Examining the Impacts of ESG on Employee Retention: A Study of Generational Differences

C. Christopher Lee [1]
Joley L. Luppi [1]
Tyler Simmons [1]
BaoTram Tran [1]
Ruoqing Zhang [1,*]

* Corresponding author
[1] Central Connecticut State University, New Britain, CT

Abstract

Purposes – *This study examines the relative effects of employees' environment, society, and corporate governance (ESG) perceptions on their intention to stay with the organization during the COVID-19 pandemic. This study also explores whether generational differences moderate the relationships between the three ESG factors and employee retention.*

Methods – *This study uses an online survey to collect data via Amazon Mechanical Turk. Multiple regression analysis is used to analyze data collected from 716 respondents.*

Findings – *The results show that environment-related ESG (E-ESG) and society-related ESG (S-ESG) positively and significantly impact employee retention, and the magnitudes vary across different generations. However, the impact of corporate governance-related ESG (G-ESG) on employee retention is not significant.*

Limitations – *This study only compares two generational cohorts, namely Generation Y and Generation Z. Future research endeavors could expand the sample size, including Generation X, or consider other potential moderating factors such as job type, job location, or firm size.*
Contributions to literature – This study makes a valuable contribution to the existing literature by empirically investigating the relationships between ESG dimensions and employee retention.

Practical implications – *Businesses can effectively allocate corporate resources to important ESG factors uncovered by this study, thus, developing effective employee retention strategies.*

Originality – *This study examines the collective effects of three ESG factors on employee retention. Furthermore, it highlights generational differences in the relationships between ESG factors and employee retention.*

Keywords: employee retention, ESG, generations, regression analysis, COVID-19

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Introduction

Employee retention is a crucial factor for the long-term success of any organization (Basnyat & Lao, 2019; Das & Baruah, 2013). Retaining key employees ensures business stability, supports the ongoing development of business resources, and sustains profitability (Cloutier et al., 2015; Singh et al., 2022). However, the COVID-19 pandemic has led to "great resignation", resulting in an unprecedented number of professionals quitting their jobs, making it challenging for companies to attract replacement staff. To address this issue, organizations need to understand the key success factors of talent retention (Harsch & Festing, 2020).

One approach many businesses have adopted to improve long-term employee retention is implementing ESG (environment, society, and corporate governance) principles. ESG principles focus on holistically favorable and socially conscious outcomes, promote appropriate business behavior, and address environmental, social, and governance issues. As discussed in the literature (e.g., Burke, 2022; Huang, 2021), environmental strategies focus on ensuring safe environmental practices, social strategies concentrate on relationships with stakeholders, and corporate governance strategies focus on the effectiveness and efficiency of leadership structures.

The global spread of COVID-19 has increased international concerns over ESG issues (Li et al., 2022). While prior research has shown that organizations implementing ESG practices can yield positive environmental impact results (Zumente & Bistrova, 2021), more favorable societal perceptions (Ikram et al., 2021), and higher overall expected returns for shareholders (Khan, 2019), it remains unclear how ESG factors collectively affect employee retention during the pandemic.

The perceptions of ESG initiatives are critical because they influence how employees interpret their organization's culture, affecting their work attitudes and behaviors. Therefore, this study aims to empirically examine the effects of employees' ESG perceptions on their retention intention during the COVID-19 pandemic. Specifically, this study compares the impact of ESG perceptions on retention intention between

Generation Y (Gen Y) and Generation Z (Gen Z) cohorts in the U.S. Our study proposes that differences in these two generation cohorts' perceptions of ESG initiatives may impact their retention intention differently. The findings from this study will assist companies in retaining employees by developing effective business strategies tailored to the specific needs of these two generation groups.

The remainder of this paper is structured as follows: the next section presents the research model, theoretical background, and hypothesis development. The research methodology is then discussed, followed by a description of the results. A discussion of findings and managerial implications is presented in the subsequent section. Finally, the last section concludes this research by highlighting propositions for future research.

Research Model, Theoretical Background, and Hypothesis Development

Research Model and Theoretical Background

The research model presented in Figure 1 explores the potential moderating effects of employee generations on the relationships between the three ESG dimensions and employee retention. The model hypothesizes that each of the three ESG dimensions would positively influence employee retention in the workplace.

