Chapter-3

Literature review
3.1 INTRODUCTION

In this knowledge age, human resource is considered as the most important resource of the organizations and retaining them in the organization becomes significant for success of that organization. With all round development in each and every area of the economy and there is stiff competition in the market, so there are lots and lots of avenues and opportunities available in the hands of the human resources. Securing and retaining skilled employees plays an important role for any organization, because employees’ knowledge and skills are central to companies’ ability to be economically competitive.

The employee may decide to end his employment relations due to various personal reasons, health, disinterest in work/job, family problems, job and professional reasons (such as lack of opportunities to grow in the job and the company, denial of opportunities by the management, poor remuneration, poor facilities, and poor quality of work life, favouritism and nepotism). Losing good employees result in performance losses, which can have long term negative effect on companies, especially if the departing talents, leaves gaps in its execution capability and human resource functioning. It not only includes lost productivity but also possibly loss of work team harmony and social goodwill.

Research have been established the aforementioned linkage in terms of turnover costs, retention costs, erosion of social capital and organizational skill banks, especially applicable for service and knowledge-based organizations. Erosion of employees' tacit or specialized knowledge, making them more distinctive and less easily replaceable, sunk costs like those incurred on training and maintenance of the employees; high personal and organizational costs associated with turnover etc.

Job hopping, turnover, attrition, quitting, worker mobility, job shift; “willingness to change companies”; work flows have been used interchangeably in the researchers’ perspective.

Viewed from a broad perspective the process of job hopping commences with the dissatisfaction experienced by an individual with his present job followed by his search for alternatives, followed by a comparison of those options with his current job using an expected-value-like decision process, and, finally, the decision to leave if any of the alternatives is adjudged to be preferable than his current situation or position.

Many research has demonstrated the differences among the different organizations in the same sector vis-a-vis job hopping, attrition; turnover intentions etc. This may be
attributed to factors like perceived brand image of the rival companies and the better opportunities in the rivals than the present one, pay dispersion [15].

Although lower-paying roles experience a higher average of employee turnover, it tends cost to company. Companies typically incur these costs more often. For this reason, most companies focus on employee retention strategies regardless of pay levels. Most companies find that employee turnover is reduced when they address issues that affect the morale of employees. By offering employees benefits such as reasonable schedule flexibility that allows them to balance their work and family life, performance-based incentives and traditional benefits such as paid holidays or sick days, by these techniques the employee turnover rates can be reduces. The extent to which a company will go in order to retain employees depends not only on the costs of replacing its employees, but also on the company's overall performance. If a company is not getting the performance it is paying for, from its employee. “The replacement costs might be considered a small price to pay over the long term”[11].

Researchers have also found that the job hopping, attrition, turnover or worker mobility and quitting are due to compensation scheme, career growth, work life balance, job satisfaction, motivation, environment (Clean/Hygienic, Comfortable position to work, sitting arrangement, etc.), team work, management effectiveness, competency, commitment, appraisal system, involvement, gender issues, etc., therefore, the HR managers responsibility to measure these majors for retention of the employees in the organization.

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace. Get Les McKeon defined employee retention as a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that addresses their diverse needs. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time.

Retention of IT employees is important to sustain a competitive advantage for IT companies in today’s global market [31]. Studies on the benefits of retaining IT employees have significantly indicated that IT companies can gain a higher operating performance, higher returns on assets and higher returns on capital employed [23]. In contrast, the loss of IT employees is expensive and may thus be detrimental to IT companies [14]. The effect of losing IT employees has significantly impacted on the performance of IT companies from the two
dimensions of tangible and intangible perspectives. The tangible perspective includes the administrative expenses of recruiting, selecting and training and development of new staff, whereas the intangible perspective includes the loss of employee morale, social capital and company memory. It is noted that the total costs of replacing an employee amounts to 150% to 175% of the salary costs of the departing IT staff. The intangible loss of knowledge, experience, and know-how of companies is more significant than the tangible costs of replacing staff because it could lower productivity and performance of companies and thus result in loss of profits. Therefore, IT companies must understand the serious impacts of the loss of IT employees and find a way to retain them. This is the focus of this study.

