

## Employees Turnover and Retention Strategies – A Conceptual Study

Girish Mangleek<sup>1</sup>

### ABSTRACT

*Higher attrition rates within a particular industry have forced companies to use some innovative strategies to retain employees. Research indicated that total costs of employee turnover are about 150% of employee's salary. Retaining employees involves understanding the intrinsic motivators of them which many organizations unable to identify. Valuable human assets cannot be owned outright rather they have to be acquired and developed over a period of time by the organisations. Leaving of such employees cost dearly to the organisations. Reducing the attrition rate or retaining employees becomes a great challenge before the organisation, as the other organisations offering better prospects are always looking for the experienced and trained employees in the job market. Retention therefore is likely to be of central importance during acquisition implementation in knowledge-intensive firms.*

*While all aspects of managing human resources are important, employee retention continues to be an essential Human Resource Management activity of the prime importance that helps organizations in achieving their goals and objectives.*

*This calls for a strategic approach to the management of employees in order to motivate them to continue with the organisations. Employees Turnover has negative effects on productivity, product, service quality, profitability of the organisations.*

*Job satisfaction plays a vital role in retention of valuable employees. Job satisfaction brings involvement of employees, employees feels that their contributions and accomplishments are valued by their organizations, employees being able to take decisions that affect their job role and performance, having opportunities to grow in their career, having a flexible work schedule, working in a friendly and pleasant*

<sup>1</sup> Associate Professor, Head of Centre for Management Development, VAMNICOM, Pune.

*work environment and having good relationship with their leaders and colleagues (Branham, 2005).*

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## 1. Introduction

In today's context most of the business organisations are facing a very peculiar problem related to the employment of their human resources. On the one hand they are facing the problem of overstaffing and are looking for the ways of pruning the surplus staff strength through voluntary retirement, firing of employees and other schemes. On the other hand, organisations are facing the problem of employee's higher attrition rate and are busy in developing strategies for retaining employees. Employee turnover (also known as employee attrition) is defined as the rate of change in the working personnel of an organisation during specified period.

Turnover occurs whenever an employee leaves the company, whether voluntarily or involuntarily. Voluntary terminations result from resignation due to employment elsewhere, relocation and other professional and personal reasons. An involuntary termination occurs when an employee is fired whether for misconduct, poor performance, or simply at the will of the employer for reasons related to suitability of employee skills, qualifications and work habits. Employee turnover signifies the extent to which old employees leaves the organisation and new employees enter into service in a given period of time.

### Types of turnover :

- 1) Functional Turnover: In this type poor performers leave the organization.
- 2) Dysfunctional Turnover: In this type good performers leave the organization.
- 3) Avoidable Turnover: This happens in avoidable circumstances.
- 4) Unavoidable Turnover: This happens in unavoidable circumstances.

### Turnover Calculation :

Employers calculate turnover by dividing the number of employees who are fired or quit by the total number of employees. For example, if an organization has 150 employees and during a one-year period, 11 employees quit and another 14 employees are fired, then to calculate annual turnover percentage, add the total number of employees who leave the company by the total number of employees who make up the company's workforce. In this scenario, the turnover rate is 25, divided by 150, which equals 16 percent.

## 2. Objectives:

- 1) To study the concept of Employee Turnover.
- 2) To find out the factors responsible for potential turnover.
- 3) To focus on various retention strategies management can adopt to preserve valuable employees.
- 4) To study the influence of job satisfaction on employees' & their intention to stay in the organization.

## 3. Methodology

The present study is descriptive in nature and mostly based on secondary data. The secondary data consists of books, reports, news paper articles and research journals. The author has carried out an extensive literature review of published research studies, case studies, proceedings of workshop, seminars, etc to analyze the factors responsible for potential turnover and collective action efforts undertaken by management to preserve valuable employees in the organizations.

