CHAPTER 2

REVIEW OF LITERATURE

The issues of retention and employee turnover have been subject to a number of research efforts in the past years. Employee turnover exists in all the sectors. The objective of this chapter is to review the related literature pertaining to employee retention and employee turnover.

Literature review is classified as following:

2.1 FOREIGN STUDIES

Literature pertaining to the research done by foreign scholars in the areas such as employee retention and employee turnover is presented in this section.

2.1.1 Employee Retention

Frank et al (2004) define retention as “...the effort by an employer to keep desirable workers in order to meet business objectives”. The directive for companies in this time of “war for talent” is to reduce turnover in favor of the retention of talented employees.

Retention follows specific people and groups of people over time and there is good evidence that supports the notion that staying and
leaving involve different psychological and emotional processes (Mitchell et al 2001).

2.1.1.1 Literature related to employee retention

- Journals

Employee retention is the ability of an organisation to retain its employees. Retention of employees within the organisation plays a vital role in increasing organisational productivity and enhances the cumulative performance of employees (Zareen et al 2013). Authors pointed out that all the employees cannot be retained with a single retention plan but their psychic and attitude decides which retention plan is the effective one. Authors proposed a conceptual framework to show the construct of retention plan by employee participation, performance appraisals, training and development opportunities and remuneration. Study revealed that psychological perception of employees has a considerable moderating effect on the above mentioned relationship.

Smith et al (2011) in their study about the determinants of employee turnover and long-term skill retention in Australian organisations identified that a series of training and human resource practices have been found to be important for individual-specific skill categories. Their study involved the survey of over 300 Australian organisations and made use of Structural Equation Modelling (SEM) techniques for the analysis of relations between valid and reliable measures. Factors identified under these variables were: selection and recruitment, work time and working arrangements, career planning, compensation, job design, appraisal, employee surveys and frequently used retention strategies such as higher pay and non-monetary rewards.
Employee retention is an important ongoing process in which the organisation retains the employees for the maximum period of time or until the completion of the project. It is a continuing employment relationship. Employees can be retained and satisfied within those organisations which keep on learning that how to keep their employee’s satisfaction at highest level (Sohail et al 2011).

Govaerts et al (2011) conducted a study to investigate some factors that have an influence on employee retention. Based on the literature and previous research, both employee and organisational factors are taken into account. The results show that when organisations want to retain their employees it is important to pay attention to the learning of employees. Letting people do more and learn more of what they are good at, will encourage them to stay with the organisation.

According to Allen et al (2010) effective retention management requires ongoing diagnosis of the nature and causes of turnover, a strategic approach to determining in what human capital markets retention has the largest impact on organisational success and the development of an appropriately targeted and organised bundle of retention initiatives. Talent retention ranks as the number one key result area for many HR managers today.

The study conducted in Nigerian banking sector by Gberevbie (2010) revealed that it is more profitable for organisations to put in place appropriate employee retention strategies such as good organisation’s image, staff participation in decision making, enhanced and regular salary package, and humane treatment of employees as strategies for organisational performance.
Iqbal (2010) investigated the causes and consequences of employee turnover and retention strategies in Saudi Arabian organisations. According to him, retaining best employees; managers must make sure their organisations clearly communicate expectations about rewards, working environment and productivity standards and then deliver on the promise. Causes identified were employee attitude and personal factors, poor performance appraisal system, lack of recognition, lack of personal and professional advancement and ineffective communication. Retention strategies identified are better recruitment effort, review job content, compensation practices, leadership and supervision, career planning and development, alternative work schedule, working conditions, non-work factors, team building, centralisation, organisation communication and commitment, proper exit interview, counseling for leavers, flexible working hours, compressed work week, employees involvement, policies for turnover and recognition.

According to De Vos & Meganck (2009) in their study explored HR managers' and employees' views on the factors affecting employee retention using the perspective of the psychological contract. Two studies were conducted by the authors. First, study was comprised of a sample of HR managers who gave their view on the factors affecting employee retention and turnover and described their retention practices. Second study was about, a large sample of employees who reported on the importance attached to five types of employer inducements commonly regarded as retention factors. The HR managers survey indicated that retention practices focus more on the factors believed to cause employee turnover (career opportunities and financial rewards) than on those believed to affect employee retention (social atmosphere, job content, work-life balance). Employee survey focused more on career opportunities. While the impact
of financial rewards was much smaller on employee loyalty, career opportunities had the strongest impact.

Deery (2008) examined the retention of good employees and the role that Work-Life Balance (WLB) issues have in an employee’s decision to stay or leave an organisation, within the hospitality and tourism industry. Study indicated that WLB issues impact negatively on staff retention. According to her, the most recent addition to the research into employee retention is the role that obtaining a balance between work and life has in an employee’s decision to remain with the organisation. Strategies to ensure a WLB are among many that have been suggested in the literature to retain staff. Author mentioned that amongst the most common strategies put forward, apart from the WLB ones, organisations should focus on the role that recruitment and training have in improving job satisfaction and organisational commitment and hence employee intention to stay.

Jones et al (2008) conducted a three-phase study examining the Chief Nursing Officer (CNO) turnover and retention in US hospitals. Respondents included 622 CNOs employed in hospitals and healthcare systems across United States. Fifty percent of the CNOs stated that they left the position to pursue another position and thirty percent left for career advancement. Others reported that they left due to the conflict with the chief executive officer. Findings highlighted the importance of creating environment in which patient care is improved and the quality of work life for CNOs is enhanced.

Positive work environment, flexibility & freedom, employee involvement and growth, employee communications & assistance and
compensation & benefits were identified as retention factors in the study conducted by Kemelgor & Meek (2008).

