

# A Study to Identify the Factors Affecting Employee Retention

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**Abstract:** *Employee retention strategy include various measures to ensure an employee's stays in an organization for the maximum period of time and feeling themselves as a part of organization and refers to policies and practices use to prevent valuable employees from leaving their jobs. The study explores to identify the main factors of retention management strategies in organizations. The data was collected with the help of well structured questionnaire from 162 employees working in an organization. This study has recognized that some of the factors do affect the employee retention. These factors have substantial role to play in making employee stay i.e. salary, rewards and recognition, compensation, retirement benefits plan, promotion, involvement in decision making and in designing retention strategies. In order to rectify the above shortcoming allowing employees to participate in decision making and in designing retention strategies can be one of the non-financial incentives.*

**Keywords:** Retention Strategies, Employee, Employee Retention, Retention Management

## 1. Introduction

Employees were considered just an input to the production of the business. Employees are not just assets, they are the main contributors and affective factors for business production. Hiring knowledgeable people for the job is essential for an employer but retention is even more important than hiring. This is true as many employers have underestimated costs associated with turnover of key staffs. Employees are an important resource in an organization as they positively contribute to the execution of organizational objectives and mission.

Through employee retention we can encourage employees to remain with the organization. Every organization spend time and money to groom a new employee and to enhance their knowledge and skills. But when the fully trained employees leave their jobs, the organization is completely at a loss.

When a business loses employees, it loses skills, experience and "corporate memory". The magnitude and nature of these losses is a critical management issue, affecting productivity, profitability, and product and service quality<sup>9</sup>.

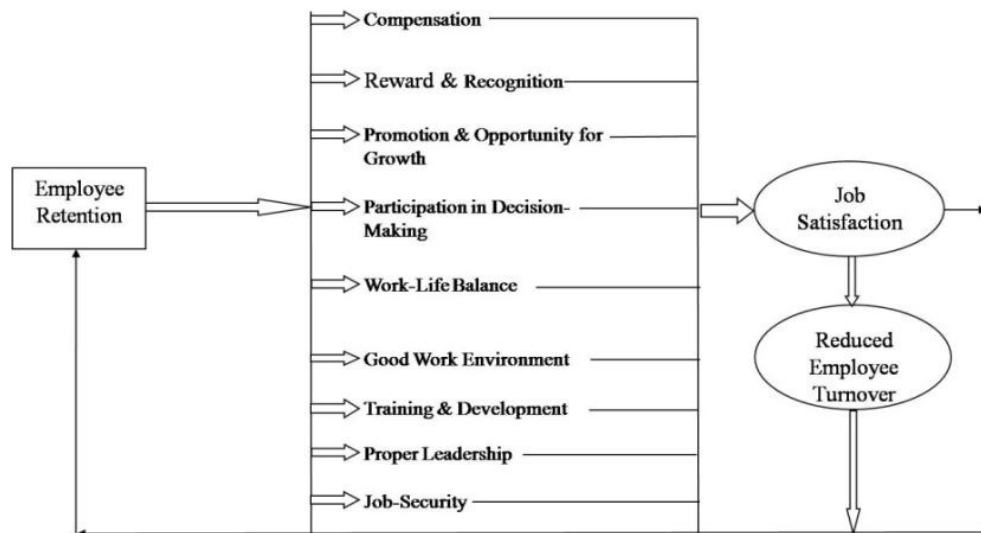
## 2. Review of Literature

Retention can be defined as —the ability to hold onto those employees you want to keep, for longer than your competitors. Employee retention has been defined as "the effort by an

employer to keep desirable workers in order to meet business objectives"<sup>8</sup>.

