.825	0.781	0.947
0.895	0.719	0.884

variance extracted. The internal consistency of the data was found to be high, as evidenced by Cronbach's alpha and composite reliability values exceeding the 0.70 cutoff as recommended by Bagozzi and Yi [41]. The average variance extracted values were higher than 0.5, indicating that the items exhibited satisfactory convergent validity [41].

### 3.4. Data analysis

Ordinal logistic regression is used for ordinal dependent variables regardless of categorical or continuous predictors [42]. Due to its many benefits, this study estimated Likert scale data using ordinal logistic regression [43]. First, it analyzes ordinal data like Likert scale responses, which are ordered in the ordered logit model, unlike ordinary least squares regression. Two, the ordered logit model provides a deeper understanding of the independent-dependent relationship. Computing the coefficients for each predictor shows their direction and extent on the probability of greater or lower responses in each category. This information is essential for understanding how factors affect the dependent variable. Third, the ordered logit model analyzes proportional odds. This assumption implies that predictor factors consistently affect the probabilities of a higher response category over a lower one at all outcomes. The model coefficients are easier to explain with this assumption. Finally, employing an ordered logit model to estimate Likert scale data improves statistical analysis by taking ordinal data into account. This clarifies predictor effects and permits proportional odds analysis.

Applying ordinal logistic regression means showing the chance that the likelihood of keeping an employee is in each possible value, based on how ESG is perceived. As control variables, gender, age, educational attainment, number of years worked, job function, and subsector were considered.

The fundamental assumption for conducting an ordinal regression analysis is that the impact of explanatory variables is consistent or proportional across various thresholds [44]. This is commonly referred to as the assumption of proportional odds test. This test evaluates the ordinal model, characterized by a single set

**Table 2**  
Correlation matrix

VAR	ER	ENV	SOC	GOV	TOL	VIF
ER	1					
ENV	0.434**	1			0.546	1.83
SOC	0.451**	0.673**	1		0.288	3.47
GOV	0.318**	0.534**	0.789**	1	0.377	2.65

**Note:** \*\*Significant at the 0.01 level (2-tailed).

of coefficients for all thresholds (referred to as the null hypothesis), against a model that employs distinct sets of coefficients for each threshold (referred to as the general model). The  $p$ -value of the model is insignificant ( $\chi^2 = 150.048$ ,  $p > 0.110$ ); thus, the assumption of proportional odds is not violated.

Ordinal logistic regression requires no multicollinearity [45]. Multicollinearity occurs when statistical models have two or more strongly correlated explanatory variables. This makes it hard to find the variable that explains the dependent variable and compute an ordinal regression. A model correlation matrix is calculated to analyze multicollinearity among independent variables. No values are above 0.8, indicating no multicollinearity [46]. Since all variables in Table 2 have variance inflation factor (VIF) values below the threshold, multicollinearity is not a problem. High collinearity is indicated by a VIF over 10 [47].

To evaluate this study's ordinal regression model, it must be determined if it improves explanation. This is done by comparing the ordinal regression model without explanatory factors (the "Intercept Only" model) to the model with all independent variables (the "Final" model). The Final model is compared to the Intercept Only model to see if it improves data fit. A significant chi-square score ( $\chi^2 = 188.58$ ,  $p < 0.001$ ) indicates that the final model is significantly better than the Intercept Only model. This suggests that the suggested model makes more accurate predictions than using marginal probabilities for the dependent variable categories. The model has an excellent fit [48], with a substantial Pearson's  $\chi^2$  ( $\chi^2 = 2778.895$ ) and Chi-Square of the deviation ( $\chi^2 = 963.036$ ) significance levels.

The Cox and Snell [49] pseudo- $R^2$  is used to measure how much independent variables explain the dependent variable's variability. Comparing the logarithm of the model's probability to a baseline model's likelihood yields the coefficient, which ranges from 0 to 1. According to Nagelkerke [50], the pseudo- $R^2$  is an adjusted form of Cox and Snell's pseudo- $R^2$  because it has a value below 1 even for a perfect model. The pseudo- $R^2$  measures developed by Cox and Snell and modified by Nagelkerke show 39.0% and 40.5% explanatory capacity for the proposed model.

## 4. Results

### 1) Sample Description

Table 3 shows respondents' demographics. Most of the responders are male (54%) and under 34 years of age (74%). Nearly 70% of the respondents have bachelor's degrees, and 56.5% have worked for their company for 1–3 years. Interestingly, lengthier tenures are rare, while mid-level (30.6%) and senior-level (26.2%) jobs predominate. Information technology and software development (44.0%) and contact centers (37.2%) are the most represented subsectors.

