CHAPTER 1

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION OF RESEARCH PROBLEM TO THE STUDY

Employee retention involves taking measures to encourage employees to remain in the organisation for the maximum period. Employees are valuable assets for every firm. Organisations have realized this fact and started to take initiatives to treat their employees as the most valuable assets. It is the unique workforce, which provides competitive advantage to any organisation. Two organisations can have same products and excel in same business. However, what differentiates them, is their workforce. An organisation having a stable and productive workforce becomes successful in building their competitive advantage and organisational efficiency. Unfortunately, healthcare sector in India is confronted with high employee turnover rates. High employee turnover is not healthy for any organisation. It will have a great impact on organisational productivity.

Among the Healthcare sector, hospitals account for 71 per cent, of the total healthcare revenues in the country, pharmaceuticals for 13 per cent and medical equipment and supplies for 9 per cent. In India, having an estimated population of 1.27 billion, in 2014, hospitals play a crucial role in health aspects. Hospitals have implemented various retention strategies
to retain their key performers. However, how effective are these strategies to retain the employees in their organisations? It becomes imperative to understand whether the staffs in these hospitals are actually satisfied with the retention strategies implemented in their hospitals, whether they are committed to their organisations and whether they have decided to stay with their organisation for a long tenure. Do those retention strategies have any association with the staff’s satisfaction, intention to stay and their organisational commitment? Do those strategies influence their satisfaction, intention to stay and their organisational commitment?

It becomes essential to understand the perception of employees related to the retention strategies implemented in their organisations to facilitate the management to make their employees satisfied and committed.

1.2 GLOBAL HEALTHCARE SCENARIO: AN OVERVIEW

The health care industry is one of the world's largest and fastest-growing industries. Basic framework according to the United Nations International Standard Industrial Classification (ISIC) categorizes the health care industry as generally consisting of (a) Hospital activities, (b) Medical and dental practice activities and (c) Other human health activities.

The third category involves activities that are under the supervision of nurses, midwives, physiotherapists, scientific or diagnostic laboratories, pathology clinics, residential health facilities, or other allied health professions, e.g. in the field of optometry, hydrotherapy, medical massage, yoga therapy, music therapy, occupational therapy, speech therapy, chiropody, homeopathy, chiropractics, acupuncture, etc (http://en.wikipedia.org/wiki/Health_care_industry).
Drivers for growth in the global health care sector include an aging population, rising incidence of chronic diseases, increasing access to care, technological advancements and product innovation and emerging market growth. Health care organisations must address major issues in 2014 such as navigating the impact of health care reforms in many countries, rising costs, quality issues, lack of infrastructure in many parts of the world, workforce issues and safety and privacy concerns. Coming years will be positive but challenging time for global healthcare sector.

The global health-care industry is undergoing many changes, from government reforms to groundbreaking drug development. According to a recent United Nations report, the percentage of people in developed countries over age 65 will rise from 17% today to 24% by 2035. Thus, aging populations put significant pressures on health-care systems. National Institutes of Health states that in the U.S. approximately half of lifetime health-care spending occurs after age 65. More people will seek more health-care services, thus demand and volumes will rise. Private-sector health-care companies will have to implement efficiencies, create scale and maintain market power in order to succeed (Jacobson 2014).

1.3 HEALTH CARE SECTOR IN INDIA: OVERVIEW

In India, healthcare has emerged as one the largest service sector. The Indian healthcare industry, which comprises of hospitals, medical infrastructure, medical devices, clinical trials, outsourcing, telemedicine, health insurance and medical equipment, that was valued at US $79 billion in 2012 is expected to reach US $160 billion by 2017. The Indian healthcare sector is expected to grow at about 15 percent year-on-year. Factors that account for this growth are growth in infrastructure
development, creation of demand for higher levels of healthcare, rising awareness of end users and launch of innovative insurance, reimbursement and financing policies.

Domestic hospitals have a long-standing reputation in the healthcare sector. Some of the prominent private Indian hospital chains that offer world-class medical treatment include Max Healthcare, Fortis, Escorts Healthcare, Moolchand Hospital, Manipal Group of Hospitals, Woodlands Multispeciality Hospital, Anandlok Hospital, Jitendra Narayan Ray Sishu Seva Bhavan and General Hospital, Apollo Group of Hospitals, Sarvodaya Hospital, Suguna Ramaiah Hospital, Chinmaya Mission Hospital, Manipal Hospitals, Narayana Hrudayalaya, CSI Kalyani General Hospital, KHM Hospitals, Kumaran Hospitals, P.D. Hinduja National Hospital, Joy Hospital, Sir H.N. Hospital and Research Centre, Sowmya Hospital, etc.

