
An overview of employee retention strategies & its impact on turnover of the employees

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Abstract: -

Employees are the most valuable asset for an organisation's success. Employee retention is a process where the organisation retains their existing employees for a maximum period of time or until a project is completed. This research paper focuses on what are the strategies used by the organisation to retain their employee, how effective is these strategies to retain their employees. The management has to consider the retention of their employees as a top priority, and hence, studying various factors such as work-life balance policies, work environment, proper recognition and reward, career growth, training & development, social interaction & support, compensation and other benefits are very crucial to examine the relationship between employee retention strategies and the employee turnover.

The research paper analysed about how these factors of various retention strategies will have a positive or negative impact on the employee's turnover. The key findings of the study demonstrated on the most relevant strategies opted by the organizations, which will have a positive and negative impact on their employees which will lead to employee turnover.

KEYWORDS: -Employee retention, Factors determining/affecting employee retention, HRD Strategy, Employee turnover, Work-life balance

1. Introduction: Employee Retention

Employee Retention refers to the organisations ability to retain their existing employees. Employee retention is an organisation goal or attempt of keeping the talented employees and reducing the turnover by promoting a positive work environment, as the organisations are focused on retaining the employees usually start at of the employees hiring. A strong retention strategy is a powerful tool for any organisation, retention of key employees is a critical for achieving the long term goal of the organisation which will ultimately lead to their success. An employee retention strategy helps the organisation effective employee's communication, improves commitment as well as enhances workforce & supports key corporate initiative. Many organisations are focusing on retaining employees with both monetary as well as non-monetary factors. However, there are some companies who relay

value their employees as well as focus on their welfare & development, for example, Google, Yahoo, Infosys, Target, and many more.

Some organisation have identified the main problem behind turnover and managing to retain the talented employees by addressing the factors influencing employee retention. So, in the organisations prospective every employee has a right to move from one organisation to another depending on his/her comfort level and also by considering other factors like pay, work environment, compensation benefits, career development, recognition, etc., as every organisation is facing some challenges to sustain in a dynamic environment out of which the primary challenge is employee retention. Employee retention is an important aspect of the human resource department of any organisation because it is important to attract, manage as well as retain them. As retention helps the human resource planning in the organisation, human resource planning helps the organisation to estimate the gap between the demand and supply of workforce requires for the future based on the objectives of the organisation.

Retaining employees is one of the top and essential priority to each and every organisation which are operating all over the world, why does organisation give importance to retaining employees is because replacing employees is an expensive, disruptive and time-consuming proposition, but, retaining employees would reduce the cost for the organisation. There are various factors but, one of the most important factor is Job satisfaction, it is said that “Employees who are happy in their job are less likely to quit”, but, that’s not the only factor. Compensation, professional development opportunities and the overall strengths for most companies are key examples of retaining employees.

1.1.Important for an organisation to retain its employees

Retention of a positive and actuated worker is incredibly vital for the organization' success. High turnover rate will increase the expenses and conjointly encompasses a negative impact on the organization’s morale. There are numerous for organisations to retain its employees, they are:-

1. **Recruitment Enhancement** – Effective retention strategies often begin during the employee recruitment process.
2. **Employee Turnover Management** – Employers implement retention strategies to manage employee turnover and attract quality employees.
3. **Performance and Productivity Maintenance** – Employee retention practices help support an organization’s productivity.
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5. **Increases Morale** – Employees who enjoy what they do and the atmosphere in which they work are more likely to remain employed with their organization over a longer period of time.
6. **Cost Effective** – an organization can significantly get benefit from employee retention programs because of a direct effect on an employer’s strategies.

2.1 THE RATIONALE FOR THE STUDY AND MOTIVATION:

Many organisations in today’s world are having the greatest challenge to retain its current or existing employees. Generally individuals stay in the organisation if there is good pay, proper acknowledgement for the work or task performed, work conditions, etc. The organisation

must understand that there is a lot difference between a valuable employee and those employees who do not contribute towards the organisations success. Employee's job satisfaction & various other factors are the key drivers for the organisation to have an effective retention program in the first place; we also need to understand why employees are leaving the organisation as well.