Gentry et al (2007) in their study mentioned that employees feel connected with the organisation if they get support from their supervisors which lead them to return the favor to the supervisors and organisation through retention.

It is generally believed that high levels of employee satisfaction translate into increased employee commitment, productivity and retention for organisations. However, if employees are dissatisfied with their jobs, trouble lies ahead. Low job satisfaction is associated with higher levels of absenteeism, decreased productivity and increased turnover (Meisinger 2007). Researcher conducted a survey on behalf of SHRM to measure the employee satisfaction level. Some of the survey findings indicated, better understanding is needed. According to employees, the top five "very important" aspects of job satisfaction were compensation, benefits, job security, work-life balance and communication between employees and senior management.

Cascio (2006) in his study has mentioned about a 2005 study conducted by Gantz Wiley Research, which found that across all generations, the top five drivers of retention are opportunities for career development, a sense of confidence about the future of their current employers, feelings of accomplishment, the amount of joy at work and employment security.

Employee Engagement is a key to Employee retention (Glen 2006). Engaging employees, by giving then participation, autonomy and trust, is most crucial to meet the objectives of the organisation.
Whitt (2006) in his study mentioned that increased retention means reduced employee turnover. Employee turnover can be reduced by increasing employee job satisfaction in various ways. Increased retention means, employees are staying with the firm for longer tenure and organisation will have more experienced staff which would augment the productivity.

Research indicates training methods that engage workers with career challenges, advancement opportunities, work incentives, competitive wages/benefits and supportive work environments are effective retention strategies for employees of any age (Eisen 2005).

Gaffney (2005) in her study indicated that career development programmes are critical in retaining employees. Author stated that retention research indicated that individuals tend to stay with their organisations longer, where they are experiencing personal and professional growth.

Researchers have found that rewards as provided by organisations have relationship with job satisfaction and hence employee retention (Taplin et al 2003).

According to Gering & Conner (2002), an effective retention strategy rests on a combination of factors. Employees want their personal and practical needs to be met: personal needs such as compensation, benefits and scheduling; practical needs such as development, resources, tools and technology. They also want to feel valued by the organisation.

Newman et al (2002) in their study about retention of nurses in UK, found out that three reasons which provide satisfaction to the nurses
are patients, characteristics of nursing and nursing team. Sources of dissatisfaction were shortage of staff and poor management. Amongst retention factors, working conditions was found to be more important than increased pay. Improving work-life balance was also identified as another retention factor. Authors indicated that degree of job satisfaction is the key to retention of nurses.

Kickul (2001) investigated the role of psychological contract in retention of employees in small businesses. Results indicated that breach of psychological contract has an impact on commitment and intention to leave the organisation. Employee may perceive that he has been promised competitive wages, promotional opportunities, job training, challenging and meaningful work etc. When these expectations are not met, employees may have tendency to leave the organisation.

Lineberry & Trumble (2000) in their study assessed the role of benefits in enhancing employee commitment. Study showed that benefits program is crucial in attracting and retaining employees and driving employee commitment. Study showed that most important driver of commitment is manager’s recognition of an employee’s personal and family life. Benefits programs which take this factor into account combined with traditional benefits plans such as medical plans and pensions plans will make the companies competitive in meeting the needs of their workforce.

According to Pomering & Lyon (2000), attraction and retention of employees is a key concern. Key instrument in attracting and retaining employees is compensation surveys. A proper designed survey can provide
important benchmark of competitive pay rates, commission and incentive plans.

Sigler (1999) in his study about retaining employees in manufacturing industry suggested that work environment would entice employees to stay with the organisation. He also added that job satisfaction is another factor that helps to retain employees. Author mentioned that incentive compensation is one method to retain employees. Author added that efforts should be taken by organisation to improve job satisfaction. Bonus and stock options were few of the incentives suggested by Sigler.

Rust et al (1996) conducted a study about employee satisfaction and retention of frontline employees. Authors argued that employee turnover is highest among employees who are not satisfied with their jobs. Qualified employees are becoming scarce and difficult to retain, organisations need to focus on improving employee satisfaction. For that, organisations need to view workers as customers. Authors believe that first step in the process of increasing employee retention is often the administration of a satisfaction survey that seeks to measure employee perceptions.

According to Griffeth & Hom (1994), benefit plans can enhance satisfaction, sustain loyalty, retain frontline workers, improve service quality and discourage employees from leaving. Benefits are group membership rewards that provide security for employees and their family members. Benefit plans are ordinarily conceptualised in two ways. The narrow definitions of benefit plans include employer-provided retirement, health, welfare and fringe benefits. Employee benefits protect
employees from risks that could jeopardise their health and financial security.

Darden et al (1987) studied turnover among retail salespeople using proportional hazards regression to examine the relationship between job and total satisfaction, organisational and industry commitment, age, industry and job tenure, intention to remain, self-rated job performance, education and gender and the likelihood of employee retention over time. Three significant predictors emerged out of this study: total satisfaction with work, age and job tenure.

Books

Firms that offer attractive benefit packages succeed to retain talented employees and reduce employee turnover. Employee benefits constitute an indirect form of compensation intended to improve the quality of the work and the personal lives of the employees (Milkovich et al 2005). Benefits are no longer a ‘fringe’ but rather an integral part of compensation package. Benefit plans refer to that part of the total compensation package (other than the pay for time spent on work) that is provided to the employee in whole or in part by payments from the employer.

Key elements in helping make any company a good place to work include: being treated fairly, flexible hours, opportunities for meaningful contributions, opportunities for growth and skill development, a positive work environment and culture, and frequent management feedback (Arthur 2001).
According to Okoh (1998), rewards as provided by organisations have relationship with job satisfaction and hence on employee retention as well.

