

**A Study on Employee Retention Strategies in Indian Manufacturing Industries**

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**ABSTRACT**

The present study aims to show the results of review of literature of relevant studies related to Employee retention practices in India in the last five years (2012-2016). The method used to obtain literature was mainly based on electronic search using Google Scholar and J-Gate, with key words such as: Employee Retention, Employee Turnover, Employee Attrition and Retention, Employees intention to leave organisations, which yielded 350results out of this with the inclusion criteria like Only Empirical studies done on Indian Manufacturing organisations, Published between 2012 and 2016. 38 studies from different authors and journals were evaluated. The findings of the study suggest the existence of43 different variables practiced by different organisations to Retain employees in the organisation. The results of the study will allow researchers to better understand the major Employees retention practices, which can be studied how each variable effective or ineffective in Retaining Employees. This study makes three important contributions to literature of Employees Retention. First in this study all the parameters associated with Employee Retention were checked. Second, this study analyses the enormity of EmployeeTurnover, and third, provides suggestions to organisations to improve some of its strategic features to control Employee Turnover.

**Key Words:** Employee Retention, Employee Turnover, Attrition and Retention,

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## **INTRODUCTION**

“Our assets walk out of the door each evening. We have to make sure that they come back the next morning”

- **Narayana Murthy (Chief mentor of Infosys)**

Since the beginning of the new millennium, every Organisation lamented the dearth of talent and its shortening life span in organisations(Bhatia, 2011, p. 305). Organisations are compelled to hold-on to their top performers, at whatever cost, though the availability of professionals may look adequate on the surface, because of the shift in preference towards greater experience in niche skills, recruiters are not able to hire professionals with the right skills. The dearth of talent, in this sense persists, though the focus has surely shifted from “Numbers” to “Quality” and from “Recruitment” to “Retention”. Retaining the best employees is a challenge for many organisations today, where low job loyalty has led to high rate of employee turnover.

## **STATEMENT OF THE PROBLEM**

Retention of Human resource means creating a big picture of organisation as ‘Great place to work’ and facilitating opportunities for total learning, growth and wholesome development of people in organisation in its strive towards excellence and value creation through human capital. This is accomplished by ensuring appropriate policies, tools, and techniques for maximum utilization and retention of competent Employees. But in recent days the needs of Employees and goals/expectations of Organisations are mismatching, because of this mismatch most of the organisations are facing high Employee Turnover rate. Organisations are struggling to arrest the ever increasing Voluntary turnover rate; it has proven to be one of the most complex and costly human resource challenge confronted by several organisations(Ahuja & Sharma, 2013, p. 71). Manufacturing industries facing around 20% Employee Turnover.(Hay Group, 2013), Studies suggest that losing a talented employee in most organisations cost up to 4-5 times of his salary(Sharma, 2011, pp. 2-3), and also whenever employees leave, the organisation loses their hard won knowledge and acquired skills. When those employees go to a competitor, the loss is compounded. So that present study tries to study the Retention practices in Indian Manufacturing industries which is in dearth need of research, this study makes three important contributions to literature of Employees Retention. First in this study all the parameters associated with Employee Retention were checked. Second, this study analyses the enormity of Employee Turnover, and third, provides suggestions to organisations to improve some of its strategic features to control Employee Turnover

## **OBJECTIVES OF THE STUDY**

- ❖ To know the enormity of the Employee turnover
- ❖ To know the present major employees retention practices among the Indian manufacturing industries
- ❖ To suggest measures to improve the employee Retention based on the study

## **CONCEPTUAL FRAMEWORK**

### **Concept of Employee Retention:**

Employee Retention means many things to many people in each organisation. There is no single definition of Employee Retention(Bhatia, 2011, p. 299). Some views mentioned by J. Leslie Mekeown are

- ↳ “Employee Retention means stopping people from leaving the Organization.”
- ↳ “Employee Retention is all about keeping good people.”
- ↳ “Getting compensation and benefits into line with the marketplace.”
- ↳ “Stock option, crèche facilities, and other perks.”

Infect, the concept of Employee Retention arose in response to increasing number of employees leaving the organisation due to various reasons. It is viewed that Employee Retention is “controllable element” by the organisations, as a phenomenon is, sometimes, very specific to each organisations, to quote again J. Leslie Mekeown that there is ”No single plan that fits every situation”.

### **Growth of strategies for Employee Retention in different periods:**

The approach of Employee Retention has developed gradually and has undergone focused attention in various periods (J. Leslie Mekewon, Bhatia, 2011, p. 300).

- i. Paternalistic ‘Status quo’ employer-employee relationship to reduce rate of employee turnover. This was dominant up to 1980s.
- ii. Focus on providing Hygiene factors (of Herzberg Two factor theory), however job mobility and turnover of employee increased due to changes in job market and opportunities outside the organisation. People did not remain with one employer for long or for career in working life, so employees started voluntarily leaving the organisations. Thus to retain employees, organisation laid emphasis in providing Hygiene factors. i.e. compensation, benefits and physical aspects of working environment (health, safety, and comfort) at workplace. The focus was to reduce employee turnover and also workout data. i.e. to maintain turnover rates on regular basis in the organisation.
- iii. Thrust on Motivating factors. Then came another change when emphasis of employers became dominant on Motivating factors (Herzberg) such as:
  - ↳ Feeling of achievement,
  - ↳ Recognition,
  - ↳ Challenging work itself,

- ↳ Career advancement,
- ↳ Increased responsibility,
- ↳ Opportunity for growth as a person.