The corporate world is changing each & every day due to changes in trends which will have either direct or an indirect impact on the employee's lives. Hiring as well as retain employees is nearly the main objective of every company, as a comprehensive employee retention program can have a vital impact on both "attracting as well as retaining" key employees which in turn reduces turnover as well as other related costs. High employee turnover increases expenses and as a negative impact on the organisation .We also need to understand why employee retention is becoming a huge problem post pandemic situation. Companies who understand what their want & need at the workplace & make strategic decision will be the most dominant player in their respective market place.

2.2. Challenges of employee retention are as follows:-

- **Salary Dissatisfaction** – Every employee has high salary expectations and this is one of the major reason, why an employee quits the organization.
- **Job Opportunities are high** – There is a cut-throat competition to attract the best talent in the market. Companies go a long way to lure talented resources from their competitors.
- **Hiring the Wrong Candidate** – Recruitment plays an important role, which is the future of any organization. A right candidate hiring will give a good future and a wrong candidate hiring will give a bad future.
- **No Job Rotation** – Any employee gets bored, if he/she does the same job for years together. The job might be good and interesting in the starting phase, but soon, it could become monotonous.
- **Unrealistic Expectations of Employees** – It is not possible for an organization to meet the expectations of all the employees. An employee must be mature enough to understand that one can't get all the comforts at the workplace. Employees do not leave the organisation until there is a specific reason stated why they are taking such a decision, there are countless number of reasons which drives prospective employees to leave the organisation, they are as follows:-
 1. Employee's expectation on the job.
 2. Attractive salary, incentives or aspiring job roles.
 3. Better employee opportunities.
 4. Better work infrastructure as well as employee working environment.
 5. Participative Leadership roles.
 6. Lack of direction as well as poor corporate culture.
 7. Employee's growth and support.
 8. Not satisfied with his/her job.

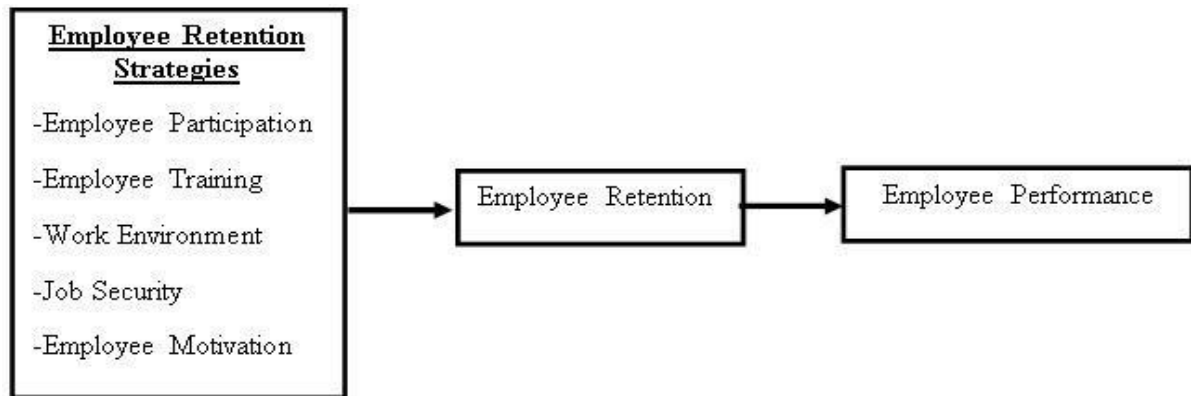


Fig. 1:- Employee Retention

3.1 STATEMENT OF THE RESEARCH PROBLEM:

Employee retention is one of the biggest challenge for many organisations, the researcher would like to understand why organisation are having a serious problem to retain their employees, what are the factors that drives the employees to leave one organisation & move on to another organisation, what are the future benefits for the employees even if they retain or stay with the same organisation for a long time. Employee retention is the organisation goal of keeping talented employees and reducing turnover by fostering a positive work atmosphere to promote engagement, showing appreciation to the employees, and providing competitive pay and benefits and healthy work life balance. Employers are particularly interested in retaining employees during period of low unemployment and heightened competition for talent.