Private practitioners and hospitals are the major providers of health care in India. Practitioners of alternate systems of medicine also play a major role in Indian healthcare sector. India faces the twin epidemic of continuing or emerging infectious diseases as well as chronic degenerative diseases. The first one is related to poor implementation of the public health programs and the second is related to demographic transition with increase in life expectancy. Healthcare system in India is in a rickety situation. Healthcare costs seem to be escalating everyday, which becomes unaffordable to common person.

1.4 SCOPe OF THE INDIAN HEALTHCARE SECTOR

The scope of Indian healthcare is immense. Health care covers not merely medical care but also all aspects of pro preventive care too.
It cannot be limited to care rendered by or financed out of public expenditure within the government sector alone but should include incentives for self care and care paid for by private citizens to get over ill health (Srinivasan n.d.).

As the population is growing, more healthcare issues can be anticipated. According to Dr Appa Rao, chief coordinator of the Indo-Global healthcare summit held during 20-22 June 2014, in Hyderabad, quoted that with fast changing dynamics in the healthcare sector across the world, it is high time for Indian healthcare to learn and invest more in research and development. The medical devices segment in India is lagging far behind compared to the advanced nations.

1.5 GROWTH FACTORS IN INDIAN HEALTHCARE SECTOR

It is forecasted that Healthcare revenue in India is about to reach US$ 280 billion by 2020, expenditure is likely to grow at a compound annual growth rate (CAGR) of 12 per cent over 2012-15. Factors that contribute to the growth are rising incomes, greater health awareness, lifestyle diseases and increasing insurance penetration. The private sector has emerged as a vibrant force in India’s healthcare industry and has contributed about 68 per cent of total healthcare spending in 2011. Healthcare sector employs around 4 million people (http://www.ibef.org/industry/healthcare-market-research-analysis-report.aspx).

Many foreign players have entered the Indian healthcare market due to potential of the large market. Some of these foreign players are Pacific Healthcare of Singapore, which is a Joint venture with Vital Healthcare in Hyderabad. Columbia Asia Group, a Seattle-based hospital
services company, Wockhardt Hospitals Steris, a US-based medical equipment company that has set up a wholly owned arm in India. Amcare Labs, an affiliate of Johns Hopkins International of the US, has set up a diagnostic laboratory in Hyderabad through a JV with the Apollo Group.

Besides investing in hospitals, foreign players have also expressed interest in establishing Research and Development (R&D) centers in India. As an evidence for this, Abbot Laboratories has announced plans to set up an R&D centre in collaboration with Syngene, a contract research subsidiary of Biocon Ltd., to develop nutrition products in India. US pharma company Merck, which is known as MSD outside the US and Canada, plans to set up a laboratory in New Delhi for developing vaccines at an estimated cost of USD 133.93 million.

Some of the factors that contribute towards further growth of the sector are:

1. **A low-cost destination**: India provides best-in-class treatment, but in some cases at less than one-tenth the cost incurred in US and Europe.

2. **Rising medical tourism**: There is a rise in the medical tourism in India. Factors such as presence of a well-educated, English-speaking medical staff, as well as state-of-the art private hospitals and diagnostic facilities contribute towards this.

3. **Telemedicine**: Due to the need for specialist doctors in rural areas, as most of them live in urban or semi-urban centers of India, there is a growth in the telemedicine. Rural areas, roughly with a population of 700 million, healthcare facilities can be
provided through telemedicine, with remote diagnosis and monitoring and treatment of patients via videoconferencing.

4. **Healthcare infrastructure:** The strong demand for medical equipments such as x-ray machines, CT scanners and electrocardiographs, highlights an opportunity for global players in investing in the development of quality products.

5. **Rising population:** In 2011, India’s population was 1.21 billion and by 2030, India is expected to surpass China as the world’s most populous nation and more health issues can be anticipated (Source: http://www.investindia.gov.in/?q=healthcare-sector).

