

EMPLOYEE RETENTION IN LIGHT OF ORGANIZATIONAL RESPONSES OF CZECH AND HUNGARIAN COMPANIES

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Abstract

In our article, the first partial results of a multi-year research project will be outlined. The results of empirical research covering two countries (Czech Republic and Hungary) will be presented. In the theoretical part of the article, the main literature overview will be discussed including general development of the labor market; general issues of employee retention; key features of the Czech and Hungarian labor markets. The second part of this article explains the results of our empirical research conducted in the Czech Republic and Hungary and the main conclusions of this research. The entire research concerns several Central and Eastern European countries, but the responses from Hungary and the Czech Republic were collected more quickly, and since we received the respondents in a special period, when the war in the neighboring country broke out, we thought it worthwhile to carry out the comparison and evaluation. The data collection period took place in the Czech Republic from 22.04.2022 to 06.28.2022, and in Hungary from 29.03.2020 to 07.06.2022. We received data from 181 organizations (companies or institutions) in the Czech Republic and 153 in Hungary.

Key words: labor market, employee retention, Czech Republic, Hungary

JEL Code: M21, M50 and M54

Introduction

During the past two and a half years, three significant changes have influenced and continue to influence the HRM systems of organizations and institutions around the world, as well as those in the two countries examined in the current article, the Czech Republic and Hungary. The unprecedented closures not typical for previous crises required and set into motion a wave of measures not seen before (IMF, 2021). The Covid-19 crisis dealt a severe hit to the export-oriented economies of the Czech Republic and Hungary, putting an end to a period of continuous growth lasting from 2016 to 2019, during which incomes rose steadily and

unemployment rates fell to 30-year lows in both the Czech Republic (2,0%) (Statista, 2020) and Hungary (3,4%) (Fazekas et al., 2021).

After the end of the first wave and the arrival of the second wave, it became clear that as a result of the pandemic – with the exception of China's growth (+2%) – a very significant economic decline of 4-6% would occur throughout the world, in Czech Republic (-6%) (Eurostat, 2022) and in Hungary (-4.5%) (WBD, 2021). However, due to the robust vaccination campaigns that were started in the meantime, a light – the possibility of 4-6 percent growth following the downturns – appeared at the end of the tunnel.

Not all companies and organizations were equally affected by the global crisis. There were both winners and losers. For example, the year 2020 brought significant profit growth for global technology (tech) or e-commerce companies, while tourism and hospitality sectors had to endure significant losses. This crisis also highlighted the fact that larger and more prepared organizations or government institutions survived this global human catastrophe more easily. During the recovery from the pandemic, in 2021, the performance of the Czech economy (3.3%) and the Hungarian economy (7.1%) was positive. A good part of this result can be attributed to the fact that a significant part of examined Hungarian organizations saw the coronavirus crisis not only as a problem, but also as an opportunity.

Thus, among other things, we established that the era of the export-driven economy based on low wages is over. New HRM measures are needed to ensure the survival of organizations and the physical and mental wellbeing of employees.

At the same time, the process of recovery from the Covid-19 crisis and the initial comeback may be overshadowed by another crisis, one caused by the Russia-Ukraine conflict (Tooze, 2022). In the space of two months, this war in Europe has had economic effects on a global scale, whose effects on Europe can be best illustrated by rapidly rising inflation, shortages of raw materials and increased uncertainty.

In the theoretical part of our article, we discuss the most important literature sources related to the following questions: general questions of employee retention; the most important characteristics of the Czech and the Hungarian labor markets; the results of our empirical research conducted in the Czech Republic and Hungary and the most important conclusions arising therefrom. The empirical research data presented here are partial results of a large research project covering at least six or seven Central and Eastern European countries.

1 Literature background

High staff turnover presents many challenges to organizational leaders, the main effects being economic in nature, i.e. this phenomenon can be a source of many costs. High staff turnover is one of the biggest challenges for all organizations. High turnover can have economic, psychological and organizational consequences. In recent times, organizations pay more and more attention and importance to this issue, as they have now become aware that a high level of staff turnover has a negative impact on organizational performance (Chen, Lin & Lien, 2010).

In the field of human resources management, staff turnover or turnover refers to the migration of the workforce, employees changing jobs and leaving the workplace. Staff turnover is an indicator of the number of terminated employment relationships at a company with respect to a given period; it can be expressed as a number as well as a percentage. Turnover is one of the most important performance indicators within human resources management. If this indicator begins to increase within an organization, it immediately draws the attention of managers to certain problems, mistakes and errors. These problems can hinder the successful and effective functioning of the organization in the long term. Being aware of this, serious attention must be paid to staff turnover within the organization and, where appropriate, measures must be taken that can affect this phenomenon (Labor Law, 2016; Staw, 1980). Determining the optimal level of turnover is not a simple process since we would think that very low turnover is best for a given organization. This is not entirely true, however, as a turnover that is too low implies that there is no movement, development and displacement within the organization since, everything is constant and permanent and so the whole organization can fade into this permanence. High turnover certainly draws attention to processes that the company must make efforts to eliminate and take measures to reduce them (Huselid, 1995). Staff turnover always comes with financial consequences, it always involves losses and costs for the organization.