**Dissertation**

Ramlall (2001) conducted study to determine the factors that influenced employee’s decision to stay with organisation and reasons for leaving the organisation. Research was based on a case study design. Causal-comparative method was used to explore cause-and-effect relationships which included all employees from all departments in the organisation. 230 full time employees were selected by a stratified random sampling process. The results of the study revealed that satisfaction with one's position was the factor that most significantly affected the likeliness of an employee to seek employment with another organisation. The other factors identified are commute to and from work, career advancement within a reasonable time period, rewards and recognition, task identity, feedback and number of positions held at the organisation. Author came to the conclusion that employees are seeking flexible work schedule to maintain work-life-balance.

**2.1.2 Employee Turnover**

To understand the nature of employee turnover it is essential to define the terminology. There are many definitions of employee turnover. Sexton et al (2005) defined employee turnover as “the movement of workers in and out of employment with respect to a given company” (Nature). This movement is usually considered voluntary however involuntary separations are also of concern.
Mobley (1982) defined employee turnover as the common voluntary cessation of membership in an organisation by an individual who receives monetary compensation for participating in that organisation. Since the primary employee turnover cost is the cost flow of intellectual capital, which resides in people, the question of how to retain human resources has become one of the leading challenges for organisations. The term “turnover” is defined by Price (1977) as: the ratio of the number of organisational members who have left during the period being considered divided by the average number of people in that organisation during the period.

2.1.2.1 Literature related to employee turnover

Journals

Arekar et al (2013) conducted a study to understand how the demographic variables influence process and structural determinants. Job satisfaction and organisational commitment were the variables adopted for process determinants and autonomy, distributive justice, job stress, professional growth, promotional chances, routinisation and social support were the variables chosen for structural determinants. Results indicated that female employees are more satisfied with their jobs and more committed than male employees. Employees with high responsibility are highly impacted by the variables of structural determinants like autonomy, distributive justice, job stress, promotional growth, routinisation and social support. Authors also found that employees’ whose spouses are not working were found to be more satisfied and committed to their jobs. Authors concluded that organisations should provide training and chances
to the employees to increase job related knowledge and skills which would facilitate them to perform well.

Jehanzeb et al (2013) conducted a study to investigate impacts of training on organisational commitment and turnover intentions in private sector of Saudi Arabia. The study seeks to focus the relationship between organisational commitment and turnover intentions of the employees. Employees’ training was found to be significantly correlated with organisational commitment, turnover intentions and the commitment-turnover relationship. Results of the study provided strong support for the hypotheses that there is negative relationship between organisational commitment and turnover intention.

Study conducted by Kim (2012) analyses the impact of human resource management on state government IT employee turnover intentions in United States. The results of a survey of state government IT employees show that promotion and advancement opportunities, training and development, supervisory communications, pay and reward satisfaction, and family-friendly policies are all significant variables affecting turnover intentions among state government IT employees. The availability of diverse family-friendly policies was the most significant factor affecting female IT employees' turnover intentions. The data collected by author strongly suggested that executive leaders, managers of IT departments and human resource managers need to acknowledge these factors when addressing the issues of employee voluntary turnover and turnover intentions.

Yucel (2012) examined the relationship among job satisfaction, organisational commitment and turnover intention of manufacturing
employees in Turkey. The results indicated that job satisfaction is one of the most antecedents of organisational commitment and turnover intention and suggest that high levels of job satisfaction results in higher commitment and lower turnover intention.

Chen et al (2011) conducted a study which offers a new theoretical perspective on the unique nature and function of job satisfaction change, or systematic improvement or decline in job satisfaction over time. Using four diverse samples, authors showed that differences in the extent to which job satisfaction systematically improves or declines account for change in employees’ “turnover intentions” left unexplained by absolute (average) levels of job satisfaction.

Study conducted by Noor (2011) examined the relationship between perceived work-life balance satisfaction of academics in Malaysian public higher education institutions and their intentions to leave the organisation. The results indicated that perceived work-life balance satisfaction was correlated negatively with intention to leave the organisation among academics.

Shahzad et al (2011) in their study conducted at public organisations in Pakistan, observed that significant negative correlations among three independent variables and turnover intentions. Independent variables were organisational environment, job satisfaction of employees and career growth opportunities and dependent variable was employee’s intent to leave.

Smith et al (2011) in their study examined the determinants of employee turnover and long-term skill retention in Australian organisations. Three new perspectives are examined in their study: the
difference between short-run turnover and long-term retention; the role of different high performance work systems philosophies and human resource practices; and an examination of turnover for various groups of employees based on skill level. The results suggested that the role of learning within organisations is of fundamental importance in reducing short-run turnover and improving long-term skills retention.

Study conducted by Dawley et al (2010) examines the mediating role of job fit on the relationship between perceived supervisor support (PSS) and perceived organisational support (POS) and the mediating role of personal sacrifice on the relationship between POS and turnover intention. Findings indicated that job fit partially mediates the relationship between PSS and POS, and that personal sacrifice partially mediates the relationship between POS and turnover intention.

