

## EMPLOYEE RETENTION

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**Abstract :** Government all over the world want their countries to have highly valued and highly skilled economies. They realize that the first move towards this aim is to have a well educated labour force. The creation of superlative skills is assumed to be a route to economic prosperity, reduced income inequalities and social cohesion. India is known to possess a significant demographic dividend due to its large and growing population in the age group of 15 to 59 years. This large working-age population can make a significant contribution to the country's growth provided it is engaged productively and preserved wisely. Retention is the rate at which current employees of an organization are staying in their jobs. Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time.

Employee retention has become the most essential tool to address the opportunities and challenges, to meet new demands of changing economies and new technologies in the context of globalization.

This paper focuses on how Employee retention strategies can serve as a platform that can help an organization to retain its best employees and maintain a lower labour turnover.

**Keywords:** Employee Retention, Social Cohesion, Labour Turnover

### 1 INTRODUCTION

Employee retention is recognized as an important subject of study by HR personnel. Retention activities may be defined as a sum of all those activities aimed at increasing organizational commitment of employees, giving them an overall ambitious and multitude of opportunities which will result in their growth. It is a voluntary move by an organization to create and foster an environment that encourages current staffs to remain employed.

Anne M. Mulcahy, Xerox chairman and chief executive officer quoted, "Employees are a company's greatest asset - they're your competitive advantage. You want to attract and retain the best; provide them with encouragement, stimulus, and make them feel that they are an integral part of the company's mission. Employees who believe that management is concerned about them as a whole person--not just an employee--are more productive, more satisfied, more fulfilled. Satisfied employees mean satisfied customers, which leads to profitability."

In order to successfully link productivity and employment retention, government policies should target three objectives: matching supply to current demand for skills; helping workers and enterprises adjust to change; and anticipating and delivering the new and different skills that will be needed in the future.

### OBJECTIVES OF THE STUDY

1. To understand the importance attached to employee retention in today's dynamic business environment.
2. To examine the perceptions of employees regarding the effectiveness of workforce retention strategies.
3. To know the reasons for labour turnover and find ways to reduce it in organisations across various sectors.

### RESEARCH METHODOLOGY

This study is based on Secondary data collected from books, journals, research paper, newspapers and related websites.

### IMPORTANCE OF THE STUDY

The earlier studies have elicited that workers were loyal to their organizations and stayed often on the job until their retirement. As a result of this, employers were equally committed. However, in modern times, loyalty is passé and professionalism is the catchphrase in the present-day corporate world. The reasons of employee attrition are also changing. Now-a-days employee leaves an organization for many reasons like growth, personal problems etc. but majority of people switch over jobs due to only one reason that is 'dissatisfaction'. The present study analyses and points out some major concerns like no objectivity in job allocation, employee recognition and fairness in career advancements behind the growing attrition rate.

### LIMITATIONS

1. Data is collected from Secondary sources. Primary research has not been done. Accuracy of the study will depend on provided information but adequate attention is given to reliability and validity of the research.
2. Data is applicable only to urban employees and rural employees have not been taken into account.

### CONCEPT OF EMPLOYEE RETENTION:

Employee Retention refers to an arrangement by the management to help the employees stay with the organization for a longer period of time. Employee retention is a systematic effort by employers to have policies and practices that address the diverse needs of the employees.

Steve Jobs quoted, "When I hire somebody really senior, competence is the ante. They have to be really smart. But the real issue for me is, Are they going to fall in love with Apple? Because if they fall in love with Apple, everything else will take care of itself. They'll want to do what's best for Apple, not what's best for them, what's best for Steve, or anybody else."

Employee retention has become a major concern for corporates in the current scenario. Individuals once being trained have a tendency to move to other organizations for better prospects. Lucrative salary, comfortable timings, better ambience, growth prospects are some of the factors which prompt an employee to look for a change. Whenever a talented employee expresses his willingness to leave the company, it is the responsibility of the management and the human resource team to intervene immediately and find out the exact reasons leading to the decision.

### NEED AND IMPORTANCE OF EMPLOYEE RETENTION

**1. Manage Employee Turnover:** Employers implement retention strategies to manage employee turnover and attract quality employees into the organization.

**2. Cost Effective:** High turnover can be very expensive. Strategies developed towards retaining good workers helps to offset employee replacement costs. It reduces the indirect costs such as decreased productivity and lost clients.