### 2.1 Factors effecting employee retention

- **Compensation:** Milkovich and Newman (2004) have clearly stated that among all types of reward, monetary pay is considered one of the most important and significant factor in retention.
- **Reward and recognition:** According to Walker (2001), recognition from bosses, team members, coworkers and customer enhance loyalty.
- **Promotion and Opportunity for growth:** Research by Meyer et al. (2003) has shown internal career development of employees is often the best predictor of an employee's effective commitment<sup>5</sup>.
- **Participation in decision-making:** Hewitt (2002) has mentioned that modern businesses always keeps its employees well informed about all the important affairs of its business and involves them in decision-making at all levels which can exploit the talents of its employees.
- **Work-life balance:** In a study conducted by the Australian Telework Advisory Committee (2006) it was found that 70% of businesses that incorporated telework options reported a number of positive benefits, such as increased business productivity and reduced costs, improved employee flexibility and work life balance, and increased workforce participation.



**Figure 1: Factors affecting employee retention**

- **Work environment:** According to Miller et al. (2001), employees get benefited by work environment that provide sense of belonging<sup>5</sup>
- **Training and Development:** Messmer (2000) found that one of the important factors in employee retention is investment on employee training and career development.
- **Leadership:** 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.
- **Job Security:** Rosenblatt and Ruvio, (1996) conducted a research on the job insecurity and found that job performance and organizational commitment are negatively correlated with job insecurity<sup>2</sup>.

## 2.2 Psychological factors affecting employee retention

In relation to the above mentioned organizational factors, various research and studies suggest that employers should consider these factors when implementing retention policies. However, most recent research on retention management has not tailored all types of retention factors which are impossible to measure their relativity in the retention practices. To understand the effectiveness of these retention factors, it is imperative to relate them to employees' views on their importance and actual delivery by their employer. This practice is known as Psychological contract.

If an employer has not made specific promises in that regard, every employee will appreciate clarity, fairness and good communication. Every employer will appreciate employees dealing properly with confidential information and doing good work. In addition, the psychological contract is further augmented with written agreements, such as employment contracts<sup>8</sup>

For instance, one study discovered that as many as 50% of MBA graduates in the Midwestern U.S. Management School believed that their employers had broken their psychological

contracts within the first two years of employment (Robinson et al. 1994). Another study reported that 25% of respondents among employees surveyed during a company restructuring, reported significant psychological contract violations. An increasing number of today's employees believe they have suffered an injustice or have been treated unfairly by their employers<sup>1</sup>

## 2.3 Importance of employee retention

Employees are an important resource in an organization as they positively contribute to the execution of organizational objectives and mission. Armstrong (2006) states that the retention of such employees has been shown to be significant to the development and the accomplishment of the organization's goals and objectives especially in building competitive advantage over other organizations in the phase of increased globalisation.

## 2.4 Why to motivate employees?

Motivated employee will increase the capability of the organization to achieve its mission, goals and objectives. It will also engage all to build a strong organizational culture. Also, motivated employees will feel as having a strategic partnership with the organization and their commitments and loyalty will increase from day to day. Firm's needs to motivate their people and keep them motivated in order to obtain the productivity gains and to insure their competitiveness. Sometimes people who are given responsibilities feel motivated and do their best and work hard accordingly<sup>4</sup>

## 2.5 Role of leadership style in influencing employee retention

Leadership is a process of encouraging and helping others to work enthusiastically towards objectives. It is the human factor that binds a group together and motivates it towards goals transforming the group's potentials into reality. A

capable leader provides direction for the organization and leads followers towards achieving desired goals<sup>6</sup>. Leadership style is one of the influential factors for employee to leave their job or intent to leave. The study conducted by Jane et al. (2012) in public universities revealed that, unfavourable leadership practice was one of the basic reason for employees to leave<sup>7</sup>.

### 3. Methodology

Empirical / Survey based research was carried out on randomly selected 162 employees working in clinical and non-clinical department of the Fortis Escorts hospital, Amritsar that focuses on identify the factors which influence the retention of employees with regard to motivation, rewards, and recognition.