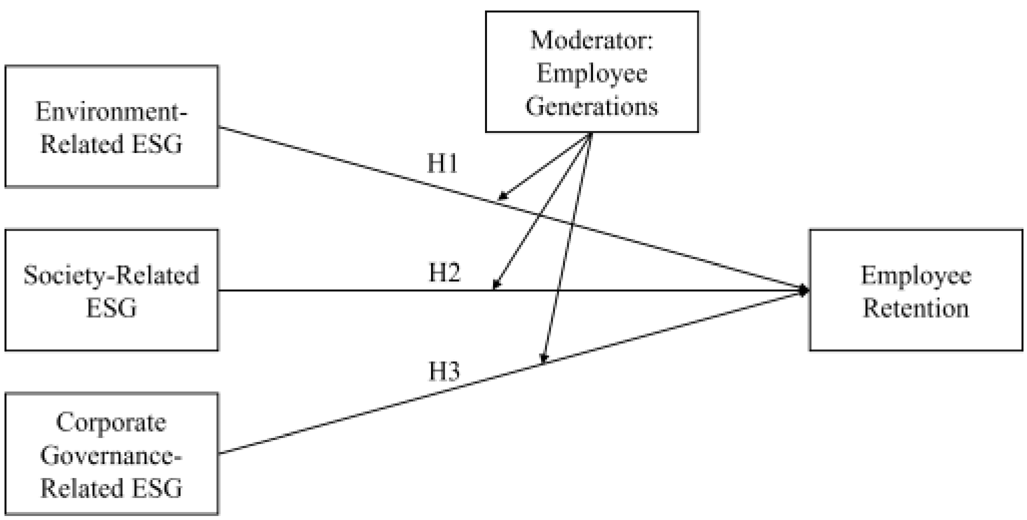

Figure 1: Research Model

The ESG principle has gained significant attention recently, particularly since its official proposal by the United Nations in 2004 (Annan, 2004). It has become integral to many organizations' competitive strategies (Escrig-Olmedo et al., 2019). One of the ESG dimensions is environment-related ESG (E-ESG), which focuses on a company's measures to protect the environment and promote sustainable practices that can preserve the environment for future generations (Rahman & Alsayegh, 2021; Li et al., 2022). E-ESG initiatives include policies to address climate change, energy efficiency, waste and pollution, and natural resource preservation (Ruan & Liu, 2021; Ting et al., 2019). Businesses can demonstrate E-ESG by implementing policies that mitigate the environmental risks associated with their operations (Lisin et al., 2022). Stakeholders, including employees, are increasingly focused on the environmentally sustainable practices of businesses (Huang, 2021; Meng et al., 2023). Therefore, adopting such practices is crucial for companies to attract and retain talent.

Another dimension of ESG is society-related ESG (S-ESG), which assesses the relationships businesses have with their stakeholders, such as employees, supply chains, consumers, and the communities where their operations are located (Li et al., 2022; Sodhi & Tang, 2018). Encouraging social entrepreneurship, community donations, maintaining high supply chain standards for ethical operations, and sustaining ethical and safe workplace conditions are a few examples of S-ESG practices (Kennett-Hensel & Payne, 2018; Ruan & Liu, 2021; Ting et al., 2019). Like E-ESG initiatives, S-ESG practices and policies must be represented and implemented to gain long-term positive value, outcomes, and continued investor attraction.

Corporate governance-related ESG (G-ESG) examines the impact of management-level policies on business operations (Hsueh, 2019; Li et al., 2022). It encompasses the leadership structure, executive compensation plans, auditing, internal control procedures, and various rights of shareholders (Rahman & Alsayegh, 2021). Grove and Clouse (2018) suggest that favorable G-ESG policies demonstrate strong values related to diversity, integrity, transparency, and employee relations. Implementing such policies and values may decrease the likelihood of labor issues, discrimination, corruption, and deceptive practices.

The effects of ESG dimensions on employee retention are rooted in the social identity theory (Tajfel, 1979) and the job embeddedness theory (Holtom & O'neill, 2004). The social identity theory (Tajfel, 1979) proposes that individuals derive a sense of pride and self-esteem from their membership in various groups, such as social class and family. When applied to ESG practices in organizations, social identity theory suggests that employees who perceive ESG practices are more likely to identify strongly with their organizations. This identification, in turn, can increase employee job satisfaction and commitment. Similarly, the job embeddedness theory posits that employees would continue as valuable members of the organization when they feel embedded in their communities (Holtom & O'neill, 2004). This theory explains why many employees value working for companies that align with their values, with a commitment to ESG being a crucial aspect of that alignment.