## 4. Review of Literature :

- 4.1.1 **Zineldin, (2000)** has viewed retention as “anobligation to continue to do business or exchange with a particular company on an ongoing basis”.
- 4.1.2 **Dr G. BALAMURUGAN, (2016)** The study suggested that the employee retention has been quite challenge for IT-units and HRD should focus on Workpressure, Rewards and recognition retention strategies. Organizations have to provide their employees with the best career advancement and opportunities, supervis or support, working environment, workpressure, rewards, and recognition and should work on them.
- 4.1.3 **Zhang Yanjuan, (2016)** The article attempted to make a summary on the employee turnover influence Factors and puts forward counter measures from person alfactor, organization and work factor, social and economic factor,
- 4.1.4 **Dr. K. Balaji Mathimaran & Prof. Dr. A. Ananda Kumar, (2017)** the study tries to review the various available literature and research work on employee retention and the factors affecting employee retention and job satisfaction among the employees. The findings of the study suggested that certain variables are crucial in influencing the employees'

decision to either leave or remain in an organization. Such variables include training and Development, recognition/reward for good performance, a competitive salary package and job security.

- 4.1.5 Maqsood Haider.etal,(2015)** This study examined the human resource (HR) practices that promote employee retention. Effective HR practices can reduce employee turnover and increase retention within an organization. It was observed that Compensation and culture has a positive relationship with employee retention where as training and development has a negative one. This suggested the management to devise the effective strategies to improve the employee retention.
- 4.1.6 Ian M. Taplin & Jonathan Winterton,(2007),** This paper examine the role that management style plays an important role in retaining workers in high labour turnover industry. Positive actions by management promote worker attachment to leaders and the organization and are crucial in sustaining work values that diminish the likelihood of turnover.
- 4.1.7 Victor Oladapo, (2014),** This study sought to understand the challenges and successes of talent management programs and the reasons why some companies choose not to have a program.This study also tested the predictive power of job security, compensation and opportunity on retention rates.The study further revealed that job security, compensation, and opportunity for advancement were not found to have predictive value for employee retention rates.
- 4.1.8 Dr. V. Antony Joe Raja & R. Anbu RanjithKumar, (2016)** The research attempted to understand the opinion and attitudes of the various categories of employees of the Sri Sairam Hr. Sec.School,Prof. Dhanapalan College for Arts and Science, Sri Krishna Engineering College towards the employee retention in the institution. This study revealed weak retention practices by the College in all of the established retention factors which include compensation and benefits, employee engagement, performance management, retention measures, and career development, hence; requiring an extensive view and modification of many administrative procedures which supposedly geared towards people management.
- 4.1.9 Atif Salmanet.al (2014),** Thisstudy was attempted to investigate the factors of employees' retention in the banking sector of Karachi, Pakistan and find out its impacton the performance of Banks.The study

concluded that there is a strong relationship between Employees' motivation and employees' retention among employees of banking whereas employees' training and development has no relationship with employees' retention. It was suggested that banks should mold their policies regarding employees' training and development, which will help banking sector to retain employees for longer time.

## **5. Result and Discussion**

### **Factors responsible for potential turnover:**

#### **5.1 Compensation package**

Companies are attracting the best of the talents with very high salary packages and attractive designations; therefore an employee leaves an organization for another for better financial compensation and better designation.

#### **5.2 Lack of Career Mobility and Challenges Given**

An employee looks for the career growth as well as challenging work environment. The challenging work environment provides an opportunity to the employees to prove their skills, worth and expertise etc in the organisation which helps them in acquiring senior management positions in other organisations later in the career. If the organizations do not deliver on these expectations, employee tends to leave the organisation.

#### **5.3 Poor Working Environment & Working Procedures**

An employee may leave an organization because of the faulty human resource policies and practices particularly related to compensation, promotion, training, development etc and if the system does not inspire the confidence of the employees on such kind of issues employees switches to other organisations. Companies should enable employees to use their full potential & even gain sufficient work experience. Employees prefer to work in an environment which is positive & motivating.

#### **5.4 High Levels of Stress and Lack of Work-Life Balance**

In the cut throat environment, organisations put different types of pressures on employees in order to enhance productivity of the employees to increase the profitability of the organisations. Sooner or later this makes employees stressed out and they rethink about their priorities and join an organization that promises a relaxed working environment with a breathing space.