Haines et al (2010) tested the influence of thirteen human resource management practices on voluntary turnover rates in Canadian government sector. Data was collected from 4160 workplaces and results revealed that employer-provided training is associated with higher turnover, whereas internal labor markets and formal dispute resolution procedures are associated with lower turnover. The correlations results showed that ten of the fourteen human resource management practices are significantly associated with lower voluntary turnover rates. Three practices-training, individual incentives and an employee suggestion program-are significantly associated with higher voluntary turnover rates and the presence of a formal dispute resolution procedure is found to be related to lower turnover rates.
Joo & Park (2010) investigated the impact of personal characteristics (goal orientation) and contextual characteristics (organisational learning culture and developmental feedback) on employees' career satisfaction, organisational commitment and turnover intention. Respondents were drawn from four Fortune Global 500 companies in Korea. The results indicated that organisational learning culture, career satisfaction and organisational commitment are the predictors of turnover intention.

MacIntosh & Doherty (2010) in their study indicated that a challenge in managing Information Systems (IS) personnel is the high turnover rate. Ever since statistics have been kept, IS turnover has been a problem. Annual turnover in the IS field ranged between 15 percent and 20 percent during the 1960s and the early 1970s. In the late 1970s, the turnover ratio went up to as high as 28 percent annually and to 20 percent in the early 1980s. By the 1990s, the turnover rate reached 25 percent to 33 percent annually.

Conway & Monks (2009) in their study explored the impact of employee attitudes towards HR practices on affective, continuance and normative commitment, and intention to leave in three organisational contexts. The findings suggested that different HR systems can yield different attitudes towards HR practices, which in turn can impact on different forms of commitment and levels of intention to leave. The correlations showed that each of the attitudes towards HR practices is positively related to affective commitment (p < 0.01) and negatively related to intention to leave (p < 0.01).
Study conducted by DeConinck & Johnson (2009) examined effects of three dimensions of organisational justice on salesperson, Perceived Organisational Support (POS), Perceived Supervisor Support (PSS), performance and actual salesperson turnover in a business-to-business setting using a sample of 384 salespeople. Results indicated that PSS is an indirect predictor of turnover intentions through POS and performance. Organisational commitment mediated the relationship between POS and turnover intentions.

Lew (2009) conducted a study to examine the relationships between Perceived Organisational Support (POS), felt obligation, affective organisational commitment and turnover intention of academicians working for private higher educational institutions in Malaysia. POS was found to have both a direct impact on affective organisational commitment. POS has a insignificant direct effect on employees’ turnover intention.

Vandenbergh & Bentein (2009) examined the relationships of affective organisational commitment and affective commitment to supervisors with turnover intentions and actual turnover, using three independent samples of employees. First sample was comprised of Human Resource Department staff of a pharmaceutical company, second sample was obtained from nurses who attended courses in a management program organised by a nursing school in Canada and third sample was obtained from a random sample of 1,277 university Alumni who graduated from a university located in Belgium between 1988 and 1997. Data analyzed based on sample 1 (N = 172) and sample 2 (N = 186), affective organisational commitment and affective commitment to supervisors were found to exhibit independent negative effects on turnover intentions. In both samples, affective commitment to supervisors was strongly related
to turnover intentions when affective organisational commitment was low. In Sample 3 \((N = 431)\), affective commitment to supervisors was the single significant predictor of actual turnover.

Zheng & Lamond (2009) in their study examined the issue of employee turnover at the organisational level. A group of organisational variables (e.g., training, size, age, industry, percentage of expatriate managers and headquarters’ national base) were tested, using a sample of 529 MNCs in six Asian countries. The standard multiple regressions showed that training, size, the length of operation in local subsidiary and nature of industry are significantly related to turnover.

Parkes & Langford (2008) assessed whether employees are satisfied with their ability to balance work and other life commitments. The hypothesis was tested that work-life balance is important for engaging and retaining employees in the context of other aspects of organisational climate. Study also explored how individual and organisational variables were related to work-life balance. Results indicated that work–life balance was least related to employee engagement and intention to stay with an organisation. Authors defined work-life balance as an individual’s ability to meet their work and family commitments, as well as other non-work responsibilities and activities.

People leave the organisation due to various reasons. The experience of job related stress (job stress), the range factors that lead to job related stress (stressors), lack of commitment in the organisation; and job dissatisfaction make employees to quit (Firth et al 2007).

Study conducted by Lee et al (2007), in Singapore manufacturing organisations, indicated that benefits are positively related
to organisational commitment and negatively related to intention to quit. In this study, age, gender, education, income and dependents, were selected as control variables.

According to Cascio (2006) the flip side of employee turnover is employee retention. Author has provided an example of Sysco Corporation of Houston, Texas. SYSCO is the number one food service marketer and distributor in North America. Approximately 75 percent of SYSCO's operating costs are people-related, at an annual cost of roughly $3 billion. Using a conservative estimate of the cost of employee turnover of $50,000 per marketing associate, SYSCO found that a 10 percent improvement in retention resulted in more than $70 million of savings per year. Since 1998, SYSCO has increased its marketing associates' retention rate from 70 percent to 82 percent.

According to Nogueras (2006), United States is facing a critical shortage of registered nurses which will have a negative impact on delivery of quality healthcare services. Her study explored the three component model of affective, normative and continuance commitment with respect to nursing profession. Results indicated that in all three aspects, the higher the commitment, the less likely nurses were intent to leave their profession. Study also revealed that as age or years of experience increased, nurse’s levels of commitment increased.

Saks (2006) in his study about antecedents and consequences of employee engagement found that job and organisational engagement mediated the relationship between job satisfaction, organisational commitment, intention to quit and organisational citizenship behavior.
Study was conducted in Canada among 102 employees in various organisations.

Wheeler et al (2006) conducted a study which examines the relationships between corporate brand identity and employee personality traits, organisational culture and employee turnover. They found that employee need for achievement moderates the relationship between corporate brand identity and employee intent to remain with the organisation. The study also indicated that organisational culture mediates the relationship between employee perceptions of corporate brand identity and employee intent to turnover.