Conversely, companies that lack a commitment to ESG may face difficulties retaining employees as employees may perceive their work as less meaningful or fulfilling. Thus, they may be more likely to leave for a company that aligns better with their values. Several studies have demonstrated that companies with strong ESG programs tend to have positive organizational cultures, which can improve employee engagement, job satisfaction, and retention (e.g., Bernardino, 2021; Hsiao et al., 2020). Moreover, recent research has explored how the social identity theory and the job embeddedness theory can help explain the positive effects of ESG on employee attitudes or behaviors (e.g., Arici et al., 2023; Colvin, Witt, & Lacey, 2015; Paruzel, Danel, & Maier, 2020).

Hypothesis Development

Environment-Related ESG and Employee Retention

The literature on the relationship between E-ESG and employee retention has been explored in various settings. For instance, Shetty and Gujarathi (2013) investigate the effect of green practices on doctors' attitudes in hospitals in India and find that these initiatives increase facility attractiveness and work commitment among the respondents. In their study, green practices refer to initiatives integrating sustainability principles into business decisions, such as green buildings, green administration, waste management, and electricity conservation. Besides, Benn, Teo, and Martin (2015) surveyed and interviewed employees from a technical college and a consulting company in Australia and found a strong association between implementing environmental sustainability initiatives and employee engagement in the workplace. Similarly, Likhitkar and Verma (2017) examine the impact of green human resource management practices on organization sustainability and employee retention. Adopting environmentally friendly practices increases employee retention and positive outcomes such as improved morale, creativity, and team participation. Based on the findings from previous research and the above discussion, it can be inferred that businesses can retain talent by implementing E-ESG practices. Therefore, it is hypothesized that:

H1a: Environment-related ESG is positively related to employee retention in the workplace.

The impact of E-ESG on employee retention is likely moderated by generational differences, as evidenced by previous research. For example, Zaharee et al. (2018) find that young and early-career employees are more likely to seek job opportunities in environmentally sustainable companies. They discovered that candidates between the ages of 22 and 25 ranked organizational environmental responsibility as one of their top five requirements for potential employers. In contrast, this criterion is significantly lower in priority for candidates aged 30 or older. Similarly, Zainee and Puteh (2020) investigate the impact of corporate social responsibility on talent retention among millennials in the accounting field. They find that organizational involvement in environmental activities is crucial in determining millennials' loyalty to a company. Therefore, organizations' environmental protection efforts may positively affect the retention of millennials in the workplace. These findings suggest that the relationship between E-ESG and employee retention is likely positively associated, particularly for younger generations more strongly impacted by E-ESG practices. Therefore, it is hypothesized that:

H1b: Generations moderate the relationship between environment-related ESG and employee retention in the workplace such that environment-related ESG has a stronger positive impact on talent retention among younger generations.

Society-Related ESG and Employee Retention

Numerous studies have consistently demonstrated a positive relationship between S-ESG and employee retention (Bode, Singh, & Rogan, 2015; Kuratko et al., 2017; Sanusi & Johl, 2022). For instance, Bode et al. (2015) use individual-level data of 9,821 employees in a global management consulting firm and find a positive retention effect associated with employee participation in a corporate initiative with explicit social impact goals. Similarly, Sanusi and Johl (2022) investigate the internal dynamics of S-ESG factors and reveal that positive S-ESG practices positively influence employee job continuity intention. These collective studies suggest that businesses can benefit from balancing the implementation of corporate social initiatives with financial profitability opportunities. Doing so may increase employee retention and reduce the direct and indirect costs associated with high employee turnover. Thus, it is hypothesized that:

H2a: Society-related ESG is positively related to employee retention in the workplace.

Research has also shown that younger generations place a greater emphasis on S-ESG in the workplace compared to older generations (e.g., Carnahan, Kryscynski, & Olson, 2017; McGlone, Spain, & McGlone, 2011; Zainee & Puteh, 2020). For instance, McGlone et al. (2011) surveyed college students to examine the relationship between their S-ESG attitudes and their willingness to work for companies that prioritize S-ESG through employee volunteerism. The authors find that younger generations rate S-ESG significantly higher than older generations, indicating that investment in S-ESG can lead to higher employee retention among younger generations. In examining the relationships between S-ESG factors, employee retention, and generations, Zainee and Puteh (2020) find a strong relationship between philanthropic responsibility and talent retention among Gen Y accountants in Malaysia. They suggest employers adopt S-ESG practices, such as volunteerism and other socially involved activities, to retain Gen Y accountants. Based on these findings, we posit that younger employees stay with companies longer than senior employees when companies participate in S-ESG activities. Therefore, it is hypothesized that:

H2b: Generations moderate the relationship between society-related ESG and employee retention in the workplace such that society-related ESG has a stronger positive impact on talent retention among younger generations.

