

# A STUDY ON EMPLOYEE RETENTION STUDIES

**Amarjeet Majumdar**

*Research Scholar, Department of Management, Sabarmati University, Gujarat*

---

## INTRODUCTION

"HRM is about effective management of the employment relationship and applies to management activity in all organisational settings, even unpaid and voluntary work".

"Human resource management is a strategic and coherent approach to the management of an organisation's most valued assets the people working there who individually and collectively contribute to the achievement of its goals".

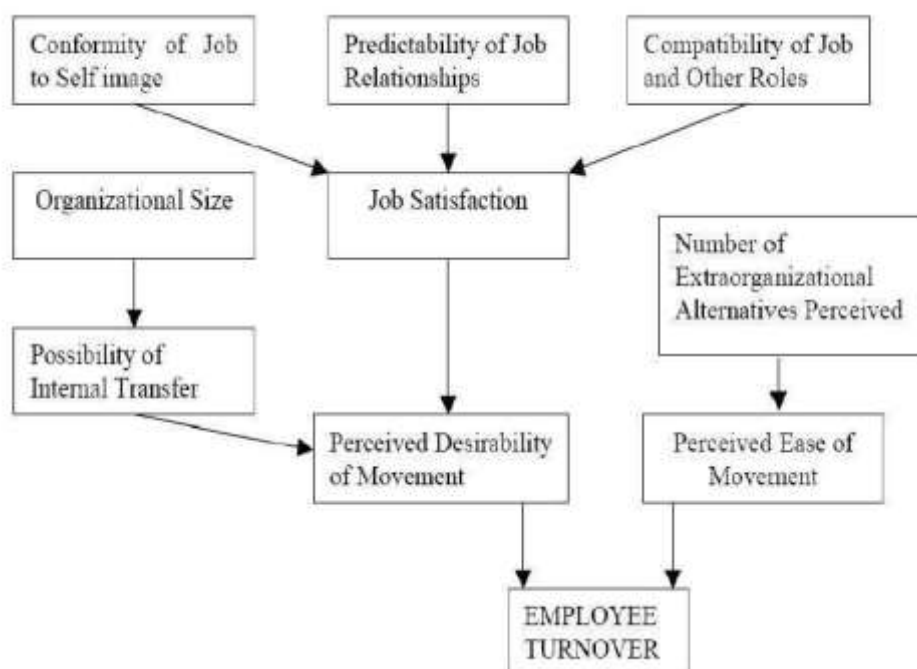
The importance of human resource management has increased these days because management can achieve the organisational objectives only with the cooperation of the people working in the organisation. Without the efficient use of human resources, management can never accomplish organisational objectives. Therefore, creating and maintaining a motivated workforce is the central responsibility of management everywhere.

The study of HR practices and activities give the extent of success or failures of policies and practices. Research of human resource management provides an understanding of practices and policies that are successful and those which are not, what changes are necessary and in which area of personal management. For maintaining good human resource management must gather information about working conditions and employee job satisfaction level. In order to make sound decisions and for preventing and solving employee problems a typical method used is a job satisfaction survey. It is a procedure by which employees report their feelings towards their jobs and work environment<sup>6</sup>. The nature of HRM is very dynamic. It controls the overall efficiency and productivity of firm because human resources are the most important asset for an organisation. A well-managed human resource with good working conditions improves trust, openness, mutuality, enthusiasm and collaboration which are essential for efficient functioning of any organisation. The management of HR is complex and problematic because the employees work for themselves and may not adopt and work according to the objectives of organisation. Different employees have different needs, desires, interests and different motivational levels which affect their overall engagement at work and their behaviour unfortunately may not be incongruent with organisational objectives. Since mid-1980's Human Resource Management (HRM) is widely accepted in both academic as well as business organisation circle. HRM has emerged as a multidisciplinary subject which has direct co- relation with different subjects of social sciences likes sociology, management, economics and psychology. Today human resource managers want to know how to have satisfied employees, not why employees should be satisfied.

## EMPLOYEE TURNOVER PROCESS MODELS

Several studies were already conducted that focused on developing and estimating a causal model specifying the factors of voluntary turnover. The one common aspect observed from these models is that turnover process is a multistage process which depends upon behaviour and attitude of employee. Many models about turnover were listed but these five turnover models which are chronologically listed are most accepted. These key models have shaped the research on turnover behaviour and therefore need to be discussed.