#### 3.1 Inclusion Criteria

- 1) Employee working in Fortis Escort hospital Amritsar.
- 2) Employee working for more than 6 months.

#### 3.2 Exclusion Criteria

- 1) Employees working on temporary basis/interns/ job trainees
- 2) Employees working for less than 6 months
- 3) Out sourced employees

#### 3.3 Procedure

Those subjects were chosen who were in a condition to fill questionnaire themselves. They were asked to read the questionnaire thoroughly and clearly before making the options and they were asked to clarify if they had doubt in any question. Questionnaire filling procedure and objective of the study were explained to each subject and their informed consent was taken on questionnaire provided to them individually.

### 4. Results and Discussions

In this paper, we tried to identify the factors influencing employee retention in Fortis Escorts Hospital, Amritsar. Out of sample chosen higher percentages of females (70%) were observed as compare to the males (30%) out of which 94% employees were below 40 years and remaining 6% were above 40 years. Experience and education pattern of sample are depicted in **Table 1 and 2**.

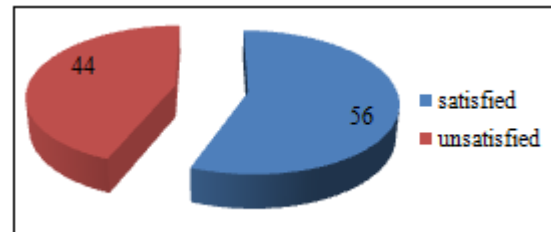
**Table1:** Distribution of the sample experience wise

Work Experience	Frequency
> 6 - 1 year	53(32.7%)
1 - 3 year	64(39.5%)
4 - 9 year	28(17.3%)
10 - 15 year	12(7.4%)
More than 15 years	5(3.1%)

**Table 2:** Distribution of the sample education-wise

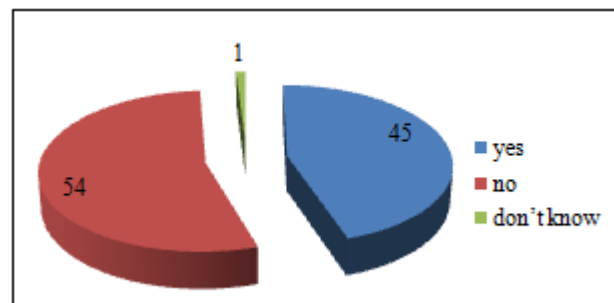
Level of education	Level of education
Secondary or below secondary	4(2.5%)
Diploma	36(22.2%)
Graduate	91(56.2%)
Post graduate / Masters	31(19.1%)

After surveying, it was concluded that less than half of the employees (44%) were satisfied with the salary scale per month depicted in **Figure 1**.



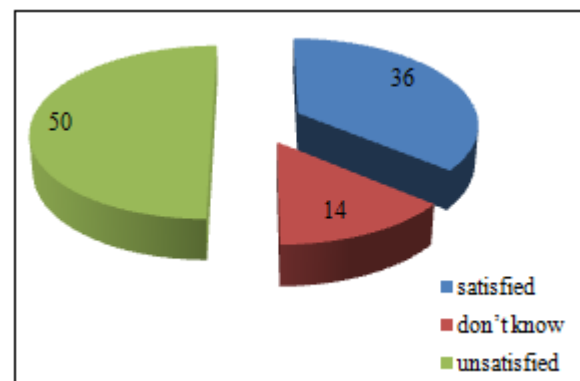
**Figure 1:** Salary Scale

Less than half of employees (45%) said that top management involve them in designing retention strategies and they are satisfied with the way retention strategies are carried out at hospital as depicted in **Figure 2**.