Research by Chiang et al (2005) examined the relationship between training, job satisfaction and the intention to stay in the hospitality industry. The findings suggest that training quality was positively related to training satisfaction, job satisfaction and intention to stay.

Slattery & Selvarajan (2005) in their exploratory study, using temporary workers, developed and tested a model based on social exchange and social identity theories. Their study results revealed that both the temporary employee attitudes toward the client organisation and the temporary attitudes toward the temporary organisation, there was a positive association between job satisfaction and Organisational Commitment (OC), and negative associations between job satisfaction and turnover intention and OC and turnover intention.

According to Ryan (2005), employees leave because of the unsatisfactory factors such as pay & benefits, relationship with the supervisor, work-life balance, work content, career path and trust in senior management.
The research conducted by Maxwell (2005) provided insights into the link between the work-life conflict and employee turnover. Maxwell suggests that managers are key to the initiation and implementation of WLB policies with some of those policies being the introduction of flexible working hours and arrangements, providing better training, breaks from work and better work support.

Benson et al (2004) conducted a study to gain an insight from human capital theory to explain how general skill development and promotion relate to voluntary turnover. Data they collected from 9,439 salaried employees of a large manufacturer showed that participation in tuition reimbursement reduces turnover while employees are in school. Study also indicated that voluntary turnover increases when individuals earn graduate degrees but significantly reduced if they are subsequently promoted.

Agarwala (2003) conducted a study to explore the relationship of three dimensions of Innovative Human Resource Practices (IHRPs): that is, the extent of introduction of IHRPs, their importance for organisational goal achievement and satisfaction with implementation of IHRPs, with Organisational Commitment (OC). Regression analyses results showed that the perceived extent of introduction of innovative human resource practices by the organisations was the most significant predictor of organisational commitment.

Thatcher et al (2002-3), in their research, tested a conceptual model linking perceptions of the internal work environment and external markets to Information Technology (IT) worker turnover. The model focuses on Organisational Commitment (OC) as the primary predictor of
turnover intention. Authors suggested that OC mediates perceptions of the workplace and external environment on turnover intention. Scholars specifically, hypothesized that OC mediates the influence of (1) job satisfaction, (2) perceived job characteristics, (3) perceived competitiveness of pay and (4) perceived job alternatives on turnover intention. Their findings suggested that through cultivating positive beliefs about the job and attitudes toward the employer, managers may counter the influence of external markets on IT workers' turnover intention.

Chiu & Francesco (2002) in their study investigated the relationship between turnover intention and Positive Affectivity (PA) and Negative Affectivity (NA) and the mediating role of job satisfaction and affective commitment in these relationships. Study was based on 279 Chinese managers. Their research found that PA predicts turnover intention and job satisfaction mediates the relationship. However NA was neither directly nor indirectly related to turnover intention.

Employee turnover often results in a drain on management time and creates pressures in workforce planning. Normally this is resolved through reliance on agency workers or temporary staff, though this in itself may be no more than a short-term fix. Intangible costs include: negative impact on culture or employee morale; adverse effect on social capital; erosion of organisational memory (Dess & Shaw 2001).

According to Mak & Sockel (2001), employee turnover is a critical problem for IS industry. The skills of their employees are hard to acquire and require substantial training. The shortage of IS programmers and analysts can cause important IS projects to be delayed. Sometimes they never become available or arrive too late, resulting in lost opportunities.
According to Mitchell et al (2001), it is important to recognize that job dissatisfaction and job alternatives are not the only two causes of voluntary employee turnover. Other aspects of the person’s private or social life (family problems, etc.) may also contribute to dissatisfaction and spill over into the workplace, forcing an employee to leave the firm.

Cangelosi et al (1998) in their study about retention of nurses in USA, found out the principal reasons why nurses change their jobs. They include: salary & benefits, convenience, work schedule and job stress. Authors indicated that hospitals should institute motivational programs such as work schedule rotation, health care plans and award/recognition plans to improve retention and reduce turnover.

Lum et al (1998) in their study assessed the direct and indirect impact of certain pay policies on the turnover intentions of pediatric nurses in Canada. Results revealed that job satisfaction has an indirect influence on intention to quit, where as organisational commitment has strong and direct influence on the intention to quit. Results also revealed that pay satisfaction has direct and indirect effect on turnover intention of nurses.

The demographics examined for their impact on turnover intentions are age, gender, marital status and job tenure. Zeffane & Gul (1995) found that higher turnover intentions are experienced by younger employees. This tendency is linked with job tenure i.e. individuals with longer job tenure build socio-professional ties that minimise their intention to move.

Heshizer (1994) in his study conducted in large financial institution and hospital in United States, assessed the dimensionality of employee attitudes towards flexible benefits plans and impact of these
plans of job satisfaction, organisational commitment and turnover intent. Regression analysis showed that for the variables flexible benefits and organisational commitment, in both bank and hospital, R2 was 0.05.

Studies have indicated that there is a correlation between commitment and intention to leave. To take an example, according to Mathieu & Zajac (1990), the correlation between measures of commitment and measures of intent to leave has consistently been shown to be significant and negative. From this correlation between commitment and intent to leave, Boshoff & Mels (2000) inferred that there is an association between commitment and actual turnover, and furthermore, that this association is evidence of a causal relationship, such that low commitment to the organisation is a cause of voluntary turnover.

According to Meyer et al (1993), there are three separate dimensions to organisational commitment: affective commitment, continuance commitment and normative commitment. Affective organisational commitment is the emotional bond of employees to their organisation. Affectively committed employees have a sense of belonging and involvement in the organisation’s activities. They develop a desire to remain with the organisation. Continuance commitment is the perceived economic value of remaining with an organisation compared to leaving it. Normative commitment is an obligation to remain with the organisation for moral and ethical reasons.