Findings out whether labour turnover is high or low in specific sector and why attrition occurs is a useful yardstick to measure HR management performance based on evidence and to provide HR management with data that can serve as the barometer of the workforce sentiment, and provide guidance for policies and corrective measure where seen appropriate and needed.

3.2 IT EMPLOYEES

IT employees are one group of knowledge workers, and their productivities are key factors to the economic success of companies. This is because today’s work content largely requires new knowledge production and innovation of human capital, which is the quality output of their ideas and productivities. In addition, IT employees own the means of production which means that they carry incremental knowledge in their brains and thus can be highly mobile and independent. This indicates that the ascent of knowledge work makes IT employees more valuable and attractive to the organisation than they need the organisation. In this respect, there is a challenge in that IT companies, the HR must find ways to attract, develop and retain the IT employees, in order to sustain their competitive advantage in the global competition.

The importance of IT employees and their knowledge is being recognized by the new economy. This is because their knowledge is the only asset of the company which cannot be easily replicated, and it is a source of profit, skill and sustainable competitive advantage. For example, new entrants can easily reproduce and clone the existing market products, but cannot easily transfer tacit knowledge which is synthesized through learning and experience in the organisation. Tacit knowledge is the expertise, experience and capability of IT
employees, integrated with process and company memory, so it is always contextual and skilful\textsuperscript{[1]}. Through the generation, dissemination, application, and reuse of tacit knowledge, companies can create innovative ideas for continuous new product development and thus sustain a competitive advantage\textsuperscript{[36]}.

The application of incremental knowledge and information has accelerated the innovation process, which provides opportunities for companies to operate in new markets, to change ways of working, and to deliver different products and services\textsuperscript{[11]}. It is believed that only a continuous process of systematic innovation and improvement can protect companies from the pressures of global competition\textsuperscript{[30]}. Nelson and Winter (1982) have also argued that the transformation of incremental knowledge into the daily basis of routine work can effectively prevent damage from the impacts of poaching staff, reverse engineering or industrial espionage. This indicates that the only secure form of competitive advantage for companies is to actively embody tacit knowledge into the process of continuous incremental innovation\textsuperscript{[39]}. Consequently, the innovative use of tacit knowledge results in profit\textsuperscript{[22]}.

Since the global economy has shifted towards knowledge-intensive jobs, IT employees are a growing category of the workforce\textsuperscript{[31]}. This group of employees is regarded as the most expensive type of workers that organisations employ because they possess the most economic value of incremental knowledge development\textsuperscript{[31]}. In addition, this group of employees is highly educated and is capable of using knowledge, theory and concepts rather than using physical force or manual skill\textsuperscript{[68]}. It appears that the productivity of IT employees is measured by the contributions of performance in comparison to the productivity of manual workers which is measured by the output of producing products\textsuperscript{[31]}. Consequently, IT employees are viewed as assets of companies which need to be developed and grown, whereas manual workers are viewed as a cost to companies which needs to be controlled and reduced\textsuperscript{[31]}.

### 3.2.1 IT Employees on various Dimensions

In general, IT employees have a high degree of expertise, education, or experience, and the primary purpose of their jobs involves the creation, distribution, application and reuse of knowledge\textsuperscript{[24]}. In addition, IT employees are responsible for sparking innovation and growth of an organisation by investing in new products and services\textsuperscript{[24]}. However, IT employees are critical to the success of organisations, their unique characteristics of personality present challenges that HR managers have to deal with in the workplace. That is, a high degree of autonomy and independence are two common attributes of IT employees\textsuperscript{[24]}.
According to Drucker (2007)\textsuperscript{31}, the work content of IT employees naturally involves a high degree of autonomy, which imposes responsibility for their productivity on their own management of personal development and growth. This indicates that IT employees do not like work content that is highly involved with specifying detailed steps and flow of knowledge-intensive processes (Davenport, 2005)\textsuperscript{24}. In fact, IT employees require a fair process in decision-making, which can influence their commitments to the participation and involvement of job tasks (Davenport, 2005)\textsuperscript{24}. This is because IT employees are thinkers and they live in ways that use their cognitive ability to define difficult problems and identify intelligent solutions\textsuperscript{17}. Indeed, IT employees are proud of their domain knowledge and are desirous for recognition from others (Davenport, 2005)\textsuperscript{24}.