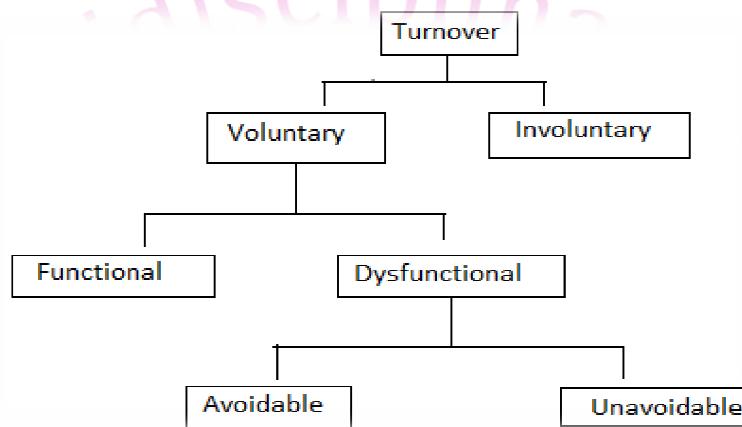
The emphasis was equally on growth or higher order needs of Maslow Social needs (affection, friendship, acceptance, and belongingness in work group), Esteem or ego needs (status, recognition, self-respect, etc.) and self actualization needs (growth, achieving one's potential, self-fulfillment, etc.).

- iv. Improvement in quality of work life. Later organisations started providing various job-redesigns and improvement in quality of work life measures to enable individual to satisfy variety of needs. These measures are i.e. meaningful work, challenge in learning and problem solving, control over one's job, a chance to collaborate with colleagues. Nature of work one is involved has profound impact on shaping individuals personality, determining performance, commitment and job satisfaction.
- v. Building Organizational culture. Other areas of focus have been such as making compensation rewards and benefits more competitive so as to have a difference with other organisations and also building organizational culture. During 1990's it came to be realized that corporate culture is important for corporate growth, success, excellence and survival. It has motivating effect on employees as it influences initiative, trust, support and innovation. Good culture is usually typified by quality of excellence, openness in communication, participation in decision making, and high standard of safety. This is sustained employee retention called as "Holistic approach" that dealt with employees "Higher needs" such as acceptance, esteem, self-fulfillment.
- vi. Retention factors for knowledge workforce. According to J. leslie Mekeown, the current approach in employee retention is to lay emphasis on following factors in knowledge era
  - ↳ Concentrating on performance related rewards,
  - ↳ Core competencies and outsourcing strategies,
  - ↳ Freedom in work and challenge in the work.

### **Concept of Employee Turnover**

Employee turnover can be classified as Voluntary turnover and involuntary turnover. Voluntary turnovers are those initiated by the employee's out of his/ her own choice, (e.g. job dissatisfaction, to take job in other organization for better salary, etc), while involuntary turnovers are because of the decision of management (e.g. dismissal for gross misconduct, layoff, etc). Voluntary turnover further distinguished between functional and dysfunctional turnover, Functional turnovers are the resignation of substandard Performers. Turnover that is problematic for the organisation is considered dysfunctional, example: the loss of high performers, the loss of individuals with difficult to replace, the loss of employees who are hard to recruit. Further dysfunctional turnover could be classified between avoidable and unavoidable turnover, Avoidable turnover is driven by reasons that are

somewhat under organizational control. Example: Turnover driven by job dissatisfaction, poor supervision, inadequate growth opportunities, or a negative organizational culture. However even if an organization does everything right, some productive, valuable employees will still leave for reasons that the organisation has little or no control over them. Example: turnover driven by relocating spouse, health problems, going abroad for higher studies. Therefore, organizations should focus with attention to avoidable turnover which it has control.



**Figure-1:** Turnover classification

### The Enormity of Employee Turnover

Global management consultancy, Hay Group, and Center of Economic and Business Research (CEBR) has conducted a research, which finds that globally, 49 million employees will leave their employers over the next five years compared to 2012 (23.4%). The study titled “Preparing for take-off” covers 700 million employees in 19 countries and is based on a unique Hay Group macroeconomic model that analyses the main factors affecting employee turnover across the globe. The study finds that global firms will be affected by high employee turnover rate as a result of expected improvement in labour market and economic conditions in the next five years. India faces the storm of voluntary employee's turnover, with predicted employee turnover of 26.9 percent (in the organized sector) within 5 years-the highest turnover rate globally. Average employee turnover rates over the next five years are predicted to rise from 20.6 to 23.4 per cent, and the number of global departures in 2018 will stand at 192 million (Hay Group, 2013).