**5.5 Lack of Confidence in Supervision**

Many employees leave an organization because of the poor supervision and leadership of the superiors. If the supervisor lacks competence, empathy and trust in employees, they will fail to command the respect of the subordinates.

**5.6 Lack of suitable assignment of job**

Employees demonstrate a good deal of commitment, job satisfaction, self motivation and productivity when they are assigned a job that is in tune with their natural talents, knowledge, skill, expertise and experience. But, if they are put up in jobs which do not suits to their temperament, knowledge, expertise etc. which creates immense frustration in employees and they start looking for the job which meet their expectations.

**5.7 Unscientific Goal setting&unclear performance goals**

Most organizations do not train managers to set realistic goals or goals that tie up with organizational or functional goals and rarely are performance goals. Unscientific practices of goal setting and expectations from the employees accordingly create a great sense of dissatisfaction among employee.

**5.8 Lack of Role Clarity**

The lack of a clear understanding of what is expected from employees on the job brings frustration and discouragement. Absence of clarity regarding job duties and expectations in a performance driven organisations can cause fear and anxiety among employees who are unclear of what is expected by the organisation from them. It became more crucial when an employee receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.

**5.9 Lack of Proper Feedback**

Most team members enjoy frequent feedback about how they are performing. Shortening the feedback loop will help to keep performance level high and will reinforce positive behavior. But now-a-days firms fail to realize the importance of feedback mechanism, which in turn creates dissatisfaction among employees.

**5.10 Partiality & Favoritism.**

In many organizations, the higher management keeps a soft corner for a particular employee or set of employees and favors them for reasons best

known to them. This acts as a biggest demotivating factor for other employees.

## **6. Effects of Employee Turnover**

High employee turnover is not an ideal condition both for the organisation as well as for the employees. It denotes that something is wrong in the organisation and unless it is corrected, the organisation cannot perform effectively. Same way unless an employee sticks to an organisation for a long period of time he/she cannot make significant contribution made by him/her to be noticed. Thus, employee turnover is neither beneficial to the organisation nor for the employees.

### **6.1 Cost to the organization**

High employee turnover cost dearly to an organisation. An organisation has to bear the different types of cost due to high employee turnover, such as Hiring cost for recruitment, selection and placement of new employees, Training and development cost, Loss of production during the period for which post remains vacant and Socialization cost of new employees. High employee turnover negatively affects the morale of existing employees. It also adversely affects the image of the organization in job market. Further, Smooth flow of work, teamwork and team spirit of the organisation is adversely affected.

### **6.2 Costs to Employees**

Frequent change of job adversely affects personal and family life of employees. Employee loses the long term benefits such as provident fund, pension, gratuity etc. It results in a Lower productivity due to slow socialization process at the new work environment. Due to frequent Job change employee loses his credibility in the job market.

## **7. Retention Strategies to preserve valuable Human Resources**

The organisation has to adopt retention strategy to control excess employee turnover and to retain high performers. Retention strategy should involve both long-term and short-term actions for retaining desired employees.

### **7.1 Package for Long-term Stay (Financial Incentives)**

Organisations may offer special benefits to employee for the longer duration of stay in organisation. It may include stock option plan, increasing financial incentives over the period of time, deferred payment of financial incentives in the long run like superannuation allowance or long-term stay

bonus in order to increase the longevity of employee tenure in the organisation.

## **7.2 Retention Bonus**

Retention Bonus is usually offered when the organisation is passing through a change such as merger, acquisition or organisational restructuring and due to uncertainty of future prospects employees tend to look for a change of job. Largely, it is offered to the top executives or essential middle level and rank and file employees. Retention bonus may be paid as one lump sum amount or in instalments over a period of time. It can also be paid on the basis of length of service or other measures, uniform payment to all employees or discriminant payment to them depending on some criteria.

## **7.3 Intangible Benefits**

Many organisations offer various intangible benefits to their employees for retaining them and also for developing belongingness with the organisation. Many Companies, particularly MNCs operating in India use overseas training and employment, taking care of family and parents, medical care etc, during other place of posting of the employees.