- a) March & Simon's Model : Many studies of attrition are to some degree descendants of the March and Simon (1958) framework. Their model can be traced back to Barnard-Simon's theory of "organisational equilibrium" in which they argued and explained that all employees confront with decisions through their interaction with the company. A special concern in this study is the "decision to participate" with the key variable "desirability and ease of movement in and out of the organisation". The theory specifies that employees' decision to resign is influenced by two factors: their "perceived ease of movement", which refers to the assessment of perceived alternatives or opportunity and "perceived desirability of movement", which is influenced for instance by job satisfaction. This phenomenon explains how balance is established between employee and organisation in terms of pay, contribution which ensures continued organisational efficiency. It is commonly observed that when pay and perks are increased then tendency of employee to leave diminish. Their model still has many limitations. This model looks more static rather than a procedural view of turnover. They have not included important factors that influence the attrition process, like job stress but still it is one of the most established model and has influenced other models as well.



*Simplified Version of March and Simon's Model, (Adopted from Morrell et al., 2001: p.62)*

- b) Mobley's Model : The employee turnover decision process by Mobley (1977) has shaped the course of turnover studies for the past decade. Mobley's model is based on several former preceding studies, for instance March and Simon's theory (1958) about ease and desirability of work concept and Porter and Steer's model (1973) of met-expectation and intent to leave.. The termination decision process can be described as a sequence of cognitive stages starting with the process of evaluating the existent job followed by the emotional state of satisfaction or dissatisfaction. One consequence of dissatisfaction is to initiate thought of quitting. The next step is the evaluation of the expected utility of search (e.g. desirability of possible alternatives travel or lost work time) and of the cost of quitting (e.g. loss of vested benefits). If perceived possibility of finding an alternative is available and if the costs are not that high, the next step would be behavioural intention to search for alternatives followed by an actual search. If alternatives are existent, then an evaluation of alternatives will proceed. Afterwards a comparison of the present job to alternatives will follow. If the comparison favours the alternative, then behavioural intention to quit will be stimulated, followed by the final decision to quit. Other later studies extended Mobley's model by including other variables, such as organisational commitment or examined factors that affect job satisfaction more precisely<sup>25</sup>. However, their findings to some extent showed a similar possible intermediate step in the turnover process, yet a major distinction exists.



*Mobley's Employee Turnover Decision Process Model (Adopted From: Mobley, 1977: p. 238)*

## RETENTION MANAGEMENT

Retention management is defined as "The ability to hold onto those employees you want to keep, for longer than your competitors."<sup>54</sup> Retention appears as a practical solution for Attrition which emphasises to reduce workforce loss and enhances efficiency and smoothness in an organisation. 'Employee retention is all about 'keeping good people.' It is much to do with our culture and how we treat people.<sup>55</sup>' Retention of talented employees is critical to the long-term health and success of any organisation. It is a known fact that retaining the best employees ensures customer contentment, greater than before sales, satisfied colleagues and staff, effective succession planning, and deeply entrenched organisational knowledge and learning. The organisations not being capable of retaining right pool of employee faces a lot of problems and becomes white elephant. Hiring a knowledgeable & smart workforce is vital for each and every employer, but retaining talented employee is much more important than hiring. Good employees have lots of opportunities and always come with best job offers; there are many organisations which are looking for such employees. Generally if any employee is not satisfied with the job he is doing, he shuns it and looks over for more suitable and satisfactory job. The organisations which are on top; first and foremost reason for this is that they know the value of their employees and they are aware of how to get employee firmly attached with the organisation.

Employee Retention leads to the new techniques and policies which facilitates in motivating the employee so that they are glued to the organisation for a maximum possible time and contribute effectively. Sincere efforts must be taken to ensure growth and learning for the employees in their current assignments. Employee retention has become a major concern for corporate in the current scenario. Individuals once being trained have a tendency to move to other organisations 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 move on, 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.

## REVIEW OF LITERATURE

Cordray Kevin (2005) conducted a research on 'High Retention Rates bring Customer Benefits at SITEL Direct - Why Call-Center Company bucks the Trend'. The researcher found that the company consistently maintains monthly retention rates that are not only well above industry benchmarks but also compare well with other sectors in the customer-service industry. The researcher further found that the company's overall offering of comprehensive training, career-development opportunities, working-hour flexibility, sense of community and convenient location not only contribute its strong position in the marketplace, but also to the experience of every customer interaction.