As IT employees highly value their domain knowledge, they are independent and reluctant to share it without rewards or guarantees of continued employment (Davenport, 2005)\textsuperscript{24}. This is a problem, in that IT companies could fail if employees’ domain knowledge is not open to share with one another, as the success of IT relies on the three key ingredients of ‘domain knowledge’, ‘deadlines’ and ‘dialog’ (Mash, 2009). This indicates that collaboration and communication are also essential parts of the productivity of IT employees\textsuperscript{17}. Rubens (2008) has stressed that the future economy is about knowledge and relationships, because social networks can enable people to explore ideas, develop new concepts and learn in ways that will be revolutionary. Therefore, the success of a business is deemed to rely on the effective management of IT employees, in which managers can motivate them to share their domain knowledge by giving them autonomy of job design\textsuperscript{24}.

\section*{3.3 EMPLOYEE TURNOVER/JOB HOPPING/ ATTRITION.}

Conceptually, the term employee turnover underwent a change during the last quarter of the 20th century. It was rechristened as employee attrition. The Webster’s Dictionary defines the term attrition as “the process or state of being gradually worn down”. Accordingly the attrition process sometimes starts after a person is employed in an organization and ends when he quits or retires. The process, in a sense, spreads over the entire period of employment that may be a span of about 40 years. But in the modern day business and employment relations attrition is often not a gradual process. It is often abrupt, quick, sudden, and sometimes dramatic especially in tight labour market conditions where employers compete with one another to employ people considered to be suitable to the jobs they have in their organizations.
The basic reason why people leave their jobs, as Angelo S. DeNisi and Ricky W. Griffin (2009:266-268) have put it, is because they are unhappy with their jobs. In fact, the researchers on employee turnover have not only identified the predictors of turnover but have also investigated the process of deciding to quit a job. It is revealed through research that the decision to quit can be made in different ways and in response to different stimuli. 

3.3.1 Dimensions of Turnover

Employee turnover is perceived in a number of different ways. Employee turnover refers to the number or percentage of workers who leave an organization and are replaced by new employees. The turnover can be Involuntary, Voluntary, Desirable and Undesirable. The most common reasons for leaving a job are ‘poor salary and benefits’, A lack of training and development opportunities, Dissatisfaction with management, Not getting along with colleagues, The journey to work, Lack of work/life balance.

Turnover can be caused by employees who leave on their own. This is called voluntary turnover. When an employee leaves because of a layoff or a disciplinary firing this is called involuntary turnover. The total of these two is called total turnover. Employee Turnover is the percentage of a company’s employees who leave during a specified period. Although it is most often expressed at annual turnover rate, but the calculation can be done on shorter or longer periods.

In line with the aforementioned theme are the interlinked concepts like functional turnover (akin to involuntary turnover, which entails removing underperforming employees) and dysfunctional turnover (akin to voluntary turnover, which leaves dysfunctional costs to be borne by the organization owing to the loss of the experience, knowledge and the talent which results in output delays caused by their vacancy) voluntary turnover (defined as “a process in which an individual makes a decision to stay or leave the firm”) and involuntary turnover (a process in which the organization assumes control over an employee’s decision to stay or leave); progression theory of job dissatisfaction and its linkage with quitting and, finally, the “unfolding model of turnover”.