## **7.4 Matching Jobs and Individuals**

Many employees change their organisations because of mismatch between them and their jobs. Many companies offer choice to their employees to switch from line function to staff function and vice-versa; from fast-track project to slow-track project, and so on. This flexibility helps in reducing monotony and job stress and the job satisfaction is high.

## **7.5 Fancy Designations**

A recent phenomenon in India corporate sector is to offer fancy and important sounding designations to employees for retaining them in the organisations. Such Designations are often much at variance with their nature of work. The basic logic behind offering such fancy designations may be that employees are part of the society, and to create better impressions in the society, such designations may be helpful.

## **7.6 Employee Relationship Management**

Employee Relationship Management is a wider set of functional that encompasses learning performance and incentive guidance, workforce analysis and a host of other operational issues related to managing human



resources. The employing organisations should take adequate care to develop employee relationship.

### **7.7 Persuasion**

Key employees of the organisation may be persuaded to remain with the organisation just like they might have been persuaded to join the organisation. In persuasion, the persuasive skill of the chief executive or other top-level executives is important.

### **7.8 Career Development Program**

Every individual is worried about his/her career. Organizations can provide them conditional assistance for certain courses which are beneficial from their business point of view. Conditional assistance means the company will bear the expenses only if he/she gets an aggregate of certain percentage of marks. And entrance to that course should be on the basis of a Test and the number of seats to be limited. For getting admitted to such program, companies may propose them to sign a bond with the company, like they cannot leave the company for 2 years or something after the successful completion of the course.

### **7.9. Performance based Bonus**

The employee always comes to know about the profit of the company which is of course based on the strategic planning of the top management and the productivity of the employee. To get more work out of the employee, companies can make a provision of Bonus. By this employee will be able to relate himself with the company's profit and hence will work hard. This bonus should be productivity based. Companies can make sure that this bonus is not adding extra-pressure on the budget of the Company and can arrange this by cutting a part of the salary hikes and presenting it to the employees in the form of bonus.

### **7.10 Employee Referral Plan**

Companies can introduce Employee Referral Plan. This will reduce the cost (charges of external consultants and searching agencies) of hiring a new employee and up to an extent one can rely on this new resource. On every successful referral, employee can be given a referral bonus after 6 or 9 months of continuous working of the new employee as well as the existing employee. By this organizations can get a new employee at a reduced cost as well as are retaining the existing one for a longer Period of time.

**7.11 Loyalty Bonus/ Retention Bonus**

Organizations can introduce a Loyalty Bonus Program in which they can reward their employee after a successful completion of a specified period of time. This can be in the form of Money or Position, this will encourage the fellow employees as well and they will feel fascinated.

**7.12 Giving a Voice to the Knowledge Banks**

First of all management should try to retain their workforce intact, as they are the intellectual asset of the company and above that company can't afford losing their knowledge banks. These are the people who stabilize the process and can be involved in some of the decisions of the company. Moreover, they may be empowered to take some decisions without consulting his boss or manager.

**7.13 Employee Recreation**

Organizations should create an environment facilitating the employees to enjoy the work in a light mood. Organizations can take their employees to a trip or for an outing every year or bi-yearly. Such type of trips can be used as an opportunity to explain about the management views, plans and strategies etc. At the same time organisations can involve their top management into some of the fun activities to make feel the employees that they are very close to the management and everybody is same.

**7.14 Gifts at some Occasions**

Organizations can give some gifts at the time of one or two festivals to the employees making them feel good and understand that the management is concerned about them. Greeting employees and giving token gift on their Birthday or Marriage anniversary develops sense of belongingness and proves moral boosting to them.

**7.15 Accountability**

Management should make each employee accountable so that one can also feel that he/ she is as important as their manager. If he/she will be filled with this sense, he/she will seldom think of leaving the company.

**7.16 Making the managers effective and easily accessible**

Management should be easily accessible so that the employee expectations can be clearly communicated to the top management, as it is impossible for the top management to reach each employee frequently.

7.17 Surveys

Organizations should conduct regular surveys for feedbacks from employee about their superiors as well as other issues like food, development plans and other suggestions. This will make them feel of their importance and the caring nature of the company. Some of the suggestions given by the employees might be of real good use for the company.