Akila R. (2012) carried out 'A Study on Employee Retention among Executives at BGR Energy Systems Ltd, Chennai.' The employee retention program at BGR Energy consists of only basic daily needs of the employee. Employees are found to be dissatisfied with it. This is found to be the threatening factor for higher employee turnover rate. To study the opinion of executives on

employee retention attributes at BGR Energy a sample of 109 respondents from executives' cadre using descriptive research design under convenience study. The questionnaire forms the basic source of primary data, while secondary data was collected through books and through online journals, magazines, project report. The data collected was analyzed using ANOVA, Rank correlation, Weighted Average Method, Regression, Chi square and Percentage Analysis. The analysis on the collected data revealed that the Employees have given highest weighting to comfortableness in working hours and are not satisfied with annual increments provided. Gender has significant relationship with work life balance. Correlation between job satisfaction and working condition leads to employee retention. The departments also have influence on it. The factors that had a greater influence on employee retention were career opportunities, work life balance and recognition at BGR Energy.

Gentry W. A., Kuhnert K. W. and Mondore S. P. (2007)<sup>12</sup> studied 'The influence of supervisory-support climate and unemployment rate on part-time employee retention - A multilevel analysis.' Using "districts" nested within "regions", this multi-level analysis research aims to examine whether a climate of supervisory-support at a "district"-level (as measured by perceived supervisor support (PSS)), and "region"-level unemployment rates were related to "district"-level retention rates of blue-collar part-time employees (PTEs). Blue-collar PTE retention rates (from company records) and PSS levels (from a company-wide survey) of a large global service provider were gathered. "Regional" unemployment rates were collected via publicly-accessible government statistics. The study finds that PSS levels of blue-collar PTEs were related to retention rates. Additionally, through the nested relationship of the study, the "region"-level unemployment rate was also related to PTE retention levels. Limitations of the study included generalization to other companies, inability to collect demographic data, sample size and sampling issues, and concerns about the measurement of retention. This study revealed that supervisory-support climate was important in PTE retention. This paper gives mechanisms that managers can use to improve PSS levels of employees. Additionally, since organizations exist in environments, results show that the external environment may affect organizational outcomes, no matter what occurs internally in the organization. This study is unique since it focused specifically on blue-collar PTEs, a much-needed group of people to research. The paper gave ways for managers to enhance their relationship with PTEs, thereby having special value for managers and those who study managerial development. Additionally, the study gave evidence that organizations exist in environments, and factors outside the organization may affect retention within organizations.

## **METHODS AND TOOLS OF DATA COLLECTION**

Secondary data included review of existing literature on attrition and retention. The review of literature has helped in deciding the objectives of the study. Primary data for the research is collected with the help of two questionnaires to achieve the objectives of the study. Data is collected with due diligence and care. To collect all the necessary information from the selected institutions and respondents, two types of structured questionnaires are used. The following questionnaires are used to collect the necessary information:

## Questionnaire - I

- Structured questionnaire for employees of selected banking and insurance companies regarding dimensions of attrition (self-administered).

The questionnaire is divided into two parts; first part consists of information regarding demographic profile of the respondents, i.e., name of the respondent, gender, marital status, educational qualification, salary, tenure, age and designation. The second part consists of thirty five dimensions of the attrition prevalent in the banking and insurance companies in Haryana. For the purpose of measuring the dimensions of attrition in banking and insurance sector, a questionnaire is developed by the researcher comprising of thirty five variables. The items are arranged on a five-point scale according to the following response categories:

- 1 - Not At all Responsible (NAAR)
- 2 - Not Responsible (NR)
- 3 - Neutral (N)
- 4 - Responsible (R)
- 5 - Highly Responsible (HR)

## Questionnaire-II

- Structured questionnaire for employees of selected banking and insurance companies of Haryana regarding dimensions of retention (self-administered).

To measure the dimensions of retention in banking and insurance sector, a questionnaire is developed by the researcher. This questionnaire-cum-scale contains Twenty One statements regarding the different factors of retentions which can affect the satisfaction level of a person. The items are arranged on a five-point Likert scale according to the following response categories:

- 5 - Strongly Agree (SA)
- 4 - Agree (A)
- 3 - Undecided (U)
- 2 - Disagree (DA)
- 1 - Strongly Disagree (SD)

**THE KAISER-MEYER-OLKIN MEASURE OF SAMPLING ADEQUACY:**

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy tests the suitability of data for structure detection. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistic that indicates the proportion of variance in the variables that might be caused by underlying factors. High values (close to 1.0) generally indicate that a factor analysis may be useful with the data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful.