To retaining employee's organisations, use Human Resource Technology, for recruiting, on boarding, engaging and recognizing workers and offer flexibility and modern benefits like physical and financial wellness programs. Some organisation uses systematic recognition and rewards strategies show they value their employees. Retaining motivated and optimistic employees is vital to any organisation's growth and success. In the current scenario, a major challenge for an organisation is to retain its valuable and talent employees, the management can control the problem of employee's quitting the organisation within no time to a great extent but can't put a complete full stop to it.

3.2 LITERATURE REVIEW:-

Fitz-enz (1990) recognized that employee retention is not influenced by a single factor, but rather by a host of factors such as compensation, rewards, job security, training & developments, supervisor support culture, work environment and organization justice. Retention is divided into three dimensions: social, mental and physical. According to Osteraker (1999) the employee satisfaction and retention are the key factors for the success of an organization. The Retention factor can be divided into three broad dimensions, i.e., social, mental and physical. The mental dimension of retention consists of work characteristics, employees always prefer flexible work tasks where they can use their knowledge and see the results of their efforts which, in turn, helps in retaining the valuable resources. The social dimension consists of the contacts that the employees have with other people, both internal and external. The physical dimension consists of working conditions and pay. Eva Kyndt , Filip Dochy et al.,(2009) have found in their study, while investigating employee retention

that personal factors such as level of education, seniority, self-perceived leadership skills, and learning attitude and organizational factors such as appreciation and stimulation, and pressure of work are of great relevance in employee retention.

Davies, Taylor, & Savery (2001) observed in their study that compensation to top workers is given by every organization but very few organizations uses it strategically. They said that “Salary and benefits policies are not being used strategically, within the organization to improve morale, reduce turnover, and achieve targets within an establishment”. Agarwal (1998) gave an explanation to the term reward as something that the organization offers to the employees in response of the work as well as performance and something which is desired by the employees. Messmer (2000) found that one of the important factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give output on its investment. Wells & Thelen (2002) have stated in their study that organizations which have generous human resource policies, have a very good chance to satisfy and retain employees by providing them an appropriate level of privacy and sound control on work environment which enhances the motivation levels to commit with the organization for the long term. McNeese-Smith (1995) mentioned in his study on Leadership behaviour of hospital directors found that there is significantly positive relation between productivity, work satisfaction and organizational commitment of staff.

Anis, A. et al. (2011) investigated the link between job satisfaction, employee retention, perceived support from supervisors and compensation while believing organizational commitment as intervening variable in Pakistan’s pharmaceutical industry. The research findings revealed a positive and significant relationship between the above discussed variable and concludes that organizational commitment will lead to job satisfaction and retention. Deery, M. (2008) examined the role that work-life balance (WLB) plays in retention of employees in hospitality and tourism industry. The researcher reviewed the literature to provide an overview about the key issues that have an impact on employee’s decision to leave or stay in an organization.

According to Roger E.Herman, the shortfall of skilled labour could go up to ten million by the end of this decade. Companies are putting a lot of effort to emerge as a brand which is sustainable and all-inclusive. Organizations have understood the importance of employee retention, and that is how they are now talking about a full-time employee retention specialist who will guide them to make progress and reduce turnover. According to Roger E. Herman “employee retention is not an HR issue, it is a management issue” (Herman, 2005) and that is why the role of an employee retention specialist becomes very important. He is a person who is educated and trained to help management in improving the performance of employees and reduce turnover cost.

Employee retention and happiness, in the opinion of Osteraker (1999), are crucial to an organization's success. The three main components of the retention factor are social, mental, and physical. Employees always choose flexible work projects where they can utilise their skills and see the consequences of their efforts, which, in turn, assists in retaining the precious resources. Work characteristics make up the mental component of retention. The

interactions that employees have with others, both inside and externally, make up the social dimension. The working environment and compensation are part of the physical dimension.

4.1 IDENTIFICATION OF RESEARCH GAPS:

The research gap is to identify if there is a strong relationship that exists between employee retention as well as the productivity of the employees which in turn affects the growth of the organisation either in a positive or negative way and to also know why organisations are failing to retain talented employees. The result of research gap will also help identify/showed that retention is the process in which employer takes steps to prevent the job switching of their key employees, as the main objective is to retain all the workforce and talented employees by creating a positive working environment. To retain and also to have committed employees there are no standard HR practices followed in organizations.