1.6 **CHALLENGES FACING HEALTHCARE SECTOR**

Though healthcare sector is growing rapidly, it is also facing immense challenges. Growing population in India itself is a greatest challenge. India has a rapidly progressing private healthcare sector with state-of-the-art equipments and skilled doctors, patients are not satisfied with the care they are receiving at these hospitals. There is a growing demand for the quality health care but the absence of matching delivery system pose a great challenge to the hospitals. Recent analyses indicate high absenteeism, low quality in clinical care and low satisfaction levels of quality care (clinical and about courtesy and amenities). Gap seems to be widening and in order to minimise this gap, employees should be trained and developed and make them committed to the organisation. Research done by various scholars has indicated that satisfied employees provide customer satisfaction.
Healthcare industry in India is expected to be around $45 billion by the end of 2013 accounts for less than 1% of the global healthcare industry and has to address the healthcare needs of 17% of the global population. Thus, India health sector faces severe resource constraints to deliver quality health services. India spends about 5% of GDP on healthcare while developed countries spend 10-12% of GDP on healthcare. The government’s share in the total healthcare expenditure in India has remained around 1% of GDP and therefore the private players have become dominant in health service delivery (Ramani 2014).

A major challenge faced by the healthcare is the high attrition rate of the paramedical staff in hospitals. Since Indian healthcare sector is growing at an exponential rate there is a demand for skilled human resources. Recruiting and retaining nurses has become a deep concern for hospitals in India. According to HR experts, attrition rate among nurses is the highest, varying from 28 per cent and 35 per cent as compared to the average attrition rate of healthcare sector that is 10.1 percent in 2005. Attrition among nurses is high because they have much demand in foreign countries. Countries such as Middle East, UK and USA choose Indian nurses and train them according to their requirements (http://healthcare.financialexpress.com/201005/healthcarelife01.shtml). Even in India, opportunities are abundant for the skilled nurses since private players have become dominant. While doctors are paid well in India, it is not the same with nurses and other technical staff. Due to the acute shortage of nurses, hospitals are even hiring unregistered nurses. According to The Economic Times, attrition rate was 12% in Healthcare sector in the year 2010-11.

The reasons for the high attrition in healthcare, according to HR experts are inadequate pay, poor working conditions, weak relationship
with their supervisors and lack of training and career advancement. It is imperative that organisations should understand these concerns of their valuable employees and keep them with their organisations for a long time. Excellent performance of the employees should be valued and rewarded. A stable workforce is robust for every organisation.

1.7 EMPLOYEE RETENTION

Retention is defined as a voluntary move by an organisation to create an environment, which engages employees for long term (Chaminade 2007). The main purpose of retention strategies is to prevent the loss of competent employees from the organisation. Organisations are conscious about implementing effective retention strategies in order to curb the high turnover ratio. It is the responsibility of the employer to retain their best performers.

Employee retention takes into account the various measures taken so that an individual stays in an organisation for the maximum period. Recognition is another powerful way of building employee loyalty. According to Raju & Jena (2012), retention starts at the top. Sourcing, hiring and retaining of the talents are the responsibilities of the company’s governing board and leadership team. HR department cannot reduce turnover. Some of the retention tools suggested by Raju & Jena are:

- Employee Reward programs
- Career Development program
- Performance Referral program
- Loyalty Bonus
- Gifts at occasions
- Transparent work environment
- Employee Recreation

Managers and team leaders can reduce attrition levels by creating a motivating team culture and improving the relationships with team members. Recent studies have shown that retention of highly skilled personnel has become a challenging task for HR managers, as these highly skilled professionals are always lured by the competitors (Samuel & Chipunza 2009).

Employee commitment, productivity and retention issues are emerging as the most critical HR challenges. “Surprise” employee departures can have a significant effect on the execution of business plans and eventually affect the productivity (Kreisman 2002). Productivity and retention rates fall when employees are distracted, confused and preoccupied. To a great extent, HR managers can reduce unwanted turnover. They need to identify the factors that drive employee’s satisfaction. These factors include, opportunity to learn and grow, fair compensation, good work environment and recognition and respect for each person’s competencies, needs, desires and style.

1.8 REASONS FOR THE EMPLOYEE TURNOVER

HR managers have to identify the reasons for the employee's departure and implement effective retention strategies. Employee retention refers to the various policies and practices, which let the employees stay with an organisation for a longer period of time. Every organisation invests
time and money to develop a new employee, make him a corporate ready material and bring him at par with the existing employees. The organisation is completely at loss when the employees leave their job once they are fully trained.

Employee can be dissatisfied with the organisation due to many reasons. Personal dissatisfaction itself is a major reason for an employee to leave the firm. This dissatisfaction can arise from various factors such as compensation, job security, job autonomy, relationship with the supervisor and other colleagues etc. Nature of the work environment, poor relationship between employees and their immediate boss, lack of career advancement opportunities, lack of competitive pay, lack of hikes based on performance, lack of appreciation and rewards are found to be some major reasons for employee turnover (Kaur 2012).