## LIMITATIONS OF THE STUDY

1. The respondents' half-hearted co-operation in providing the right responses while filling up the questionnaire on the pretext of Banking/Insurance confidentiality and secrecy.
2. Sample size is restricted to 300 respondents of Haryana each in banking and insurance sector due to shortage of time, money and resources. A large sample size would have given better results.
3. The measures included in this research are also based upon the perceptions of the participating respondents. Therefore, the potential for data inaccuracies due to misinterpretation or predisposition to certain responses on the part of the participant does exist.
4. Only four private banking and four private insurance companies of Haryana were included in this study. As a result, the generalization of the findings of the research should be considered carefully.

## FINDINGS AND RECOMMENDATIONS

One of the toughest challenges for the HR managers in banking and insurance industry is to deal with the prevalent high attrition levels. Though there is supply of qualified staff at entry level, there are huge gaps in the middle and senior level management in the industry. Further, the salary growth plan for each employee is not well defined. This situation has resulted in increased levels of poaching and attrition between organizations.

Service industry has been increasingly gaining importance in Indian economy. In the prevailing stiff competition, the managers are searching for any strategy that can provide them with success. Managing attrition rate is one of these strategies that can lead to greater competitiveness. This business strategy has been practiced for years. What makes this strategy so viable is the fact that there is a dramatic change in the way companies are competing with each other now-a-days. The primary motivations are cost savings and the desire to avoid high capital investments in recruiting and training new employees.

More importantly, an organization focuses on the strategic purpose of retaining employees which is an integral part of corporate strategy. Overall, the faster way to improve a company's ability to compete in today's fast changing environment is to generate effective retaining strategies.

### Recommendations

1. The top management of banks must have to concentrate on framing retention strategies in the area of 'Psychological Growth Factors'. For this purpose the organisations have to provide avenues of growth for the employees. Secondly, the policy makers have to emphasise on helping employees to achieve a 'Balance between work and family'. Lastly, there is a dire need in the area of providing great opportunities for 'personnel growth and development' in the concerned job positions.

2. The top management of banks have to concentrate on framing retention strategies in the area of 'Organisational Support Factors'. For this purpose, the top management must provide facilities for effective work, providing support for worthwhile accomplishment in job positions and framing favourable 'HR Policies'.

3. The policy makers may have to design retention strategies in the area of 'Career Growth Factors'. For this purpose they have to develop innovative system for challenging work and increase involvement of employees in their respective work. They must provide favourable opportunities for employees' development.

## REFERENCES

1. Aghazadeh S.M., "The future of human resource management", Work study, vol. 52 no. 4, 2003.
2. Ahmad R. and Suttle F, "Retaining telephone banking customers at frontier bank", International journal of bank marketing, 20/1, 2002
3. Amato A.D. and Herzfeldt R., "Learning orientation, organizational commitment and talent retention across generations", Journal of Managerial Psychology, Vol. 23 Issue 8, 2008.
4. Sagga G. "How to keep the talent you have got", Human resource international digest, Vol. 21 , 2013.
5. Sajpayi N. "Business Research Methods", Pearson publications, First Edition (2011)
6. Chapman C., "Retention begins before day one: orientation and socialization in libraries", New Library World, Vol. 110 Issue 3/4 ., 2009.
7. Chiu R.K., Luk V.W. and Tang T.L., "Retaining and motivating employees", Personnel Review, Vol. 31 Issue 4 ., 2002.
8. Claes R. and Heymans M., "HR professionals' views on work motivation and retention of older workers: a focus group study", Career Development International, Vol. 13 Issue 2 ., 2008.
9. Ezulike G., "How to hold on to your key information-technology specialists", Human resource international digest, Vol. 20 NO. 4p.22, 2012.
10. George C., "Retaining professional workers: what makes them stay?" Employee Relations, Vol. 37 Issue 1 ., 2015.
11. Kirby A. "First Direct focuses on family and fun", Human Resource Management International Digest, Vol. 13 Issue 5 ., 2005.
12. Lee M.D. and Nichols T., "Physician recruitment and retention in rural and underserved areas", International Journal of Health Care Quality Assurance, Vol. 27 Issue 7 ., 2014.