A widely accepted relationship is the link between employee satisfaction and employee turnover. Models of employee turnover almost universally propose a negative relationship between satisfaction and turnover (Hom & Griffeth 1991).
Mobley et al (1979) have identified commitment to the organisation as a potentially important variable in the turnover process.

Books

According to Cascio & Nambudiri (2010) turnover occurs when an employee leaves an organisation permanently. In India, the average annual turnover is around 17 per cent. In India, FMCG, faces the lowest employee turnover and BPO (outsourcing) industry faces the highest employee turnover. The rate of turnover in percent over any period is calculated as Number of turnover incidents per period/ Average workforce size) *100%.

According to Cascio & Nambudiri (2010) there are three broad categories of costs in the basic turnover costing model. They are: separation costs, replacement costs and training costs. Separation costs include Exit interview costs, costs related to administrative functions, separation pay and increased unemployment tax. Replacement costs include costs associated with replacing employees who leave. Training costs include costs associated with training the replaced employee which includes, orientation training brochures. Besides these, cost of turnover includes the cost of lost of productivity and lost business.

Griffeth & Hom (1994) added that employee turnover contributes to the potential benefits and disadvantages for organisations. The positive aspects include displacement of poor performance, blend of new knowledge and technology, reducing labor costs when facing tougher competition, maintaining ties with exiting employees and providing new business ventures, or enhancing promotional opportunities for the remaining staff. The negative aspects cover economic costs, productivity
losses, impaired service quality, lost business opportunities, increased administrative work and loss of morale among the remaining staff.

Mowday et al (1982) defined organisational commitment as a strong belief in the organisation’s goals and values and a willingness to exert considerable effort on behalf of the organisation. Organisational commitment is regularly conceptualized as an affective attachment to an organisation as a consequence of an individual sharing the organisation’s values, their desire to remain in the organisation and their willingness to exert effort on behalf of the organisation. Individuals who are committed to their organisation are less likely to leave their organisation.

- **Dissertations**

  The study conducted by Henryhand (2009) found that the perceptions of employee recognition and employee engagement have a significant impact on overall job satisfaction and intent to leave the organisation. Although job satisfaction was not found to have a direct negative relationship to intent to leave, the findings supported the theory that the level of satisfaction with recognition and engagement practices is a significant predictor of turnover intentions.

  Nicholson (2009) in his study conducted at call center, USA, explored the relationship between (a) supervisory leadership practice usage and inbound call center agent organisational commitment, (b) demographic variables and organisational commitment and (c) organisational commitment and turnover intentions. His findings indicated that supervisory leadership practice usage and agents’ affective and normative commitment are positively related and agents’ affective, normative and continuance commitment are negatively related to turnover intention.
Longo (2007) conducted a study about factors that affect the nurses’ job satisfaction and intent to leave in United States. Significant relationship was found with job satisfaction and intent to stay in a position, manager and peer caring behavior were related to intent to stay in a position and nursing. Stepwise multiple regression indicated that both manager and peer caring behavior influence the relationship between job satisfaction and intent to stay in a position and nursing.

Study conducted among nurses by Klaus (2006) observed that there is relationship between employee’s job satisfaction and turnover intent among nurses. Her project explored the differences in job satisfaction between age cohorts of nurses. Analysis of variance indicated that youngest cohort was the most satisfied but have the greatest intention to leave. Older nurses were more satisfied than 30-49 year old nurses and have fewer group members planning to leave.

Magazine

Belbin et al (2012) conducted a study on nurses in Australia. A positive relationship was found between retention factors and decreased turnover intention. This quantitative study explored the perceptions of 379 nurses using a survey to assess awareness of, participation in and effectiveness of 28 workforce retention strategies offered by Queensland Health. Study also examined perceptions of workforce retention strategies, to determine if any aspects of the strategy (retention factors) had an influence on turnover intention. The major findings were that respondents were more aware and had participated to a greater extent in those strategies that were included in Queensland Health policy or were part of the nursing Enterprise Bargaining Agreement. Strategies those provided a monetary
advantage ranked as most effective and, a professional development opportunity was ranked to a lesser extent.

2.2 INDIAN STUDIES

Literature pertaining to the research done in Indian context, in the areas such as employee retention and employee turnover is presented in this section.

2.2.1 Employee Retention

Journals

Paul & Athisayam (2014) conducted a conceptual study on impact of organisation culture on employee retention at Tata Steel, Coimbatore. Culture is the environment that surrounds employees at work. Authors indicated that culture that is aligned with the strategy of industries can lead to employee retention. Employee reward programs, career development programs, performance based bonus, loyalty bonus, quality of work life etc were few tools for employee retention.

Sehgal & Pathak (2014) in their study aimed to find out the factors that cause attrition in the insurance sector and how those dimensions vary across the personal characteristics of the sales professionals. Authors indicated that, to retain talent, companies have to be more cautious in dealing with their employees. Findings revealed that five factors they have identified for the study, namely, external career opportunities, role clarity, intrinsic motivators, transparency and internal career boosters did not have equal influence on attrition rate. Transparency and eternal career opportunities had the strongest influence on attrition.
rate. This indicated that organisations have to be more transparent and clearly communicate the growth opportunities within the organisation. Authors concluded that in order to retain sales professionals, organisations should give them due importance in the form of timely recognition and empowerment.