Corporate Governance-Related ESG and Employee Retention

Corporate governance is a critical aspect of ESG factors as it directly impacts the daily work-life of employees. How a company governs itself affects employee satisfaction, engagement, and retention. Previous research has shown a significant association between G-ESG and employee attraction or retention (Hirota et al., 2010; Safieddine, Jamali, & Noureddine, 2009; Sumlin, Hough, & Green, 2021). Das and Baruah (2013) find that businesses prioritizing favorable G-ESG policies and practices are more likely to retain top talent. Thus, companies prioritizing sound governance practices may enjoy a competitive advantage in attracting and retaining high-performing employees. Therefore, we hypothesize that:

> *H3a: Corporate governance-related ESG is positively related to employee retention in the workplace.*

Ikram et al. (2021) investigate how various internal governance practices influence faculty retention in higher education institutions in Pakistan. Among the factors analyzed, corporate governance and responsibility were ranked highly by Gen Y employees. However, the younger generation rated this factor less critical, consistent with the social responsibility literature. As newcomers to the workforce, younger employees may have less bargaining power to dictate their standards for suitable work environments than experienced professionals. Similarly, Pasko, Maellaro, and Stodnick (2021) examine the differences in work-related preferences across generational cohorts in a large U.S. firm. Their survey of 300 employees reveals that younger-generation workers place significantly greater importance on G-ESG practices such as job security, career advancement, work/life balance, and company leadership. Therefore, based on the findings from Ikram et al. (2021) and Pasko et al. (2021), we can expect G-ESG to have a stronger impact on the retention of younger generations. Therefore, it is hypothesized that:

> *H3b: Generations moderate the relationship between corporate governance-related ESG and employee retention in the workplace such that corporate governance-related ESG has a stronger positive impact on talent retention among younger generations.*

Research Method

Sample and Data Collection

An online survey was conducted in April 2020 to collect data for this study. The survey link was posted on Amazon Mechanical Turk, and participants were required to be employed and over 18 years old. A total of 821 responses were collected, and measures were implemented to ensure data quality. These measures involved screening out duplicate responses, those with multiple missing values, and insincere responses. As a result, the final sample consisted of 716 cases. Based on the age categorization criteria employed by Dhopade (2016) and Bateh (2019), respondents in this study were classified into different generational cohorts. Specifically, individuals between 18 and 24 years old were categorized as Gen Z, those between 25 and 39 years old were classified as Gen Y, individuals aged 40 to 55 years old were grouped as Gen X, and respondents over 55 years old were labeled as baby boomers, all as of April 2020. As shown in Table 1, the sample consisted of 263 Gen Z employees (36.7%), 344 Gen Y employees (48.0%), 93 Gen X employees (13.0%), and 16 baby boomers (2.2%).

Table 1: Respondents' Demographic Profile

Generations	**Frequency**	**Percentage**
Gen Z (18 to 24)	263	36.7
Gen Y (25 to 39)	344	48.0
Gen X (40 to 55)	93	13.0
Baby Boomers (> 55)	16	2.2
Total	716	100.0

Measures

The study utilized validated measures from previous research to assess four variables: E-ESG, S-ESG, G-ESG, and employee retention. A total of 14 scale items were included in the survey, with 11 items adopted from (Woo & Jin, 2015; 2016) to measure three ESG dimensions and three items from Armstrong-Stassen and Schlosser (2008) to measure employee retention. Respondents were asked to rate each item on a seven-point Likert-type scale, with "1 = strongly disagree", "7 = strongly agree", and "4 = neutral" as the midpoint. The scales were reviewed by three management experts, who provided feedback to improve the questionnaire's clarity. Table 2 details the variables, their indicators, and their respective sources.