### METHODOLOGY

Historical research method has been used in the present study for evaluating literature pertaining time period of last five years (2012-2016). For the evaluation purpose of Employee Retention and turnover, the literature search was based on some HRM core books and mainly on electronic search using Google Scholar and J-Gate plus, the

terms used in the search process included headers Human Resource Management with keywords such as, Employee Retention, Employee Turnover, Employee Attrition and Retention, Employees intention to leave organizations. The electronic search which yielded 350 articles and one report, after brief reviewing of abstracts, 130 of the 350 items were relevant for the purpose of this review, only 38 articles were selected for the study with the inclusion criteria such as: Only Empirical studies, Published between 2012 and 2016, Study conducted on Indian organization(s). With this search process finally 38 studies were considered for the present study.

## **MAJOR RETENTION PRACTICES IN INDIA**

In the 41 studies analyzed, found 43 different variables (practices) practiced by different Indian manufacturing organizations to Retain employees in the organization. For the study purpose these 43 different practices divided into broadly four categories on the basis of the Maslow's Need Hierarchy theory such as: Physiological practices, safety practices, Love/belonging practices, Esteem practices and Self actualization practices.

<b>Physiological practices</b>	<b>safety practices</b>	<b>Love/belonging practices</b>	<b>Esteem practices</b>	<b>Self-actualization practices</b>
Job security	Medical benefits	Communication at work place	Respect from organization	Recognition
Good salary	Crèche's facility	Communication with superior	Treating all employees equally	Challengingness in the job
Timely payment of salary	Health insurance	Recreation arrangements	Individual dignity	Freedom in work
Drinking water facility	Training opportunities	Opportunity for career development	Reward system for best employees	Continuous learning
Proper sitting arrangements at work place	Insurance facilities	Supportive supervision	Cultural cohesiveness	Responsibility
Subsidized food	Compensation in case of accidents at work place	Incentives	Loan facility	Building reputation of the organisation
Well defined policy	Housing arrangements	Festival advances	Bonus facility	Opportunity for creativity
Proper ventilation	Transportation facility	Systematic appraisal	Rewards for best	Technological

facility			ideas	advancement at work
Involvement in decision making	Separate rest rooms for men and women			
Cleanliness at work place				

## **EMPLOYEE RETENTION PRACTICES IN INDIAN MANUFACTURING INDUSTRIES**

### **Critical analysis of Retention Practices**

Most of the research on Employee Retention focuses on why employees leave. Focusing only on leavers and reasons for leaving ignores something very powerful-why people stay. Staying employees are embedded with the organization; they have built some connections with the organisation. There are three types of connections: links fit and sacrifice. Each of these connections may be focused on the surrounding community. Employees who have more links, a stronger sense of fit, and greater sacrifices associated with leaving the community, they would also be less likely to quit when quitting would involve relocating out of the community. Organizations practicing “one size fits for all” policy will not work in the modern era. Most of the Indian manufacturing organizations neglect the early signs Employees Turnover, they don’t have a separate, dedicated department or head related to Retention, it is considered one of the routine HR department work. A third new perspective on Employee Retention suggests that the new motives that drive individual to quit may be different than the reasons they provide after the decision has been made. The Forces model identifies eight distinct motivational forces that act as the direct motivators driving quit decisions(Essentials, 2006, pp. 61-65). Those are

- ↳ Affective forces: i.e., lack of positive emotional attachment to the organization
- ↳ Alternative forces: e.g., receiving an attractive job offer or believing in such possibilities in the future
- ↳ Behavioral forces: e.g., low costs of leaving the organization
- ↳ Calculative forces: low possibility of attaining important values and goals such as career development and promotion in the future when remaining in the organization
- ↳ Normative forces: e.g., wanting to be closer to family
- ↳ Contractual forces: e.g., breach of the implied contract by the side of the organization
- ↳ Constituent forces: e.g., lack of attachment to co-workers and work group
- ↳ Moral/Ethical forces: e.g., believing that switching jobs regularly is good and that staying long means stagnation. This taxonomy of motivational forces provides a summary of the numerous predictors of voluntary turnover and retention.

## **CONCLUSION AND SUGGESTION FOR IMPROVEMENT**

It is desirable to plan Employee retention strategy by an organisation, which should cover following aspects

- ↳ Identify and prioritize key employees that present a current or future retention risk,
- ↳ For each key retention group, clarify reasons for wanting to retain them,
- ↳ With each group, need to take interviews, and opinions, ( entry – reasons for taking this job, on the job – reasons for staying, to ascertain what need to do to retain other group employees and also for future reviews, and exit interviews to assess what went wrong )
- ↳ Making the interviews with employees independently and keeping them confidential for best results,
- ↳ Using the information that is collected to clear, quantifiable retention goals for each group of employees.

The present study makes three important contributions to literature of Employee Retention; first in this study all the factors (Employee retention) that were used in 41 studies were showed, secondly it critically analyses the Retention practices and also enormity of Employee turnover, and thirdly provides suggestions to organisations to improve Retention Strategies. The results of the study will allow researchers to better understand the major Employees retention practices, which can be studied how each variable effective or ineffective in Retaining Employees

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