4.2 SCOPE OF STUDY:

- This study will help the researcher to understand on a broader scale what are factors which determine or influence the retention strategies used by the organisation to retain the employees. This study helps to better understand future growth of any organisation operating under any industry and also helps to understand the employee value proposition.

5.1 RESEARCH OBJECTIVE:-

- To understand how does employee retention strategies affects employee turnover that are often the main reason for high recruitment cost for many organisations
- To identify the key/critical factors that an HR professional needs to point out why employees are leaving the organisation So, that proper measure can be taken to reduce the same.
- The objective of the study is to analyse the organizational factors influencing the employee retention and to find individual factors leading employees to leave the organization and to examine the necessary conditions to retain the employees.
- All these factors determine the organisation turnover at the end of the day. The main reason why employees are retained is explained in the above conceptual framework, as motivation, participation, work environment, training & development, etc.

FACTORS CONTRIBUTING/ AFFECTING TURNOVER	PERCENTAGE
Salary/Pay	4.20%
Management v/s non-management positions	4.40%
Work location	5.80%
Annual compensation to total experience ratio	5.60%
Employee's tenure in current company as a % of total experience	29.40%
Employee experience (in previous organisations)	10%
Work life balance	45%

Table 1. factors contributing towards turnover

The above table indicates that all these factors are either directly or indirectly affecting or contributing to the organisation turnover but, the question still remains in doubt as to how does the above factors affect employee retention, to answer this particular question the

researcher takes a few examples like work life balance, Employee's tenure in current company with respect to previous work experience, Annual compensation etc. are the main drivers for employee retention as there have been organisation some cases where either motivational, financial, -non-financial, non-motivational rewards/factors are all proven to be one of the important factors that has worked for the organisations in the past, will continue to work in the present as well as in the future.

5.2 FRAMING OF RESEARCH HYPOTHESIS:-

<u>NULL HYPOTHESIS</u>	<u>ALTERATIVE HYPOTHESIS</u>
There is no relationship that exists between the retention strategies and employee turnover.	There is a strong relationship that exists between the retention strategies and employee turnover.

Table 2:- Research Hypothesis

5.3 METHODS FOR DATA COLLECTION & VARIABLES OF STUDY:-

In case of variables of study, there 5 variables that have considered in research paper as independent variables, they are:-

- a) Supervisor support
- b) Work environment
- c) Work life balance
- d) Career development
- e) Rewards and recognition

All of these above mentioned variables can be correlated with the Employee Turnover by considering job satisfaction as a mediating variable.

5.4 HYPOTHESIS TESTING & RESULTS:-

Correlation Analysis was done using each of these variables as to find the relationship between the retention strategies as and the turnover of the employees. After correlation analysis, the outcome and the conclusion drawn is as follows:-

X	Y	XY	X²	Y²
5	5	25	25	25
4	3	12	16	9
3	4	12	9	16
4	2	8	16	4
5	4	20	25	16
3	3	9	9	9
2	3	6	4	9
2	2	4	4	4
3	4	12	9	16
3	2	6	9	4

4	3	12	16	9
2	1	2	4	1
3	2	6	9	4
4	3	12	16	9
2	1	2	4	1
4	3	12	16	9
4	3	12	16	9
5	4	20	25	16
5	2	10	25	14
3	4	12	9	16
5	4	20	25	16
5	2	10	25	14
3	4	12	9	16
5	4	20	25	16
4	3	12	16	9
5	2	10	25	4
4	2	8	16	4
3	3	9	9	9
3	5	15	9	25
4	4	16	16	16
5	3	15	25	9
4	2	8	16	4
3	3	9	9	9
4	3	12	16	9
4	2	8	16	4
3	3	9	9	9
4	4	16	16	16
$\Sigma = 137$	$\Sigma = 110$	$\Sigma = 416$	$\Sigma = 539$	$\Sigma = 362$

The correlation result of 0.727 is what is obtained from the analysis between Retention strategies and the turnover of the employees. This implies a positive correlation between the two variables. This also gives an inference the significance of the implementation of the retention strategies to improve the employee motivation.

The correlation result of 0.307 which is obtained from the analysis between Career development and turnover. This implies a negative correlation between the two variables. Negative correlation gives an inference that both the variables are in the opposite direction.

This also tells us that despite the employees are guided for their career development, they are not satisfied with environment in which they are working.

