

Need, Importance and Strategies of Employee Retention

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Abstract

This paper presents findings from a survey conducted in the Indian resources sector exploring human resource (HR) managers' perceptions of how their organizational practices and external contextual changes in industrial relations legislation present challenges for the sector and retention of highly skilled employees. The research makes an important contribution to the literature on good employment/high involvement work practices by investigating organizational practices within the politico-legislative context of this economically significant sector. Our findings indicate that organizations have implemented a range of „good“ employment practices, while dealing with concerns about skills shortages, employee turnover, an aging workforce, and changes in legislation. We identify a need for employers to give greater attention to diversity and work-life balance issues. Further, there is a need for strategies to increase the attractiveness of work in remote locations.

Keywords: *Employee Retention, Need, Good Employment Practices, Challenges, Strategies.*

Introduction

Employees are the major assets of any organization. An organization can't survive if the individuals are not focused and serious about their work. The success and failure of any organization depend on the hard work put by the employees to achieve the targets of the organization. It is a common observation that employees who spend a good amount of time in the organization tend to know more about it and thus contribute effectively. They develop a sense of loyalty towards their workplace and strive hard to live up to the expectations of the management. There are several reasons as to why an employee decides to move on. Monetary dissatisfaction, a negative environment at the workplace, dirty politics, complicated hierarchies, lack of challenging work, poor supervision being the major ones. In the current scenario almost all the leading organizations are

facing the problem of employee retention. Management somehow fails to stop the high potential employees and thus face the negative consequences. It becomes really difficult for the organization to retain the employees who decide to quit for a better opportunity.

Definition

An effort by a business to maintain a working environment which supports current staff to remain with the company for maximum duration. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring and training new staff.

What “Employee Retention” Used to Mean

In the 1970s and early '80s, the term “employee retention” meant the relationship between employer and employees and had been a statement of status quo:

“You come work for me, do a good job, and, so as long as economic conditions allow, I will continue to employ you.”

So, in the 1980s and later, as job mobility and voluntary job changes began to increase dramatically, the “status quo” model began to fray substantially at the edges. Employers found themselves with a new phenomenon to consider: employee turnover.

Need of Employee Retention:

It's not only the cost incurred by a company that emphasizes the need of retaining employees but also

the need to retain talented employees from getting poached.

The process of employee retention helps an organization in following ways:

The cost of turnover:

Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. Its formula is-

$$\frac{\text{Total number of employees who leave over period}}{\text{Average total number employed over period}} \times 100$$

The major categories of costs to take account of are:

- Recruitment costs
- Selection costs
- Cost of covering during the period in which there is a vacancy
- Administration of the recruitment and selection process
- Induction training for the new employee.

Loss of Information:

When an employee leaves, there is loss of valuable information about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

Interruption of Customer Service:

Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

Turnover leads to more turnovers:

When an employee leaves, the effect is felt throughout the organization. The unspoken negativity often intensifies for the remaining staff. Co-workers also start leaving the organization.

Goodwill of the company:

The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

Regaining efficiency:

If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure of the same efficiency from the new employee

Factors Affecting Employee Retention

Retention involves following major factors:

- ❖ Compensation
- ❖ Growth
- ❖ Support
- ❖ Relationship

Compensation

Compensation involves largest part of employee retention process. An attractive package plays a critical role in retaining employees. These benefits involve:

(1) Salary and wages:

It is the biggest component of package. It is also the most common factor of comparison among employees. It includes-

- Basic salary
- House rent allowance

- A. Staff level 4 and 5 – 30% of basic salary
- B. Staff level 6 and 7- 50% of the basic salary.
- C. Staff level 8 and above – 60% of the basic salary.

(2) Bonus: Bonuses are usually given to the employees at the end of the year on a festival.

Economic benefits: It includes paid leave and travel policy

Paid leave - are also given according to the levels in the company.

- Level 1, 2, 3:- 15 yearly leaves & 7 casual leaves.
- Level 4 - 26 yearly leaves & 7 casual leaves.
- Level 5 & above: 26 yearly leaves 7 casual leaves & 7 sick leaves.

Travel Policy - If any employee goes out of station for work, he is paid by the company.

1) Health insurance:

Health insurance is a great benefit to the employees. It includes:

- Personal Accident Insurance Policy
- Group Medclaim Policy

Group Med claim Policy –

Group medclaim involves family members (employee + spouse + 2 children).

Growth

Growth and development are the integral part in an individual's career. At that time if an employee does not foresee his path of career development, there are chances that he will leave the job as soon as he gets an opportunity.

The growth depends on 3 factors:

- Work profile – The work profile on which an employee is working should be in sync with his capabilities. The profile should not be too low or too high.
- Personal Growth- Employees responsibilities in the organizations should help him achieve his personal goals also. If the company is concerned about personal growth of the employee, then only it can foster organization goals.
- Learning opportunities – For many people, learning new skills is as important as the money they make. The companies should identify their career paths and provide developmental opportunities for employees early in their jobs with the organization.