8. Retention strategies to be applied at different levels of management

Figure 1 below throws light on the retention strategies that may be adopted to retain employees in all the three levels of management i.e. Top, Middle and Lower levels, since every level requires a different treatment because of the difference in designation, status in the organization and varied pay structures.

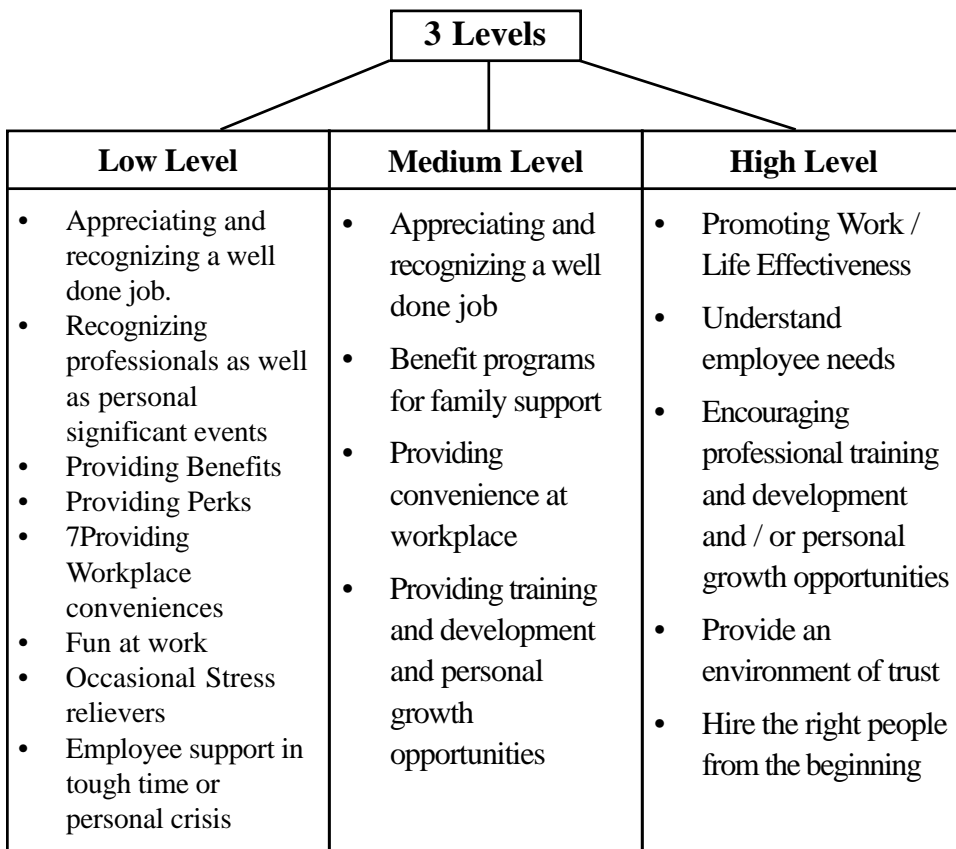


Figure-1

## 9. Conclusion

Organizations planning for the future should be giving close attention to why attrition is occurring in the present. To ignore why people are leaving the organization is to ignore the organization's greatest asset – its people. People are needed to accomplish the task, but people are more than just tasks they perform. They are dreams, hopes, ambitions, creativity and innovation. Employees are the most important asset for any organization. Their contribution is immense in the profitability and growth of the organization. They bring innovation and pave the way for sustainable development for the organization. Thus, Organizations should create an environment that fosters ample growth opportunities, appreciation for the work accomplished and a friendly cooperative atmosphere that makes an employee feel connected in every respect to the organization. For an organization the workforce is like an intellectual property, both in terms of skills and money. A trained and content workforce can lead organization to new heights, while an opposite can hamper its growth prospects badly. Retention plans are an inexpensive way of enhancing workplace productivity and engaging employees emotionally.

With the growing needs for organizations to retain its best employees in the face of competition, the findings of the study suggest that certain variables are crucial in influencing the employees' decision to either leave or remain in an organization. Such variables include training and Development, recognition/reward for good performance, a competitive salary package and job security, challenging work environment and most importantly relationship with management.

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