Table 2: Variables, Measurement Items, and Sources

Variable	Indicator	Item	Source
Employee Retention (ER)	ER1	Barring unforeseen circumstances, I would remain in this organization indefinitely.	Armstrong-Stassen & Schlosser (2008)
	ER2	I would prefer to continue working in this organization if I were free to choose.	
	ER3	I expect to continue working as long as possible in this organization.	
Environment-related ESG (E-ESG)		I think the company I work for tries to:	Woo & Jin (2015, 2016)
	E-ESG1	Take care of water, energy, and material uses.	
	E-ESG2	Minimize pollution when producing products/services.	
	E-ESG3	Invest in protecting the environment.	
Society-related ESG (S-ESG)		I think the company I work for tries to:	Woo & Jin (2015, 2016)
	S-ESG1	Protect human rights in workplaces.	
	S-ESG2	Clarify health care benefits for employees.	
	S-ESG3	Clearly label/explain products/services for customers.	
	S-ESG4	Take care of customer complaints.	
	S-ESG5	Invest in developing local community welfare.	
Corporate Governance-related ESG (G-ESG)		I think the company I work for tries to:	Woo & Jin (2015, 2016)
	G-ESG1	Avoid corruption in business.	
	G-ESG2	Provide the company's financial information to the public.	
	G-ESG3	Allow the freedom of labor unions and forbid discrimination.	

Regression Model

We formulated a regression model to test our hypotheses regarding generational differences in the relationships between the three independent and dependent variables. Our proposed model had employee retention (Y1) as the dependent variable and the three ESG factors, namely E-ESG (X1), S-ESG (X2), and G-ESG (X3), as independent variables.

$$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

where Y_1 = Employee Retention (ER)
X_1 = Environment-Related ESG (E-ESG)
X_2 = Society-Related ESG (S-ESG)
X_3 = Corporate Governance-Related ESG (G-ESG)

Results

Descriptive Statistics and Correlations

Due to the limited number of responses collected from Gen X and Baby Boomer groups, this study primarily focuses on the full model (N = 716), Gen Y (N = 344), and Gen Z (N = 263). Descriptive analysis was conducted for the full model, Gen Y, and Gen Z groups. As presented in Table 3, the analysis for all employees (N = 716) reveals that S-ESG has the highest mean score (5.367 ± 1.132), followed by G-ESG (5.098 ± 1.280) and E-ESG (4.471 ± 1.550). The Pearson correlation analysis results demonstrate that employee retention is significantly correlated with the S-ESG (.437***), E-ESG (.421***), and G-ESG (.384***) variables.

Table 3: Means, standard deviations, and correlations of the variables for all data (N = 716)

	Mean	SD	(1)	(2)	(3)	(4)
(1) Y_1_ER	4.456	1.906	1			
(2) X_1_E-ESG	4.471	1.550	.421***	1		
(3) X_2_S-ESG	5.367	1.132	.437***	.543***	1	
(4) X_3_G-ESG	5.098	1.280	.384***	.541***	.743***	1

Note: SD = Standard deviation, ***p < .001 (2-tailed)

Table 4 displays the descriptive analysis results for Gen Y employees (N = 344). The mean pattern for the ESG factors is consistent with that shown in Table 3. Specifically, S-ESG has the highest mean score (5.405 ± 1.111), followed by G-ESG (5.169 ± 1.199) and E-ESG (4.625 ± 1.585). Furthermore, the Pearson correlation analysis shows significant positive correlations between employee retention and S-ESG (.466***), G-ESG (.401***), and E-ESG (.384***).

Table 4: Means, Standard Deviations, and Correlations of the Variables for Gen Y (N = 344)

	Mean	SD	(1)	(2)	(3)	(4)
(1) Y_1_ER	4.714	1.753	1			
(2) X_1_E-ESG	4.625	1.585	.384***	1		
(3) X_2_S-ESG	5.405	1.111	.466***	.564***	1	
(4) X_3_G-ESG	5.169	1.199	.401***	.539***	.733***	1

Note: SD = Standard deviation, ***p < .001 (2-tailed)

Table 5 provides the descriptive statistics for Gen Z employees (N = 263), consistent with the mean patterns in Tables 3 and 4. Specifically, S-ESG has the highest mean score of (5.242 ± 1.189), followed by G-ESG (4.989 ± 1.319) and E-ESG (4.252 ± 1.434). The Pearson correlation analysis results show that employee retention is significantly correlated with E-ESG (.457***), S-ESG (.387***), and G-ESG (.370***).