According to James & Mathew (2012), employees are the assets of any organisation. Authors conducted a study in IT sector, which tried to understand the impact of retention strategies on employee turnover. Regression analysis results indicated that retention strategies have a significant impact on employee’s intention to stay. Author also investigated the relationship between variables welfare benefits, organisational culture and personal satisfaction with employee’s intention to stay. Results revealed a significant relationship with organisational culture, personal satisfaction, welfare benefits and intention to stay.

Mahal (2012) observed that there is a positive correlation ($r = 0.369; P < 0.01$) between HR and organisational practices. A significant positive relation was found in employee retention and organisational and HR practices ($r = 0.364, P < 0.01$). Study also observed a significant positive correlation between organisational practices and organisational commitment.

Zacharia & Roopa (2012) conducted a study on employee retention factors influencing IT professionals of Indian IT companies and multinational companies in India. Study examined the reasons for leaving organisation, staying with organisation, their attitude towards work, their expectations from organisation. Study also examined whether any significant difference is there in the response of IT professionals of Indian
IT and MNCs with respect these factors. Data was collected from 30 IT professionals and results indicated that there is no significant difference in response of IT professionals of Indian IT and MNCs with respect these factors. With respect to certain demographic factors such as total experience, position and sponsored certification programs, results indicated a significant difference between these companies. Authors concluded that a robust retention strategy will help organisations in attracting and retaining top talents.

Ananthan & Sudhindra Rao (2011) in their study highlighted the critical need to investigate the dynamics of employee retention practices, strategies and systems followed by MNCs and Indian firms. A structured questionnaire with special reference to retention strategies and their adaptability, authors collected data from 550 respondents which include 335 employees and 215 managers. Results indicated that employees had higher scores on total retention strategies, management/organisational strategies, reward and recognition strategies, employee benefit strategies and employee ideas and suggestion strategies. No difference was observed between Indian and MNCs on various retention strategies based on the data analysed.

According to Gill et al (2011), empowerment and Transformational Leadership are effective retention tools in the hospitality industry. Transformational Leadership clarifies mission, goals and objectives to followers. Clarification of mission, goals and objectives of the organisation reduces the tension of employees related to their daily tasks and thus reduces employee’s intention to quit.
Kavitha et al (2011) indicated that retention is more important than hiring and there is no dearth of opportunities for talented person. Their study reveals that, treating employees with respect and dignity is critical to retaining good workers, especially in a better job market. Recognition of employee’s achievements, encouraging innovation, handling their complaints and fairly rewarding them for jobs well done are some of the ways for employers to show workers respect and retain them.

Employee retention is a process in which the employees are encouraged to remain with the organisation for the maximum period of time. Employee retention is beneficial for the organisation as well as the employee. Employees today are different. When they get dissatisfied, they move to other organisations (Gurumani 2010).

According to Swaminathan & Rajasekharan (2010), Employee engagement is the combination of job satisfaction, motivation and effectiveness. Employee engagement is an important area that an organisation should focus, to be productive and to get effective and committed workforce.

Chatterjee (2009) indicated that organisational culture and opportunities for career development and training, as well as personal and professional growth, are fast becoming the main reasons for employees leaving at middle, senior and or even at the top level in a company. Employee retention is about developing the culture and having the appropriate practices and processes for the individual to grow within the organisation.

Bhattacharya & Mukherjee (2009) conducted an investigation among IT professionals with an emphasis to rewards as the key to
engagement. Study indicated that the IT professionals give much importance to the different reward strategies for their ‘engagement’. Authors conducted the study in three IT organisations. According to IBM employees, encouraging their development, praise or recognition at work, a friendly trusting working atmosphere, being a critical part of the organisation’s success and good union relations, are very important as a retention strategy. To the employees of TCS, opportunities to learn, entrustment of challenging tasks, participation in decision-making process and sharing of ownership/power are more important to retain them.

According to Chabra & Mishra (2008), factors that have led to the importance retention today are dearth of skilled and professional employees, acute labor shortage as a result of nearing retirement age of baby boomers, changing expectations of the new workforce, lack of stability in terms of jumping from one to another organisation among Generation X and Generation Y, workforce diversity and increased competition. Thus workforce stability can be an employer’s competitive edge today.

Punia & Sharma (2008) in their study investigated the influence of organisational procurement practices on employee retention intention based on personal and positional variables of employees in IT industry. Authors emphasised that retention is the biggest challenge the Human Resource Management is facing today. Results indicated that efficacy of the induction program, scientific job analysis and fair and skill based distribution of the work assignments are the key factors that influence the employee’s retention intention in IT sector. Outsourcing and psychological tests based selections have least significance in influencing the employee’s
retention. Study also highlighted the influence of age and designation as significant factors in employee retention.

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**Dissertations**

Ranjan (2013) conducted a study on employee turnover and retention strategies in non-profit organisations in India. Author investigated the perception of employees on factors that attract one to join an organisation in the non-profit sector and the perception of employees on factors that may lead to leaving an organisation in the non-profit sector. Demographic variables such as age, gender, designation, experience and overall experience were included to assess the perception of employees. Motivator factors such as job content, career growth, respect and recognition, responsibility and independence in decision making had the highest order of importance and hygiene factors such as job security, take home salary, benefits and location of place of work etc had the least importance to join non-profit sector. Job content factors such as lack of challenge and opportunity to produce results, inadequate opportunity for training and development, low overall job satisfaction, lack of involvement in decisions affecting staff and inadequate opportunity to perform variety of roles are most significant factors that cause an employee in non-profit sector to leave.