1.9 **BENEFITS OF EMPLOYEE RETENTION TO THE ORGANISATIONS**

Employee turnover is a common phenomenon, which many organisations are facing today. Organisations invest immensely in recruiting and developing their employees. Hence, employee turnover is a potential loss for any firm. HR managers try to prevent the employee turnover by implementing effective retention strategies. Turnover is the exit of many employees from the organisation and is considered as a negative aspect. To prevent employee turnover, employee retention strategies are crucial. When employees decide to leave the organisation voluntarily, it becomes a crisis for the organisation.

Turnover of the employees disrupts the teams, raises expenses, reduces productivity and result in lost of organisational knowledge.
Both private and public sector organisations are beginning to struggle substantially with knowledge loss resulting from employee turnover. Departing employees may leave with many kinds of knowledge such as subject matter expertise, organisational memory of why certain decisions were made, awareness of past company projects and relationship with both internal employees and external business partners and customers. A stable workforce becomes significant for a firm to sustain its competitive advantage. The most valuable asset of any firm is its stable workforce. In hospitals, when more employees depart, it will have an impact on the quality of the service the hospital provides. Effective retention strategies become crucial in this context to retain the valuable assets of the organisation.

1.10 Employee Retention Strategies

Employees are less happy with their jobs today and retaining them has become a difficult task for the HR managers today. Retention strategies are the actions or steps adopted by HR managers in order to retain their key performers. Most obvious retention strategy according to Abrams (2004) is money in the form of bonuses, or other financial incentives to employees who remain with the organisation for a fixed period.

Retention strategies adopted by hospitals include improving work life balance of employees, encouraging learning and development, developing a positive organisational culture etc. Providing employee state insurance, subsidised food etc are some strategies introduced by hospitals in India. Providing a conducive work culture, providing flexibility are also some retention strategies implemented by hospitals in India.
Organisations have designed retention programs that include attractive employee benefits, flexible work arrangement, career development programmes and a host of other initiatives. Findings of Randstad Work monitor survey Q2 2012 revealed that 54 percent of the respondents felt that the financial performance of their organisation was under pressure. 68 percent of the respondents felt that salary was a more important factor than enjoying work they did. 81 percent of the employees agreed that they would quit an organisation where there is lack of personal development (The Times Ascent, Times of India, August 1, 2012). Employees must be listened and their perceptions should be understood by the management. It is also crucial for the organisations to develop and execute right retention strategies to retain their talents.

1.11 PROBLEM STATEMENT

Employee turnover had been historically viewed as a question by researchers in terms of why employees leave their organisations and what could be the basis of employee’s intention to leave the organisation. High employee turnover has deleterious effects on productivity. Since last decade, researchers have shifted their focus on HR policies and practices of the organisation in order to identify the reasons of employee turnover. Managing high employee turnover has become a challenge for the HR managers. Though the high turnover rates were reduced during the recession, it is persisting. Realising this fact, HR managers have implemented effective retention strategies in their organisations. However, how satisfied are the employees pertaining to the retention strategies implemented in their organisation? What are their perceptions towards these strategies? Study is an attempt to find out answers for these questions. Researcher attempts to understand the perceptions of the
employees with regard to the retention strategies implemented in their organisation and influence of the retention strategies on their intention to stay. Researcher also intends to understand whether organisational commitment of the employees has influence on their intention to stay with the organisation. A conceptual model as seen in Figure 1.1 is framed for the study.

Figure 1.1 Conceptual model

1.12 OBJECTIVES OF THE STUDY

1.12.1 Primary Objectives

- To study the perception of employees pertaining to the retention strategies implemented in their organisations
To analyse whether retention strategies have significant influence on employee satisfaction, employee’s organisational commitment and employee’s intention to stay

1.12.2 Secondary Objectives

To examine whether demographic variables – age, gender, marital status and educational qualification level have any influence on employee’s perception towards retention strategies, employee satisfaction, organisational commitment and intention to stay

1.13 RATIONAL FOR THE STUDY

Healthcare sector is confronted with high employee turnover issues. High employee turnover disrupts the teams, raises expenses, reduces productivity and result in the loss of organisational knowledge. It is inevitable to understand the needs and expectations of the employees to provide employee satisfaction and to retain them. Though there is no scarcity for talents, there is severe scarcity for qualified talents. The most powerful source of long-term competitive advantage of any organisation is human capital. Firms that attract, develop and retain talents would thrive. This study would throw insight into the expectations and perception of employees pertaining to the retention strategies.