Table 2 shows the correlation matrix between employee retention and ESG. The Pearson correlation analysis shows a substantial association between employee retention and social initiatives (0.451\*\*), environmental initiatives (0.434), and

**Table 3**  
Respondents' descriptive statistics, n = 382

	Variables	N	Percentage
Gender	Male	207	54.19%
	Female	164	42.93%
	Other	3	0.79%
	Prefer not to say	8	2.09%
Age	18–24	71	18.6%
	25–34	213	55.8%
	35–44	87	22.8%
	45–54	9	2.4%
	55–64	1	0.3%
	65+	1	0.3%
Educational attainment	High school	18	4.7%
	Undergraduate	68	17.8%
	Bachelor's	266	69.6%
	Master's	27	7.1%
	PhD	3	0.8%
Years employed with the current employer	1–3 years	216	56.5%
	4–6 years	109	28.5%
	7–9 years	23	6.0%
	10+ years	34	8.9%
Job role	Entry level	93	24.3%
	Mid-level	117	30.6%
	Senior level	100	26.2%
	Managerial	67	17.5%
	Executive	5	1.3%
Subsector	Contact centers (CC)	142	37.2%
	IT and software development (IT)	168	44.0%
	Animation and game development (AGD)	16	4.2%
	Global in-house centers (GIC)	42	11.0%
	Healthcare information management (HIM)	14	3.7%

governance initiatives (0.318\*\*). The results show no multicollinearity because the independent variables have a low correlation, with none surpassing 0.8 [46], and all variables' VIF values are below 10 [51].

The estimated ordinal logistic regression model for employee retention is presented in Table 4. Control variables, such as gender, age, educational attainment, years employed, job function, and subsector, are also included to examine whether these variables have any impact on the overall outcomes of the primary variables of interest. The proportional odds assumption of the model shows that the impact of explanatory variables remains constant or proportional across all levels. This tests the null hypothesis that the ordinal model has one set of coefficients for all levels. The test results showed an insignificant fit ( $\chi^2 = 150.048$ ,  $p > 0.110$ ) than the ordinal model, thus accepting the null hypothesis.

The results obtained from the ordinal logistic model offer valuable insights into the determinants that influence employee retention. The likelihood ratio chi-square test reveals that the model is highly significant ( $\chi^2 = 188.577$ ,  $p < 0.0001$ ), indicating that the independent variables together exert a significant effect on the dependent variable. The log-likelihood value of  $-997.024$  is an indicator of the overall goodness-of-fit of the model. Lower values suggest a better fit. The proposed model exhibits an

**Table 4**  
Estimation of the parameters of the model

Variables	$\beta$ estimated	Odds ratio <sup>+</sup>	p
<b>Independent variables:</b>			
ENV (H1)	0.394	1.482**	0.000
SOC (H2)	0.991	2.693**	0.000
GOV (H3)	-0.230	0.795 <sup>ns</sup>	0.114
<b>Control variables:</b>			
<b>Gender</b>			
Male	-0.334	0.716 <sup>ns</sup>	0.649
Female	-0.904	0.405 <sup>ns</sup>	0.222
Other	0.372	1.450 <sup>ns</sup>	0.789
Prefer not to say		0.000	
<b>Age</b>			
18–24	-14.990	0.00000031**	0.000
25–34	-14.906	0.00000034**	0.000
35–44	-14.253	0.00000065**	0.000
45–54	-13.633	0.00000120**	0.000
55–64	-15.988	0.0000001**	0.000
65+		0.000	
<b>Educational attainment</b>			
High school	0.055	1.057 <sup>ns</sup>	0.971
Undergraduate	-2.319	0.098 <sup>ns</sup>	0.112
Bachelor's	-1.642	0.193 <sup>ns</sup>	0.250
Master's	-3.059	0.047*	0.038
PhD		0.000	
<b>Years employed</b>			
1–3 years	-0.393	0.675 <sup>ns</sup>	0.380
4–6 years	-0.253	0.777 <sup>ns</sup>	0.580
7–9 years	-1.094	0.335*	0.045
10+ years		0.000	
<b>Job role</b>			
Entry level	-1.904	0.149 <sup>ns</sup>	0.150
Mid-level	-1.544	0.214 <sup>ns</sup>	0.240
Senior level	-1.305	0.271 <sup>ns</sup>	0.319
Managerial	-1.560	0.210 <sup>ns</sup>	0.236
Executive		0.000	
<b>Subsector</b>			
CC	-0.239	0.787 <sup>ns</sup>	0.672
IT	-1.282	0.278*	0.023
AGD	1.700	5.473*	0.031
GIC	-0.934	0.393 <sup>ns</sup>	0.133
HIM		0.000	

**Note:** N = 382;  $\chi^2 = 188.577$ ; pseudo- $R^2$  values (Cox and Snell = 0.390, Nagelkerke = 0.405)

\* $p < 0.05$ ; \*\* $p < 0.001$

<sup>ns</sup> not significant

<sup>+</sup>  $e^{\beta}$

explanatory power of 39.0% and 40.5% as measured by the pseudo- $R^2$  metrics developed by Cox and Snell and Nagelkerke, respectively.