Deshmukh (2012) in his study on recruitment and retention practices of commercial pilots in Indian aviation industry, made an attempt to understand relationship between recruitment practices used by Indian air carriers to recruit commercial pilots and their subsequent retention by these air carriers. Independent variable was recruitment of commercial pilots by Indian carriers and dependent variable was retention of the commercial
pilots by Indian carriers. Correlation between both variables was found to be significant at 1 per cent in the study.

2.2.2 Employee Turnover

Journals

Chauhan & Patel (2013) conducted a study in IT sector, to identify the factors that employees consider while leaving the organisation. Data was collected from 93 respondents who were engineers and MCAs. Results revealed that lack of appraisal system, lack of training opportunities, open system and flexibility were the reasons for leaving the organisation. Researcher suggested transparent system with respect to rewards, promotions and hikes.

Study conducted by Gayathri & Sivaraman (2012) investigated the employee retention strategies in BPO sector. Purpose of the study was to identify the factors that influence employee retention. Questionnaire was administered on 132 middle level employees of two BPO firms in Bangalore. Multiple regression results indicated that model was significant and independent variables have influence on dependent variable retention. Out of 20 variables, six variables have more influence and they are: mentor direction for career development, well equipped and safe environment, potential talents and prospective roles, encouragement and recognition, competitive compensation and potential talents identified and prospective roles given.

Study conducted by Gaan (2011) on 308 IT professionals in India, reexamined, empirically, the relationship between the job satisfaction, organisational commitment and employee turnover. Study
viewed turnover from attitudinal perspective. Results revealed that the relationship between organisational commitment and employee turnover is inconsistent with the earlier literature conducted. However, job satisfaction seemed to be explaining significant amount of incremental variance in turnover intention. Results indicated that organisational commitment was negatively and significantly related to intention to quit and job satisfaction was negatively and significantly related to turnover intention.

Study conducted by Shahnawaz & Goswami (2011) examined the effect of Psychological Contract Violation (PSV) on organisational commitment, trust and turnover intention in private and public sector Indian organisations. 200 middle level managers in organisations in Delhi were randomly selected as respondents. The results showed that the contract violation is more in private sector compared to public sector. Regression Analysis results indicated that the affective commitment, trust and employee turnover were more influenced by contract violation in public sector compared to the private sector. But contract violation influenced continuance and normative commitment more in private sector compared to the public sector.

Study conducted by Dhiman & Mohanty (2010) examined the relationship between Human Resource Management (HRM) practices, attitudinal outcomes and turnover intent in oil & gas exploration and production sector in India. Results indicated significant relationship between HRM practices, affective organisational commitment, employee satisfaction and turnover intent. HRM practices and attitudinal outcomes had a negative relationship with turnover intent. Selection, training, performance appraisal, compensation etc were few among 15 HRM practices researcher had selected to study.
Sam Gnanakkan (2010) conducted a study about multidimensional HR practices and its influence on Turnover Intentions (TOI) among Information and Communication Technology (ICT) professionals. Study also focused on the mediating effect of organisational commitment on HR practices and turnover intention relationship. Results indicated that HR practices are negatively and significantly related to TOI; that HR practices are positively and significantly related to organisational commitment and the relationship between organisational commitment and TOI is negative and significant.

Anatharaja (2009) conducted a study in BPO companies in Bangalore to find out the reasons of employee turnover and the ways to control attrition. Data was collected from 110 employees and researcher found out that career growth is the main cause for employee turnover. Compensation was identified as the second cause for turnover. Author suggested that EXIT interviews might help to prevent the turnover to a certain extent.

Sharma & Sharma (2009) conducted a study on BPO employees in India, to understand the relationships of job satisfaction with their demographic and psychographic variables relating to causes perceived by them for turnover. Findings indicated that due to mismatch between the efforts required to do the job and the benefits received, the employees are less satisfied with their jobs. Young employees were found to be more dissatisfied. Young people have more aspirations and have tendency to get dissatisfaction since these jobs give them less opportunity to grow in a short time span. Researchers suggested better compensation to prevent employee turnover.
Dissertations

Sridar (2013) conducted a study on turnover intentions of employees in information technology sector in Chennai City. Majority of the respondents had moderate responses towards turnover intentions. Hypothesis testing results indicated an association between education qualification and turnover intention. Age was found to have significant relationship with perceived organisational support, organisational commitment and turnover intention at 0.05 level significance. Income was found to have significant relationship (at 0.001 level) with perceived organisational support, organisational commitment and turnover intention. Correlation results revealed a positive relationship between perceived organisational support and organisational commitment and relationship of turnover intention with perceived organisational support and organisational commitment was negative.

Hafiz Jidda (2012) conducted a study on effect of employee engagement practice on attrition with respect to sales employees in the Indian business scenario. Employee engagement, industry, number of employees, designation, experience, mentoring relationship and employee attrition were the variables identified by the author. Results indicated that employee engagement has a significant negative impact on attrition. The research carried out found that organisational strategies to engage employees are affected by industry type and number of employees in organisation. Employee engagement initiatives by the organisation have a significant impact in reducing the attrition rate.
2.3 RESEARCH GAP

Though immense research had been conducted in the area of employee retention, in foreign context as well as Indian context, a thorough study on retention strategies in multispecialty hospitals, from employee’s perspective as well as from managers’ perspective is not done in India. Present study attempts to understand the perception of employees with regard to the retention strategies implemented in the hospitals. Study also aims to understand the influence of retention strategies on employees’ intention to stay with multi-specialty hospitals, in India.

2.4 CONCLUSION

This chapter presented the review of literature pertaining to employee retention and employee turnover. Studies that focus on factors leading to employee turnover and factors influencing retention were analysed. Literature from various sources such as research journals, magazines, books, PhD theses etc. were presented in this chapter.