A. Managerial Development tool –

This tool focuses on the improvement of the backend managerial processes. It basically works on all the levels to improve the management system as well as works on the soft skills of the employees.

(a) Training process –

Training programmes are conducted from time to time to improve the total quality of an employee and hence the production. Training is provided by both internal faculties and external counselors.

Competency skills of employees are mapped and if any gaps identified, training is given.

SUPPORT –

Management should not only support their employees in their difficult times at work but also through their personal crisis.

Company provides psychological counselling to its employees if he is not doing well in his work or has higher absenteeism rate.

RELATIONSHIP

The most important factor that decides retention rate is relationship among employees and with the management. If an employee has bitter relations with people around, he gets de-motivated and loses interest in his work. So there should be an open communication and moreover respect for the individual.

Major challenges to employee retention:

In the current scenario, a major challenge for an organization is to retain its valuable and talented employees. The management can control the problem of employees quitting the organization within no time to a great extent but can't put a complete full stop to it. There are several challenges to it.

Let us understand the challenges to employee retention:

- **Monetary dissatisfaction is one of the major reasons for an employee to look for a change.** Every organization has a salary budget for every employee which can be raised to some extent but not beyond a certain limit. Retention becomes a problem when an employee quotes an exceptionally high figure beyond the budget of the organization and is just not willing to compromise. The organization needs to take care of the interests of the other employees as well and can't afford to make them angry. The salaries of the individuals working at the same level should be more or less similar to avoid major disputes amongst employees. A high potential employee is always the center of attention at every workplace but one should not take any undue advantage.

One should understand the limitation of the management and quote something which matches the budget of the organization. An individual should not be adamant on a particular figure, otherwise it becomes difficult for the organization to retain him. Remember there is a room for negotiation everywhere.

- **In the current scenario, where there is no dearth of opportunities, stopping people to look for a change is a big challenge.** Every organization tries its level best to hire employees from the competitors and thus provide lucrative opportunities to attract them. Employees become greedy for money and position and thus look forward to changing the present job and join the competitors. No amount of counseling helps in such cases and retaining employees becomes a nightmare.
- **Individuals speak all kind of lies during interviews to get a job.** They might not be proficient in branding but would simply say a yes to impress the recruiter and grab the job. It is only later do people realize that there has been a mismatch and thus look for a change. Problems arise whenever a right person is into a wrong profile. An individual loses interest in work whenever he does something out of compulsion. The human resource department should be very careful while recruiting new employees. It is really important to get the reference check done for better reliability and avoid confusions later.
- **Some individuals have a tendency to get bored in a short span of time.** They might find a job really interesting in the beginning but soon find it monotonous and look for a change. The management finds it difficult to convince the employees in such cases. Individuals must also understand that every organization has some or the other problem and adjustment is required everywhere, so why not in the present organization? It becomes really difficult for the HR Department to find out what exactly is going on in the minds of the individual. An individual should voice his opinions clearly to make things easier for the management.
- **Unrealistic expectations from the job also lead to employees looking for a change.** There is actually no solution to unrealistic

expectations. An individual must be mature enough to understand that one can't get all the comforts at the workplace just like his home. Individuals from different backgrounds come together in an organization and minor misunderstandings might arise but one should not make an issue out of it. An individual must not look for a change due to small issues. One needs time to make his presence feel at the organization and must try his level best to stick to it for a good amount of time and ignore petty issues.

The Real Reasons People Quit Their Jobs

Employees quit for many reasons but, in general, there are five important areas that people leave their jobs.

- ❖ Poor match between the person and the job.
- ❖ Poor fit with the organizational climate and the culture.
- ❖ Poor alignment between pay and performance.
- ❖ Poor connections between the individual, their co-workers, and the manager.
- ❖ Poor opportunities for growth and advance

These five P's can be addressed successfully. Employee retention begins by paying attention to what causes low job satisfaction as well as what attracts, retains, and motivates your workforce.

HOW TO RETAIN THE BEST EMPLOYEE:

Employee Retention refers to the various steps involved to retain the outgoing employees. Hiring is a cumbersome process and it is really not easy to find an employee who is loyal towards the organization and looks forward towards achieving its targets. An organization must encourage the employees to stick to it for a good amount of time

and contribute effectively in their respective areas.

Every individual strives hard to give his hundred percent to the organization and expects the same in return. An individual must feel attached to his workplace to enjoy his work and learn something new each day. The organization must promise opportunities for further growth to all the employees and each one should foresee a bright future there.

Every individual expects peace and healthy working conditions to deliver his level best. A shady background and poor financial condition of the organization are the major factors leading to unrest amongst the employees. No individual likes to work with an organization running into losses. A sick unit is unable to pay salaries on time making it difficult for the employees to work with it for a long time. An organization must be financially stable for the employees to feel safe and secure.