**3. Maintain Performance And Productivity:** Employee retention practices supports organization's productivity. Recruiting and training new employees takes time. Therefore, taking the necessary steps to keep current workers satisfied with their roles will ensure productivity is not interrupted.

**4. Enhances Recruitment:** Effective retention strategies often begin during the employee recruitment process. Companies that provide a realistic view of their corporate environment, advancement

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opportunities and job expectations to new hires can positively influence employee retention.

**5.Increases Morale:** Retention strategies are important because they help to create a positive work environment and strengthen an employee's commitment to the organization. For example, Team building activities.

Therefore, retaining a positive and motivated staff is vital to an organization's success.

### **POTENTIAL REASONS FOR AN EMPLOYEE TO LEAVE THE JOB**

#### **Poor remuneration :**

Employer should ensure that the remuneration paid to an employee should be close to compensation paid by other companies in same industry and compensation paid to employees at same level or same kind of work should be close to equal.

#### **Strained Relationship with boss and co-workers:**

Conflict in the workplace is hugely detrimental. Managers who fail to create the right opportunities for their employees, don't communicate and appreciate them have to deal with a high turnover rate. For e.g. Workplace intimidation or bullying.

#### **Lack of job satisfaction:**

If a workplace is stagnant, non-progressive and unexciting, then the turnover rate would be high. Job satisfaction and attrition are strongly linked. An employee who is dissatisfied with his job would not show commitment towards his job, as well as the organization.

#### **Poor job profile:**

Job profile gives a sense of accomplishment and challenge to employee. If an organization fails to assign a job profile based on his ability and capability, he may get demotivated and start looking for better opportunities.

#### **Lack of opportunities to use skills and abilities:**

Employees want to develop their skills to feel a sense of pride, accomplishment, and self-confidence. If an employee can't see himself growing in the current organization, they will look elsewhere for a career development or promotion opportunity.

#### **Organization's financial instability**

Financial instability including lack of sales, layoffs, salary freezes, mergers and acquiring companies can lead to an employee's feeling of instability and lack of trust.

#### **Corporate culture:**

Employees like organization which is process oriented, transparent in its policies and communication channels, employees welfare is being taken care of and overall a conducive work culture. Failing to comply with this, a company may lose out on a valuable resource.

#### **Lack of work recognition:**

It is of utmost importance for an organization to have a system in place to identify employees who are performing outstandingly. Such employees should be rewarded else they will leave the organization soon.

### **CHALLENGES IN EMPLOYEE RETENTION**

Hiring is not an easy process as recruiting the right candidate from a large pool of talent is a time consuming process. Replacement costs usually are 2.5 times the salary of the individual. An organization invests time and money in grooming an individual and make him ready to work and understand the corporate culture. When an individual resigns from his present organization, it is more likely that he would join the competitors. In such cases, employees tend to take all the strategies, policies from the current organization to the new one. Individuals take all the important data, information and statistics to their new organization and in some cases even leak the secrets of the previous organization. After striking a rapport with an existing employee, it is a challenge for other employees to adjust with and trust a newcomer. Customers and clients do business with a company because of the people. When an employee leaves the

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organizations, the relationships that an employee builds for the company are suffered and also could lead to loss of contact with potential customer.

### STRATEGIES FOR EMPLOYEE RETENTION

#### **Hire the right people:**

Retainable employees show a clear commitment to contribute their skills to an organization for the long term. Management and HR personnel must identify people who are intrinsically motivated, interested in learning and growing in their careers. It is imperative to clearly establish expectations when hiring is done. Thus, disappointments on both sides can be avoided.

#### **Good Performance appraisal system:**

Evaluation of performance begins with clear, measurable expectations that both manager and employee have agreed to. Employees need timely feedback to work more efficiently. By monitoring and sharing results, it becomes clear which employees are meeting or not meeting performance expectations. Evaluation gives companies the chance to recognize and reward excellence. For E.g.: Annual or midyear reviews.

#### **Train managers and supervisors in good communication skills:**

It is said that 'Employees generally don't quit on the company, they quit on their managers'. If supervisors, line managers have the knowledge, training and sensitivity to work effectively with people on an individual level, this will perhaps work as the best retention strategy. For e.g. " 'Thank You' notes from superiors can act as a motivator.

Charles Schwab quoted "I consider my ability to arouse enthusiasm among men the greatest asset I possess. The way to develop the best that in a man is by appreciation and encouragement."