Several factors have the ability to affect turnover, such as the average age of employees, the work environment, relationships with colleagues or employee job satisfaction. One of the key factors in turnover is employee satisfaction. When individuals are dissatisfied with their jobs and do not achieve their individual goals in the organization, they tend to change jobs (Carsten & Spector, 1987). Furthermore, turnover tends to increase further when there are complicated interpersonal relationships within an organization and it becomes difficult for employees to manage their relationships with colleagues, that is, when employees have to invest a lot of energy to continuously shape relationships with their coworkers. (Zhang, 2016).

Overall, it can be said that staff turnover has both negative and positive effects on the operation of the organization. The negative effects can be obviously expressed as the costs related to those leaving the organization and to the new employees arriving in their place. Another negative for the organization is the loss of valuable knowledge and skills associated with the old workers, which is especially problematic if the departing employees end up making use of these skills and experience at a competitor. On the other hand, a potential positive effect that can result from turnover is the departure of unmotivated, underperforming employees, which in turn can positively influence the organization's performance (Zsigmond, Machova&Korcsmáros, 2021). In organizations today, it is not only attracting talent that has become more and more difficult, but also retaining them. This is the case because frequently it is only possible to find the right candidate who may be suitable for the given job through a long, time-consuming selection process. In many cases, it is not possible to carry out this process alone, in which case we have to call in external specialists, employment agencies and headhunters.

In recent times, retaining employees is as difficult for an organization as it is to acquire them. That is why it is necessary for businesses to be able to retain the employees they already have. But by what means? Primarily, with a work environment in which the worker feels good (Surji, 2013). The level of wages and other benefits is also an important factor of retention, but its effect is increasingly overshadowed by other wants of employees. In the case of physical workers, their treatment is the other influencing factor. If an employee's work is recognized, appreciated, and his needs are listened to, it has a motivating effect on his performance and commitment (Workforce, 2019, Gibson, O'Leary&Weintraub, 2020). In general, it has become more and more important for most employees to be able to do their work in good spirits and to be given challenging but manageable tasks. So, in summary, employee retention and reducing staff turnover are key to all successful organizations.

2 Material and methodology

The aim of our research project is to study and analyze the adaptation strategies of individual labor market actors (organizations/employers and employees) and how they adapt to rapidly changing external conditions. In this article, we analyze responses of organizations. The two fundamental key questions of our project are how employee retention and labor shortage, or, an opposite trend of unemployment is developing in the V4 countries and other states designated as controls (Austria, Serbia, Romania and Lithuania).

The entirety of the research concerns several Central and Eastern European countries, but the responses from Hungary and the Czech Republic were collected more quickly, and since we received the responses in a unique period (when the war in the neighboring country was breaking out), we thought it worthwhile to carry out the present comparison and evaluation. The data collection took place in the Czech Republic from 22 April to 28 June 2022 and in Hungary from 29 March to 7 June 2022.

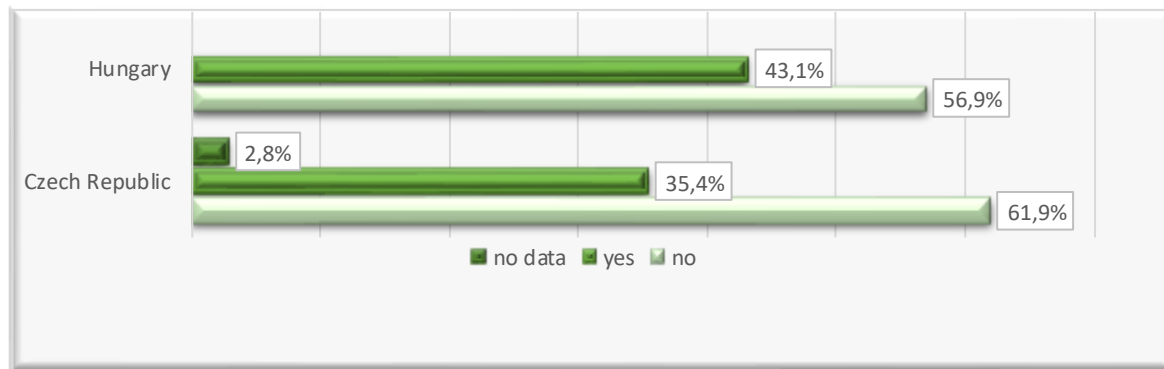
Due to limitations in scope, it is not possible to analyze the entire questionnaire, only some current characteristics of the labor market will be highlighted in the present paper. The data was cleaned and filtered as follows. In addition to the questionnaires that were completely filled out, we also included those that were incomplete, but in addition to company data also contained labor market data related to the topic of our publication. Thus, the number of data sets to be processed was 181 for the Czech Republic and 153 for Hungary. The analysis will include an indication where certain results have been obtained from fewer data.