Rules and regulations are formulated for the benefit of the employees and thus should not be too rigid. **An organization must have employee friendly policies for the individuals to stay motivated.** The management must take into consideration the genuine problems of the employees to make the organization a better place to work. Leave policies and compensation structure should be designed in a manner to satisfy the needs of the employees.

- **Monetary satisfaction is one of the major reasons as to why an employee sticks to an organization for a longer duration.** Incentive plans, perks and other benefits should meet the expectations of the employees and should be directly proportional to the hard work put by the individuals. The high potential employees should be rewarded suitably to make them feel indispensable for the organization and to expect the same from them everytime.
- **An organization must have a simple hierarchy and the functional areas of each team should be well defined.** Complicated hierarchies lead to confusions and unnecessary disputes amongst team members. It is essential to maintain transparency at all levels. The team size should be restricted to 5 or 6 members for smooth flow of information and better output. Every team ideally should have a

single leader willingly chosen by the team members to act as a strong support system for them. The superiors must be accessible to the team members in case of queries and must monitor the team's performance from time to time. The team leader should act as a role model for his team.

- **Freedom of expression is of utmost importance at the workplace to retain employees.** Individuals should have the liberty to express their ideas and discuss issues on an open forum. These way employees do not crib among themselves and come closer to each other.
- **The organization must encourage employees to celebrate major festivals at the office premises itself.** Ask them to bring their families as well. Such activities go a long way in strengthening the bond among the individuals and retaining them.
- **It is important for the organization to have stringent policies for non performing employees.** Strict action must be taken against those who come to organization just for fun and are just not bothered about their own work. The performers must get an extra edge and should be entitled to exclusive benefits.
- **An organization must offer a positive ambience to its employees to expect a consistent performance from them.** The workplace should be free from all sorts of disputes, nasty politics, controversies and blame games which go a long way in demotivating an employee and prompting him to look for a change. Healthy competition is essential at the workplace to encourage the employees to perform up to the mark every time

Employee Retention Strategies

1.1 Best practices

- Retention focused recruitment
- Retention focused orientation
- Retention focused recognition
- Retention focused managing
- Retention focused career support

1). Hire the best and avoid the rest. –

Those organizations that spend more time recruiting talented people earn higher profits than their industry rivals. Instead of waiting for people to apply for jobs, good organizations are always on the lookout for talent. The firm that understands its employees' preferences will have the edge over its competitors when it comes to employee retention.

2). Don't hire and abandon your new employees

The organisations should insure that new employees get the support, training, and assistance.

3). Provide learning opportunities

Taking steps that enable employees to progress their career with the firm will often improve employee retention.

- Provide opportunities for employees to acquire valuable skills.
- Provide In-house or external training.
- Help with gaining qualifications.
- Get experienced employees and managers to coach junior employees.

4).REWARD AND RECOGNITION

All humans need to feel appreciated. Reward and recognition programs help meet that need. A workplace that rewards and recognizes people builds higher productivity and loyalty, and can create consequences for desired behaviour that leads to organizational success.

5). EMPLOYEE ENGAGEMENT

Employee engagement is the level of commitment and involvement an employee has towards their organization and its values.

An engaged employee is aware of business, and works with colleagues to improve performance within the job for the benefit of the organization. It is a positive attitude held by the employees towards the organization and its values.

6). Employee communication

Employee communication is the most important criteria in any organisation. There should be an open work environment so that employees at junior level can go feel free to give their ideas and in the same way can convey their problems.

7).Employee satisfaction survey

To retain the talent, organisations should conduct a survey on whether employees are satisfied with the current policies.

- Employee satisfaction survey.
- .Discover their needs, their preferences, and aspirations.
- Weigh the pros and cons of the company.
- Match their needs with the company's policy.
- Take steps where there is a mismatch.

The survey can be done in the form of two interviews:

Retention Interviews

Retention interview is the most effective move an organisation can make.

Retention interviews are about information, insight, and understanding of employee's perspective.

Exit Interviews

When an employee decides to leave the company, he has to fill a form in which he is asked about the reasons for which he quits.

Conclusion

- One of the primary conclusions from this study includes-
The common factors affecting employees' satisfaction in the company are:-
 - a. Salary and Perks
 - b. Satisfaction with rewards and recognition

c. Training process and organisation support to perform better.

- A second conclusion from this study is that employees seem to increasingly want a flexible work schedule.
- The company is depended heavily on the human resources function as an adviser and a source of general assistance in the effort to retain their critical employees. The human resources team and their policies are needed in the employee retention efforts.
- Many employees are not satisfied with the communication process and career growth opportunities. So these are two most important criteria which might become the reason for the employees to quit their jobs.

The conclusion indicate that organizations should identify their critical employees; understand their needs with regards to career, family, education, and community; and be able to continuously meet the expectations and needs of these employees. It is through proactive efforts that the organization can reduce the likelihood of losing the critical

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