**Figure 2:** Involvement in designing retention strategies

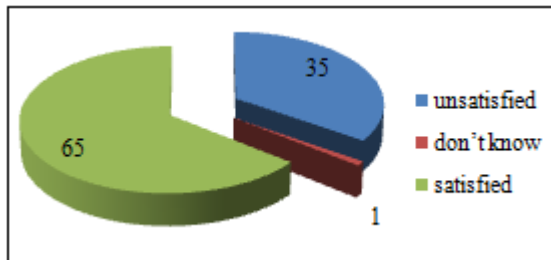
50% of employees unsatisfied with retirement benefits plan as depicted in **Figure 3**.



**Figure 3:** Retirement Benefits Plans

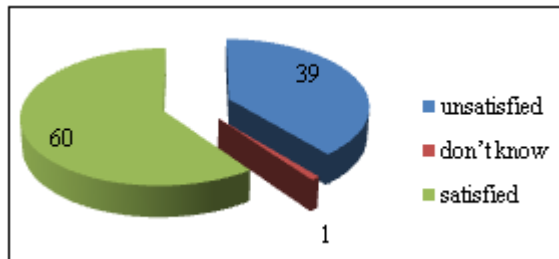
Study revealed that more than half of the employees (65%) were satisfied with the reward and recognition that they received on their achievement as depicted in **Figure 4**.

Employees were satisfied that their performance recognized by the top management and they received appropriate compensation \ allowance for their performance.

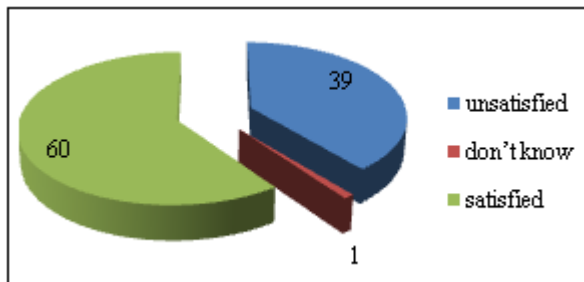


**Figure 4:** Reward and recognition

Study revealed that 66% employees states that they have a freedom to share ideas at work concerning different matters. Management involve them in different official decision making and Almost half of the employees (60%) satisfied with the involvement of management in different matters concerning to employees i.e transfer, disaster, death etc as shown in **Figure 5 & 6**.

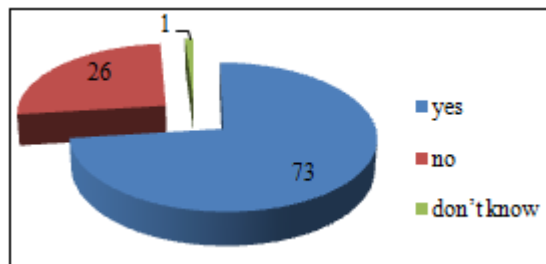


**Figure 5:** Freedom to share ideas at work



**Figure 6:** Involvement in different personal matter

Research resulted that more than half of the employees (73%) were satisfied with their job as depicted in figure 7.



**Figure 7:** Satisfied with job

## 5. Conclusion

This study has recognized that some of the factors do affect the employee retention. The study highlights some shortcoming regarding the retention strategies of the hospital i.e. salary, rewards and recognition, compensation, retirement benefits plan, involvement in decision making and in designing retention strategies.

In order to rectify the above shortcoming various measured have been recommended such as; allowing employees to participate in decision making and in designing retention strategies can be one of the non-financial incentives; recognition of the employee's input; rewards should be awarded; promotion should be on seniority and merit basis; satisfy employee's growth needs; salary of employees need to be increased; fair and equal treatment; find out what they want from their jobs; help them to grow as individuals.

The above stated recommendations, if employed in earnest, contribute tremendously to the hospital's constant endeavor to improve patient's health.

## 6. Future Scope

The study specify that the organization to come up with useful recommendation to retain their employees. These findings imply that in order for organization, to promote the level of employee retention. Study help Organization need to remunerate their employees competitively and have fair appraisal performances as this will promote employee commitment in the organization. In return, this will improve an organization's performance.

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