1.14 SCOPE OF THE STUDY

The scope of the present study is confined to understand the perception of paramedical staff in hospitals pertaining to the retention strategies in their organisations. The study also intents to understand the
employee’s satisfaction level, organisational commitment and intention to stay with the organisation. Study does not get into the details of patients or their perception to any other aspects. Proposed period of study is from 2009 – 2014 for primary information.

1.15 HYPOTHESES

The proposed study attempts to test the following hypotheses.

- Retention strategies have significant relationship with employee satisfaction on retention strategies

- Employee satisfaction on retention strategies have influence on employee’s intention to stay

- Satisfied employees decides to stay with the organisation

- Employee’s organisational commitment has significant impact on employee’s intention to stay with the organisation

- Demographic variables – age, gender, marital status and educational qualification level have influence on employee’s perception towards Retention strategies, Employee satisfaction, Organisational commitment and intention to stay

1.16 METHODOLOGY

Study is designed as a descriptive research in nature. The phenomenon of the study are measured and reported to highlight the facts. Since descriptive method uses survey, schedule or interview technique to collect the data, it is proposed to use a self-administered
questionnaire to collect data of this study. An intense literature review and interview was conducted with the experts and HR managers in hospitals before developing the questionnaire for the study. Scales such as five point agreeableness Likert scale and satisfaction scales are used.

1.16.1 Sources of Data

The sources of data include primary as well as secondary. Primary data includes perception/opinion of the paramedical staff in hospitals and secondary source includes reports, research papers from journals, magazines, web sites, newspapers, textbooks etc.

1.16.2 Sample Design

The population consists of employees associated with National Accreditation Board for Hospitals and Healthcare Providers (NABH) accredited multispecialty hospitals in India. For the convenience of the study, sample framework was created by limiting the samples to Bangalore city, which is the hub of multispecialty hospitals. There are 17 NABH accredited hospitals in Bangalore, which are also the leaders in this sector. Out of these 17 hospitals, three hospitals denied to participate in the study. Rest of 14 hospitals with a total staff of 7553 was considered as the population. For the given population size and confidence interval of 95%, margin of error of 5%, from the Krejcie & Morgan (1970) sample size required is found to be 365. Accounting for non-responses and looking at the response rate, it was decided to select a sample size of 1000 respondents. Random sampling method was applied to select the respondents. HR managers were approached and requested for the employee list. Based on the employee number, through random number generator function in MS Excel software the subjects for the study were
selected. Due to emergency and busy schedule, many did not volunteer for the survey. In total 403 responses were collected. Responses were collected from paramedical staff (Doctors, nurses and technicians) of each hospital. The responses were edited and checked for errors and missing values. 26 responses were found unusable, leaving 377 cases for further analysis.

1.17 LIMITATIONS OF THE STUDY

The present study is not free from limitations. They are:

- Study is confined to NABH accredited hospitals in Bangalore only
- Respondents refused to give complete information
- Managers also refused to reveal some confidential matters
- Use of self-administered questionnaire might increase response bias
- Time and other resource constraints (eg. Travelling) might restrict the selection of more hospitals in other cities

1.18 CHAPTERISATION SCHEMES

Thesis report is organised as following:

Chapter 1- This chapter provides an introduction of the study topic, problem, objectives of the study and rational for the study. It is also introduces the concepts like Employee retention, employee turnover and organisational commitment. It underlines the reasons for employee
turnover, explains cost of high turnover and retention strategies. The industry profile of healthcare sector is also provided in this chapter. Problem statement, Objectives of the study, hypotheses, rational for the study and scope of the study are also presented.

Chapter 2 - This chapter encompasses the related literature reviewed. Research conducted by various scholars on employee retention, employee turnover, employee’s intention to leave/stay are reviewed and presented in this chapter.

Chapter 3 - This chapter is a compilation of concepts taken for study. Theories related to employee retention as well as concepts and terminologies related to research area are presented in this chapter.

Chapter 4 - This chapter includes descriptive data statistics and analysis of the data collected from the employees. Instrument was validated and reliability test was performed. Tools to test the hypotheses include Pearson correlation, multiple regression and ANOVA.

Chapter 5 - This chapter is a summation of the thesis. The findings of the study are consolidated and summaries of the hypotheses test are presented in this chapter. Suggestions to various stakeholders were provided in this chapter. Research instrument is furnished in appendices.