Table 5: Means, Standard Deviations, and Correlations of the Variables for Gen Z (N = 263)

	Mean	**SD**	**(1)**	**(2)**	**(3)**	**(4)**
(1) Y_1_ER	3.853	1.950	1			
(2) X_1_E-ESG	4.252	1.434	.457***	1		
(3) X_2_S-ESG	5.242	1.189	.387***	.492***	1	
(4) X_3_G-ESG	4.989	1.319	.370***	.522***	.754***	1

Note: SD = Standard deviation, ***p < .001 (2-tailed)

Regression Results

To examine the generational differences in the relationships between ESG factors and employee retention, we performed regression analysis on three different groups: all data (N=716), Gen Y (N=344), and Gen Z (N=263). The first regression model was applied to all data, including three independent variables, E-ESG, S-ESG, and G-ESG, to estimate the dependent variable, employee retention. The results of the full regression model for all employees are presented in Table 6. The overall model is statistically significant [R^2 = .240, R^2_{adj} = .237, F(3, 712) = 75.076, p < .001], explaining 24.0% of the variance in the employee retention outcome (R^2 = .240).

The regression model has no evidence of serious multicollinearity because all VIFs are less than 10 (Myers, 1990), and the condition index is less than 30 (Kennedy, 2008). Based on the standardized regression coefficient (β), S-ESG has the highest impact on employee retention (β = .261), followed by E-ESG (β = .249). In summary, the results suggest that E-ESG (β = .249, p < .001) and S-ESG (β = .261, p < .001) have significant and positive effects on employee retention, supporting H1a and H2a, respectively. However, no significant relationship exists between G-ESG and employee retention (β = .056, p = .266), rejecting H3a and H3b.

Table 6: Regression Model Results for All Data (N = 716)

DV = Employee retention; R^2 =.240., R^2_{adj} =.237, $F(3, 712)$ =75.076, p < .001; CI =17.893

	B	SE	β	t	p	VIF
(Constant)	.307	.305		1.006	.315	
X_1_E-ESG	.306	.049	.249	6.201	<.001	1.510
X_2_S-ESG	.439	.085	.261	5.173	<.001	2.380
X_3_G-ESG	.083	.075	.056	1.114	.266	2.373

Note: DV = Dependent variable; CI = Condition index, B = Regression coefficient, SE = Standard error, β = Standardized regression coefficient, VIF = Variance inflation factor

The second and third regression models are tested separately for Gen Y (N = 344) and Gen Z respondents (N = 263). Table 7 displays the results for the Gen Y regression model, which is statistically significant [R^2 = .242, R^2_{adj} = .235, $F(3, 340)$ = 36.124, p < .001] and accounts for 24.2% of the variance in employee retention (R^2 = .242). The findings reveal that S-ESG has a significant positive effect on employee retention (p < .001), while E-ESG has a moderately significant impact on employee retention (p = .006). However, there is no statistical significance found between G-ESG and employee retention. The β values indicate that S-ESG has the strongest impact on employee retention (β = .312), followed by E-ESG (β = .163). The Gen Y regression model does not exhibit serious multicollinearity since all VIFs are less than 10 (Myers, 1990), and the condition index is less than 30 (Kennedy, 2008).

Table 7: Regression Model Results for Gen Y (N = 344)

DV = Employee retention; R^2 = .242, R^2_{adj} = .235, $F(3, 340)$ = 36.124, p < .001; CI = 18.304

	B	SE	β	t	p	VIF
(Constant)	.582	.421		1.382	.168	
X_1_E-ESG	.180	.065	.163	2.778	.006	1.543
X_2_S-ESG	.493	.115	.312	4.302	<.001	2.364
X_3_G-ESG	.123	.104	.084	1.178	.239	2.274

Note: DV = Dependent variable; CI = Condition index, B = Regression coefficient, SE = Standard error, β = Standardized regression coefficient, VIF = Variance inflation factor

Table 8 presents the results of the regression model for Gen Z employees, which shows that the model is statistically significant [R^2 = .245, R^2_{adj} = .236, $F(3, 259)$ = 27.999, p < .001]. The model explains 24.5% of the variance in employee retention (R^2 = .245). The results indicate that E-ESG is significantly related to employee retention (p < .001), while the relationship between S-ESG and employee retention is less significant (p = .040). However, no statistical significance exists between G-ESG and employee retention (p = .470). According to the β values, E-ESG has the strongest impact on employee retention (β = .340), followed by S-ESG (β = .173).