The coefficients were evaluated to determine the impact of each of the ESG dimensions on employee retention. H1 evaluates whether perceived environmental initiatives significantly and positively affect employee retention. The results revealed that employee's perception of environmental initiatives has a positive and significant impact on employee retention (odds ratio = 1.482,  $p < 0.001$ ); hence, H1 was supported. Therefore, improving the perception of environmental initiatives by one unit results in a

1.482 times increase in the likelihood of employees having a stronger intention to stay. H2 examines whether perceived social initiatives significantly and positively affect employee retention. The results suggest that employee's perception of social initiatives has a significant and positive impact on employee retention (odds ratio = 2.693,  $p < 0.001$ ); thus, H2 was supported. In other words, if the perception of social initiatives is increased by one unit, the likelihood of a higher employee desire to stay is 2.693 times higher. Lastly, H3 evaluates whether perceived governance initiatives significantly and positively affect employee retention. The results suggest that employee's perception of governance has a negative and insignificant impact on employee retention (odds ratio = 0.795,  $p < 0.114$ ). Consequently, the data do not support H3.

For the other variables such as the demographic factors, including gender, and job function, there are no significant associations to stay in this study. Although the age variables display statistically significant coefficients ( $p < 0.001$ ), their practical value may be negligible due to their extremely small magnitude. It indicates that factors other than demographic features, such as organizational culture and values, may have an impact on employees' intention to remain with the company.

The results also suggest notable findings in the subsector variables, with animation and game development showing a positive and significant association (odds ratio = 5.473,  $p < 0.031$ ), while IT and software development exhibit a negative and significant impact (odds ratio = 0.278,  $p < 0.023$ ). These results indicate the necessity for additional investigation and enhancement in this field. Additionally, the results of educational attainment or qualification and years employed on employee retention are consistent with some previous studies [52].

## 5. Discussion

Table 5 presents the summary of the hypotheses testing.

The positive and significant impact of perceived environmental and social initiatives on employee retention indicates that as an employee's perception of the company's environmental and social initiatives increases, the employee's intention to stay with the company also increases. The results of hypotheses 1 and 2 are consistent with previous research [20, 22, 24, 36, 53], proposing that companies implementing environmental and social initiatives see a greater propensity to attract and retain talent.

Although respondents' age demographics had a small impact on the results, they may have indirectly affected them. Many of today's employees, particularly millennials and Gen Z, are environmentally and socially conscious. A strong sense of identity and belonging among employees can help them identify with the company's mission and values [29, 53]. This increases employee loyalty and reduces turnover. The respondent's education may have affected the outcome. Higher-educated people are more likely to have nuanced views of CSR and be more inclined toward it [54]. They claimed that graduate workers have higher CSR expectations, trust, and satisfaction than nongraduate workers. This suggests that education can significantly affect employee perceptions of CSR activities. Meeting the higher corporate responsibility

requirements of an educated staff can boost job satisfaction and loyalty.

Perceived governance activities appear to have a negative yet insignificant effect on staff retention, contradicting findings from earlier studies. However, this study's finding aligns with those of Lee et al. [8], who similarly found no statistically significant relationship between governance factors and employee retention. As they noted, these differing results may be due to the sample's different conditions—sector, region, and culture.

Furthermore, using Herzberg's [55] two-factor theory, governance can be viewed as a "hygiene factor"—a basic expectation that, while it does not enhance employee satisfaction, can lead to dissatisfaction if absent. Governance includes elements like board makeup, audit procedures, and compliance, which together ensure a stable foundation but do not actively motivate employees to stay. In addition, Kim and Scullion [56] argue that employee engagement is more strongly influenced by visible, immediate workplace factors, such as social interactions and organizational support, rather than abstract governance policies. This aligns with the idea that environmental and social factors, which are more tangible to employees, may have a more direct impact on retention.