Only the methodology of descriptive statistics is used in our present analysis. We worked with cross-tabulations and percentage distributions. Likert scale questions can be interpreted as scale variables, in which case the calculation of weighted averages is permissible. We followed this approach for questions related to employee retention and in the assessment of factors and strategies, and then the frequency ranking of the individual measures is determined by the order of the averages calculated based on the aforementioned.

3 Results and discussion

Almost all of the units relevant to the investigation answered the question of whether the coronavirus crisis affected the business entity specifically in terms of employee retention. We recorded affirmative responses from 36.4% of the 176 Czech companies and 43.1% of the 153 Hungarian organizations.

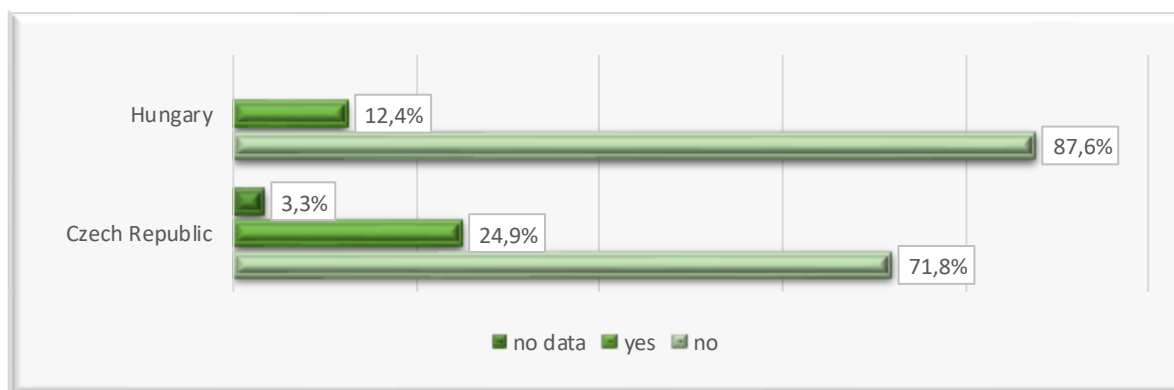
Fig.1 Impact of the coronavirus



Sources: Authors' own compilation

In the case of the Russian-Ukrainian crisis, a bigger effect was indicated for the Czech Republic than for Hungary. The survey took place at the outbreak of the armed conflict, the willingness to answer hardly changed, but the values are lower. 25.6% of 175 respondents from the Czech Republic and 12.4% of 153 respondents from Hungary indicated that they were affected.