The results from Table 7 and Table 8 show that the relationship between E-ESG and employee retention is stronger among Gen Z employees (β = .340, p < .001) compared to the Gen Y group (β = .163, p < .001), supporting H1b. Contrary to H2b, the study finds that S-ESG has a weaker impact on employee retention among Gen Z employees (β = .173, p < .001) than in the Gen Y group (β = .312, p < .001). Finally, since no significant relationship is found between G-ESG and employee retention in the full model (β = .056, p = .266), H3b is rejected.

Moreover, no serious multicollinearity exists in the Gen Z regression model as all VIFs are less than 10 (Myers, 1990), and the condition index is less than 30 (Kennedy, 2008). Overall, these results provide further evidence that E-ESG and S-ESG can significantly positively affect employee retention, particularly among younger generations, and that G-ESG may not be as relevant.

Table 8: Regression Model Results for Gen Z (N = 263)

DV = Employee retention; R^2 = .245, R^2_{adj} = .236, $F(3, 259)$ = 27.999, p < .001; CI = 17.123

	B	**SE**	β	t	p	**VIF**
(Constant)	-.054	.488		-.110	.912	
X_1_E-ESG	.462	.088	.340	5.282	<.001	1.419
X_2_S-ESG	.284	.137	.173	2.068	.040	2.394
X_3_G-ESG	.091	.126	.062	.724	.470	2.495

Note: DV = Dependent variable; CI = Condition index, B = Regression coefficient, SE = Standard error, β = Standardized regression coefficient, VIF = Variance inflation factor

Discussion

This study seeks to understand the collective impacts of ESG factors (i.e., E-ESG, S-ESG, and G-ESG) on employee retention during the COVID-19 pandemic while examining the effect of generational differences between Gen Y and Gen Z. The study surveyed a total of 716 respondents. The evidence indicates that E-ESG (β = .249, p < .001) and S-ESG (β = .261, p < .001) have significant and positive impacts on employee retention, supporting H1a and H2a, respectively. These findings are consistent with prior empirical studies (e.g., Shetty & Gujarathi, 2013; Likhitkar & Verma, 2017), which suggest that employers who exhibit environmentally responsible behavior and demonstrate a commitment to social issues have a higher chance of retaining their employees. However, no significant relationship was found between G-ESG and employee retention (β = .056, p = .266), rejecting H3a and H3b. This result contrasts with previous research by Safieddine et al. (2009), and Hirota et al. (2010), but the differences may be attributed to the varying contexts of the samples used in these studies, such as industry, country, or culture.

This study also explores the moderating role of generational differences on the relationships between ESG factors and employee retention. The findings indicate that Gen Z has a stronger connection between E-ESG and employee retention (β = .340, p < .001) than Gen Y (β = .163, p < .05), supporting H1b. This finding aligns with previous studies (e.g., Zaharee et al., 2018; Zainee & Puteh, 2020) that suggest younger generations are more willing to stay with environmentally responsible organizations. The study also finds that S-ESG has a stronger impact on employee retention among Gen Y (β = .312, p < .001) compared to Gen Z (β = .173, p < .001), partially supporting H2b. However, this finding contradicts previous research (e.g., Goessling, 2017; Zainee & Puteh, 2020), which suggests that S-ESG has a stronger impact on employee retention for younger generations. This discrepancy may be attributed to differences in the work experiences of Gen Z respondents, which may be limited compared to those of Gen Y respondents. The results are summarized in Table 9.

Table 9: Summary of Research Findings

Hypothesis	Relationship	Moderator	Conclusion
H1a	E-ESG → Employee Retention	/	Supported
H1b	E-ESG → Employee Retention	Generations	Supported
H2a	S-ESG → Employee Retention	/	Supported
H2b	S-ESG → Employee Retention	Generations	Partially Supported
H3a	G-ESG → Employee Retention	/	Rejected
H3b	G-ESG → Employee Retention	Generations	Rejected

The results of this study also provide important managerial implications for businesses that aim to retain employees. First and foremost, it is important to stress that the results of this study should not be construed as implying that organizations make any work-related decisions based on an individual's demographic characteristics unless those traits such as generation and age have been unequivocally shown to meet the strict legal standards of a bona fide occupational qualification. Except in rare cases where an employee's demographic traits are critical to their performance, using characteristics such as age or generation to influence personnel decisions is not only illegal but also morally wrong. There should be no doubt about the researchers' position on this matter.