The correlation result of 0.402 is obtained from the analysis between Rewards and Recognition and employee turnover. This implies a positive correlation between the two variables. This also gives an inference that when the employees are given recognition for the work they do, it motivates them to push themselves towards achieving more which will altogether contribute towards increased performance.

The correlation result of 0.670 which is obtained from the analysis between work life balance policies and Employee turnover. This implies a positive correlation between the two variables. This also gives an inference that when the employees opinions are taken into consideration for work life balance strategies they get motivated internally that their thoughts and work is benefitting the organisation which will urge them to work more and more efficiently which will result in increased productivity.

The correlation result of 0.840 which is obtained from the analysis between Supervisor support and Performance. This implies a positive correlation between the two variables. This also gives an inference that when the employees get a strong support from the supervisor, they tend to contribute the best of their efforts in order to obtain the most optimal outcome. This therefore will result in high productivity as well as increased employee motivation in the organisation and thus reduce the turnover.

6.1 RESEARCH OUTCOMES & FINDINGS: -

- It is also understood that by providing the right motivational factors such as employee reward, recognition, providing both monetary as well as non-monetary rewards, etc. can influence or change the mind-set of the employees to stay in one organisation for a long period of time.
- It is generally observed that employees who are working for a longer period of time are more familiar with the company's culture, policies, guidelines, and thus they can adjust better as they perform outstandingly well than other individuals who change jobs more or often a frequent basis. Employees who spend a considerable time in an organisation, as they know or familiar with the organisation in & out which results in their own contribution to their position effectively.
- It has been observed that individuals are sticking to an organisation for a longer span is more loyal towards the management and the organisation. They enjoy all kinds of benefits from the organisation and as a result are more attached to it. They are hardly talking negative about their organisation and always think in favour of the management. For them the organisation comes first and all other things later.
- As per observations it is essential for the organisations to retain valuable employees who are showing potential. Every organisation needs hardworking and talent employees who can relay come out with something creative and different. No organisation can survive if all the top performers quit, as it is essential for the organisations to retain those employees who relay work hard and provide consistent results (positive outcome/ positive performance on the job) for the whole organisation system.

6.2 RECOMMENDATIONS: -

- Many employees who are working for the company want recognition of the value that they bring a career path within the organisation & a future development plan. All are very much important as effective retention methods for employees and their managers to mutually develop a career path for them while setting the benchmarks in order to measure the progress and compensating them with rewards.
- Organisations should also consider providing the Non-Monetary rewards as they can be effective. Mentoring programs teach employee job-related skills and tutor them on how to redefine their interpersonal relationships. Other effective non-monetary programs may include flexible working hours and work schedules to fit an increasingly diverse work force & also expand more opportunities to the employees.
- It's essential for companies to pay their employees competitive compensation, which means employers need to evaluate and adjust salaries regularly. Even if the company's business does not increase paying the employees right now, companies should consider whether they could provide other forms of compensation, such as bonuses. By also providing healthcare benefits and retirement plans which can effectually raise the employee's job-satisfaction level.

6.3 CONCLUSION:-

Companies that fail to prioritise retention clearly pay a huge price. However, those that invest in improving employee's retention & addressing turnover risks reap significant rewards. Employee retention initiatives & related data can most efficiently be managed with a Human Resource Management System (HRMS). Individuals who leave their employers for many reasons, among them: they find a different or a better job or even retire. Building a financially sound organisation includes developing structures that keep a company's best employees around, companies that perform well give significant rewards as their performance will yield a positive outcome to the company including better corporate performance, higher productivity, better work quality, greater employee satisfaction.

It is also said that in order to maintain employee retention it is very important to have "a positive employee experience which can boost employee engagement & satisfaction. Employees who feel trusted & respected, are fairly compensated and have the opportunity to use their skills tend to remain with their organisations for the long term. Creating a successful retention approach takes significant effort, as organisation focusing on employee retention makes a lot of difference in the long term. An effective employee retention strategy is a critical component of comprehensive workforce planning. Organisations that fail to focus on employee retention and turnover reduction can suffer significant blows not only in terms of the hard costs related to finding, recruiting, and onboarding and training replacements but, also in terms of lost productivity and knowledge, impact on employee experiences and low morale and weaker corporate culture.

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