#### **Rewards and recognition programmes:**

Thinking out of the box is the catchphrase. Therefore it is not just the high achievers who deserve recognition, but anyone who goes above and beyond the call of duty. Employees who feel valued generally reciprocate by offering their loyalty to the company. Rewards, recognition and praise might just be the single most cost-effective way to maintain a happy and productive work force

#### **Examples:**

- ◆ Infosys has given 3,000 iPhone6 handsets to employees who have performed extremely well across verticals and across geographies.
- ◆ E-commerce firm Snapdeal has gifted holidays and educational opportunities in top Indian business schools for its employees.

#### **Compensation and Perks:**

Attractive Compensation constitutes the highest part of employee retention programme. Compensation includes salary and wages, bonuses, benefits, perquisite, stock options, bonuses, vacations. Jack Welch quoted, "If you pick the right people and give them the opportunity to spread their wings and put compensation as a carrier behind it, you almost don't have to manage them."

#### **Examples:**

- ◆ Employees besides core-founders of the Food chain Faaso's will get stocks for the first time.
- ◆ Philips India has taken a mammoth team of 2,000 employees from its sales team to Colombo for their rewards programme for the first time.

#### **Conducive work environment:**

Herzberg's Two Factor Theory suggested a two-step approach to understanding employee motivation and satisfaction.

- ◆ Hygiene Factors that include Company policy and administration, Wages, salaries and other financial remuneration, quality of supervision, quality of inter-personal relations, Working conditions, Feelings of job security.
- ◆ Motivator Factors include Status, opportunity for advancement, Gaining recognition, responsibility, stimulating work, Sense of personal achievement & personal growth in a job.

Creating a positive company culture is a direct reflection of your brand and makes your company stand out as an employer of choice. By making sure that your employees are engaged appropriately, you can

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“Skill Development : The Key to Economic Prosperity”

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boost employee loyalty and attract the best recruits.

◆ Google has been ranked as the best place to work for the fifth time in a row, the reason being a handsome pay, unparalleled career opportunities, health care benefits, fruitful trainings and healthy work life balance.

### EMPLOYEE GROWTH STRATEGIES:

Good employees want to develop new knowledge and skills in order to improve their value in the marketplace and enhance their own self-esteem.

McClelland's Theory of Need for Achievement (N-Ach) is one of the theories focusing on human motivation. It is based on the fact that the motivation is affected by three types of needs: Achievement motivation (n-ach) Authority/power motivation (n-pow), Affiliation motivation (n-affil). We have a mixed bag of people in organisation who possess these three needs. Hence, employers need to give them right opportunities and scope for professional growth and personal development.

For E.g. CD/DVD, podcast and online learning, outside seminars and workshops cross-training etc.

### RECOMMENDATIONS

◆ Career pathing will help current employees visualize their growth in the company. It will help employees to set goals and get focused on where they want to go. It will also allow the company to show its commitments, which benefits both the company and the employee. If employees have gaps in their skills or experiences, a career development plan can be created by the manager, the employee, and HR jointly.

◆ Celebration and recreation: Celebrating Family Day at work, Hold public celebrations when the company hits major milestones and felicitate the employees in the presence of their family. Recreational facilities like onsite gym, Laughter and yoga sessions Gaming zones helps to reduce the boredom. Perks like spa or shopping voucher for women and football match tickets for men helps in making the reward customised to an individual's preference and takes the award from just being a pure monetary gift into being a lifelong memory.

◆ Reverse mentoring will help a junior employee to gain domain knowledge and a senior executive an opportunity to stay up-to-date with the latest business technologies and workplace.

◆ 720 degree of performance appraisal system can be stated as twice 360 degree performance appraisal. Once the performance of an employee is evaluated from 360 degrees (Management, Colleagues, Self and also customers) and timely feedback is given, new goals are set; performance is evaluated again based on them. The superiors must give tips to the employees to achieve their targets.

### CONCLUSIONS

Jack Welch quoted, "There are only three measurements that tell you nearly everything you need to know about your organization's overall performance: employee engagement, customer satisfaction, and cash flow. It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it."

Many developed economies have advocated the creation of a high-skilled, high waged economy by upgrading the education and skills of its workforce. The future prosperity of countries depends ultimately on the translation of skilled resources into meaningful employee retention resulting into better productivity and better organizations. Current business environment is expected to bring more layoffs due to the unsettled nature of working across industries. The inflationary trends seen in the market economy is making the job market more competitive. It is getting more difficult to retain employees, as the pool of talent is becoming more exhaustive. Thus, Employee retention strategies will play a pivotal role in preserving the human capital across all the business sectors.

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