The findings suggest that G-ESG is not a significant factor in employee retention; thus, it is not recommended to prioritize it in businesses. Instead, companies should prioritize S-ESG and E-ESG, with S-ESG taking precedence over E-ESG based on the full data model analysis results. For Gen Y and Gen Z groups, the study suggests different priority levels for E-ESG and S-ESG. The analysis results for the Gen Y group indicate that businesses should prioritize S-ESG first, followed by E-ESG. On the other hand, based on the analysis results for the Gen Z group, companies should prioritize E-ESG first, followed by S-ESG. The findings suggest that businesses should emphasize S-ESG initiatives to improve overall employee retention, particularly among Gen Y employees. For Gen Z employees, prioritizing E-ESG initiatives is recommended to improve retention rates.

Conclusion

This study examines the impact of environment-related ESG, society-related ESG, and corporate governance-related ESG on employee retention. Multiple regression analysis is employed to analyze the influence of these ESG factors on employee retention. The results indicate that S-ESG has the highest impact on employee retention, followed by E-ESG. In contrast, the relationship between G-ESG and employee retention is found to be insignificant. These findings are consistent with the results observed in the Gen Y group (aged 25-39). In contrast, for the Gen Z group (aged 18-24), E-ESG exerts a greater impact on employee retention, followed by S-ESG. Across all models, no significant relationship was found between G-ESG and employee retention.

While the findings provide meaningful implications for employee retention research, there are several limitations to consider in this research study. Firstly, establishing strong causal relationships is challenging due to the utilization of cross-sectional survey data. Thus, it is advisable to interpret the analysis results cautiously. Secondly, the sample was collected in the U.S. during the COVID-19 pandemic, so caution should be exercised when generalizing the findings to other countries or cultures. Researchers are encouraged to conduct longitudinal studies to investigate the evolving perceptions of ESG among employees. Thirdly, although multiple regression analysis is appropriate for examining the effects of three ESG dimensions on a single dependent variable (employee retention), more robust statistical techniques such as structural equation modeling can be considered when research models incorporate multiple endogenous/dependent variables (e.g., job satisfaction, firm performance). Finally, due to time and funding constraints, this study only explores the implications of employee retention for two generations, Gen Y and Gen Z, as moderators. Exploring other potential moderating variables such as job type, job location, and firm size is recommended. We hope that this study will stimulate researchers' interest in pursuing these issues in their future endeavors.

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About the Authors

C. Christopher Lee, Ph.D.
Professor
Department of Management & Organization
School of Business
Central Connecticut State University
New Britain, CT 06050, U.S.A.
(860) 832-3288
E-mail: christopher.lee@ccsu.edu

Joley L. Luppi, MBA Student
School of Business
Central Connecticut State University
New Britain, CT 06050, U.S.A.
E-mail: shawjol@my.ccsu.edu

Tyler Simmons, MBA Student
School of Business
Central Connecticut State University
New Britain, CT 06050, U.S.A.
E-mail: tsimmons@my.ccsu.edu

BaoTram Tran, MBA Student
School of Business
Central Connecticut State University
New Britain, CT 06050, U.S.A.
E-mail: baotram.tran@my.ccsu.edu

Ruoqing Zhang, Ph.D.*
Assistant Professor
Department of Management & Organization
School of Business
Central Connecticut State University
New Britain, CT 06050, U.S.A.
(860) 832-3280
E-mail: rzhang@ccsu.edu

*Corresponding author

C. Christopher Lee is a Professor of Management at Central Connecticut State University. He earned his Ph.D. in Business Administration with a major in Decision Sciences and a minor in Finance from Saint Louis University. His works have appeared in journals such as *International Transactions of Operational Research*, *Physica A: Statistical Mechanics and Its Applications*, *Benchmarking: An International Journal*, *Evidence-Based HRM*, *International Review of Financial Analysis*, *International Journal of Enterprise Information Systems*, *Academy of Marketing Studies Journal*, etc.

Joley L. Luppi, **Tyler Simmons**, and **BaoTram Tran** are Central Connecticut State University MBA students.

Ruoqing Zhang is an Assistant Professor of Management at Central Connecticut State University. He earned his Ph.D. in Business Administration from New Mexico State University. His works have been published in the *International Journal of Quality & Reliability Management* and *Accountancy Business & the Public Interest*.