Fig. 2 Impact of the Russian-Ukrainian war



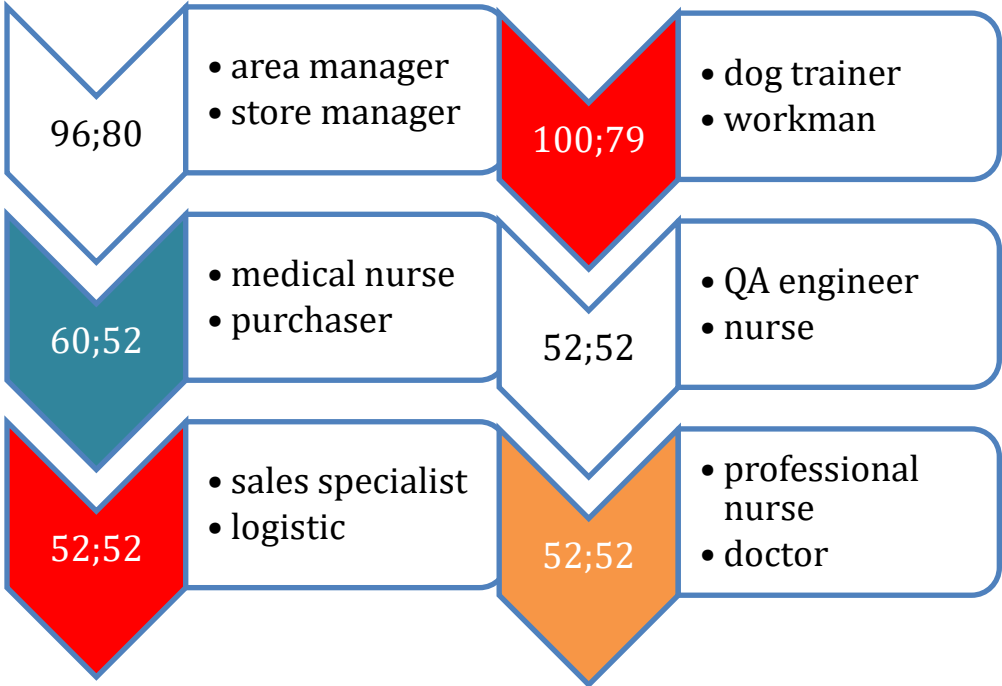
Source: Authors' own compilation

Labor shortage is a labor market anomaly the effects of which in Hungary are indicated by, among other things, business premises closing or not re-opening after the pandemic due to the lack of hospitality professionals, or taking weeks to find contractors and skilled workers to renovate an apartment. 42.0% of the 176 Czech respondents and 61.2% of the 152 Hungarian respondents reported a labor shortage in their organization.

In the case of the average times required to fill the positions, we did not sum up the mentions of the problem, but the values of the mentions and averaged them. Table 1 shows the (13 kinds of) job positions for which it takes on average at least half a year to replace a lost employee or to satisfy a newly arisen need in the case of the respondent organizations.

Managerial positions lead the ranking compiled based on the answers of our Czech respondents, while in the case of the Hungarian ones, skilled workers are at the top.

Tab. 1. Average time required to fill the position in weeks based on sample in the Czech Republic and in Hungary



Source: Authors' own compilation

The company managers we interviewed in both Hungary and the Czech Republic consider the shaping and sustaining of an appropriate work atmosphere to be a matter of utmost importance in employee retention. The answers of Hungarian respondents indicate the personality of the leader to be in second place, while for the Czech Republic, stability was indicated as an important tool in retaining employees. Our research team can identify with both answers, since the personality of the leader defines the work atmosphere, determines motivation and employee satisfaction, while the pursuit of stability is perhaps one of our most important needs, which appears on the second level of Maslow's hierarchy of needs. In both countries, flexibility was ranked third by the respondents. We believe this to be a factor just as important in employee retention as the previously mentioned aspects. If the company is flexible, it can quickly respond to changed economic and social expectations, which can bring about employee satisfaction, while also preserving and maintaining company stability. Feedback can be found around the middle of the ranking, which is certainly surprising as a series of studies indicate that the manager's feedback is of primary importance to workers. It is interesting that the

respondents of both countries (Czech Republic: 8, Hungary: 7) placed a predictable career path at the end of the list, i.e. classified it into the category of less important tools. With respect to employee retention strategies, we had 179 responses from the Czech Republic and 153 ones from Hungary to analyze. The percentage values show similarity and only a slight difference. The rank order is almost the same, the only difference concerns the second and third places. The minimal difference probably reflects the tried-and-true human resource management practices of the countries.

Tab. 2. Retention strategies in the Czech Republic and in Hungary

Retention tools	Czech Republic (%)	Rank order	Hungary (%)	Rank order
Mentoring	26.8	3.	34.0	2.
Longer training period	27.4	2.	33.0	3.
Involvement in management decision-making	10.6	6.	11.8	5.
Organize trainings	52.0	1.	45.1	1.
Job rotation	16.2	5.	11.8	5.
Not used	25.1	4.	26.1	4.

Conclusion

It is clear from the results of the questionnaire survey that both Hungarian and Czech companies were directly or indirectly affected by the armed conflict. It can also be observed that, due to being import-driven, the Czech economy was affected more severely by this conflict. A typical symptom of labor market anomalies are labor shortages, the effects of which in Hungary (61.2%) are mostly indicated by the lack of skilled workers, the same value for Czech companies was 42% at the time of the study. Czech respondents find it difficult to fill managerial positions, while in Hungary skilled worker positions are at the top of the ranking. The company managers we interviewed in both Hungary and the Czech Republic consider the shaping and sustaining of an appropriate work atmosphere to be a matter of utmost importance in employee retention. The answers of Hungarian leaders indicate the personality of the leader to be in second place, while for the Czech Republic, stability was indicated as an important tool in retaining employees. In both countries, flexibility was ranked third by the respondents. Feedback can be found around the middle of the ranking, which is certainly surprising as a series of studies indicate that the manager's feedback is of primary importance to workers. It is interesting that the respondents of both countries (Czech Republic: 8, Hungary: 7) placed predictable career path at the end of the list, i.e. classified it into the category of less important

tools. The company managers of both countries consider mentoring, a longer training period and the organization and implementation of trainings to be effective employee retention strategies.

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