Moreover, the negative impact can be explained by instances where strict implementation of governance policy negatively affects employee morale and ultimately their intention to stay. Employees may perceive governance-related policies, especially those around compliance and ethics, as restrictive or bureaucratic. Policies aimed at maintaining transparency, accountability, and adherence to rules can sometimes come across as overly stringent, limiting employees' freedom or causing frustration. Hernaus et al. [57] found that overly strict compliance policies and extensive bureaucracy in organizational governance can demotivate employees, particularly if these policies hinder autonomy and flexibility. This can lead to increased dissatisfaction and lower retention rates. Another instance is where local business practices may be incompatible with an organization's stringent anti-corruption policies. Unfortunately, in the Philippines, such practices are widespread and accepted. In this context, bribery serves as a means for businesses to facilitate their business operations. Ha et al. [58] noted that anti-corruption efforts in countries with prevalent informal practices, like the Philippines, could lead to internal conflicts for employees accustomed to different norms, increasing dissatisfaction and turnover.

## 6. Conclusion and Policy Recommendations

This current study investigates the impact of employees' perception of ESG on their intention to stay in a company. A total of 382 responses were analyzed to test the hypotheses, and ordinal logistic regression analysis was employed to investigate the hypotheses. The results show that only environmental and social initiatives have positive and significant effects on employee retention, supporting H1 and H2. However, the results indicate that governance initiatives do not have a positive and significant impact on employee retention, rejecting H3. Furthermore, based on the comprehensive examination of the data model, social initiatives yield the strongest impact, followed by environmental initiatives.

The results of this study also hold important managerial importance for companies aiming to retain employees. First, management should continue investing in and perhaps enhance environmental and social initiatives, as these are evidently highly appreciated by employees and positively influence their choice to

**Table 5**  
Summary of the hypotheses testing

Hypothesis	relationship	Odds ratio	p-value	Conclusion
H1	ENV -> ER	1.482	0.000	Supported
H2	SOC -> ER	2.693	0.000	Supported
H3	GOV -> ER	0.795	0.114	Rejected

stay with the organization. Environmental initiatives include measures to mitigate global warming, enhance energy resources utilization efficiency, reduce pollution, and implement green HRM practices, while social initiatives include safeguarding human rights in workplaces, providing clear healthcare benefits, addressing consumer issues, and fostering community development. Second, management must ensure that environmental and social activities are in line with the beliefs and expectations of their present workforce. Dwidienawati et al. [59] noted that Gen Z cares about social CSR and environmental CSR and rewards companies through brand loyalty. This may involve prioritizing visible and concrete advantages that directly affect the lives of employees and the community. However, for companies that are yet to implement ESG initiatives and are limited by resources, it is recommended that they prioritize social initiatives, as these yield the strongest impact on employees' willingness to stay.

Lewis et al. [60] suggested that engagement in governance enhances loyalty and identification with the organization. Considering the negative and insignificant impact of governance initiatives on employee retention, it may be necessary for management to enhance communication regarding the impact of these activities on employees and the overall well-being of the firm. These methods may include engaging in participatory decision-making processes, implementing feedback mechanisms, or establishing governance-related workgroups.

Although this current study has major implications, it is important to note that it also has some drawbacks that warrant future investigations. First, while the minimum number of respondents was reached, the survey would provide a more accurate representation of IT-BPM employees' perceptions and intentions if more participants from all subsectors were included to minimize the influence of demographic factors. Second, the paper is only focused on the IT-BPM sector in Cebu City; thus, a research extension could explore other sectors to determine if employees perceive ESG strategies differently based on the nature of their business sectors. Third, the use of cross-sectional survey data presents challenges to establishing robust causal relationships. Consequently, a suggested research extension is to use longitudinal studies to better understand how employee perceptions around ESG evolve. Fourth, further research could be done in examining moderating variables like employee generation, qualification, employment years, employee job level, and firm size. Finally, while ordinal logistic regression analysis is suitable for assessing the impact of three ESG aspects on a single categorical dependent variable (employee retention) when research models incorporate several endogenous or dependent variables, such as job satisfaction and company performance, it is advisable to explore using more advanced statistical techniques like structural equation modeling. The expectation is that this study will stimulate academics' curiosity about these topics, paving the way for future research endeavors.

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## Ethical Statement

This study does not contain any studies with human or animal subjects performed by any of the authors.

## Conflicts of Interest

The authors declare that they have no conflicts of interest to this work.

## Data Availability Statement

The data that support the findings of this study are openly available at <https://figshare.com/s/05b3cflf2ef38a2e6620>.

## Author Contribution Statement

**Aljon Malinis:** Conceptualization, Methodology, Software, Validation, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Visualization, Funding acquisition. **Tiffany Adelaine Tan:** Formal analysis, Writing – review & editing, Supervision, Project administration.

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