Turnover, attrition and job hopping may be linked to broadly in two types- extrinsic and intrinsic. The intrinsic factors may be poor interpersonal relationship with the supervisor and/or peers, personal factors like work-family role conflicts; weather, amenities and general culture of the location; family; off-the-job events (like spouse relocation or an unsolicited job offer at hand); preference for a particular location, opting/possessing for
higher education and knowledge up gradation[53]; age of the individual employee concerned, where the younger employees were more prone to initiate quitting rather than their older counterparts, [33] little or minimal work-life balance being offered by the organization etc. Extrinsic factors like global downturn in the economy or in the specific sector per se; decision of the company to cut down the employee strength for the sake of sheer numbers; contingent staffing; electronic monitoring and variable pay [14]; technological up gradation (which makes the number of heads required redundant); ongoing downsizing leading to uncertainty and demoralization [14] organizational restructuring, including mergers and acquisitions; size of the organization [11]; number of females in the organization and the number of employees with a college degree [17]; closing down of a particular unprofitable unit. Hirschman’s (1970) discussion of responses to organizational decline—exit [71]; saving costs for establishing a new unit or for introducing a new process or technology or foreign expertise; a reduction in organizational attachment [70]; reconfiguration of the skill mix [20]; higher pay dispersion [16]; present work environment and organizational [17]; perceived organizational support (POS) [32]; Perceived Supervisor Support which would decrease employee turnover [32]; poor person-job and person-organization fit [19]; lack of job compatibility [75]; linkage of perceived fairness of pay procedures and perceived fairness of pay amounts with satisfaction, and, therefore, negatively predicting employee turnover [77], and, so on.

However, it has been shown [75] that job search, and the consequent turnover intention, is not related to the employee dissatisfaction, as it is linked to some off-the-job “shock” or jarring event, such as receiving an unsolicited job offer or a family member’s addition or demise. It may be pertinent to note here that scholars have distinguished between “job searching” from “leverage-seeking search” in the sense that the former is linked to change of the jobs, the latter is indicative of seeking leverage against the present employer, seeking leverage implies using the available job alternatives as a leverage against the present employer such that his/her present organization shall strive to make a better counter-offer and make efforts to retain him/her [18]. Other extrinsic factors accountable for job hopping include low commitment, and prevalent job alternatives [75]. In fact, Steel (2002) [74] reported that there existed a positive corrected average correlation between perceived employment alternatives and turnover [33]. Other factors which have been attributed to job hopping are availability of ample job opportunities in the market, company closure, lack of job security in the current job, technological obsolescence, higher pay offered by the rival companies, better
promotion avenues, better perks associated with the future positions, perceived brand image of the rival company; “cohort effects” [33]; Hobo syndrome (defined as the tendency of individuals to change jobs as a practice[19]).

But one finds a contradiction in the usage of the two terms. Of late, while the employers/managements have been using the term attrition, in literature we commonly find the usage of the term turnover instead of attrition. Following the literature on Human Resource Management in this study the term employee turnover is used instead of the term employee attrition. However, we may also use the term employee attrition occasionally.

![Figure-3.1:Classification of Employee turnover](image)

**Desirable turnover** occurs an employee whose performance falls below the company's expectations is replaced by someone whose performance meets or exceeds expectations. It's desirable because poor job performance, absenteeism and tardiness are costly - replacing a poor performer with an employee who does his job can improve the company's profitability. Desirable turnover also occurs when replacing employees infuses new talent and skills, which can give an organization a competitive advantage. **Undesirable turnover** means the company is losing employees whose performance, skills and qualifications are valuable resources.

- The ratio of the number of workers that had to be replaced in a given time period to the average number of workers.
- In a human resources context, turnover or staff turnover or labour turnover is the rate at which an employer gains and loses employees.
- The research work highlight four distinct types of employee turnover that exist across two categories: involuntary turnover, instigated by the employer, and voluntary turnover, prompted by the employee.
Like recruitment, turnover can be classified as "internal" or "external". Internal turnover involves employees leaving their current positions and taking new positions within the same organization. Both positive (such as increased morale from the change of task and supervisor) and negative (such as project/relational disruption, or the Peter Principle) effects of internal turnover exist, and therefore, it may be equally important to monitor this form of turnover as it is to monitor its external counterpart. Internal turnover might be moderated and controlled by typical HR mechanisms, such as an internal recruitment policy or formal succession planning.

Unskilled positions often have high turnover, and employees can generally be replaced without the organization or business incurring any loss of performance. The ease of replacing these employees provides little incentive to employers to offer generous employment contracts; conversely, contracts may strongly favor the employer and lead to increased turnover as employees seek, and eventually find, more favorable employment.

3.3.2 Researchers Works on Turnover

The reason for employee turnover varies from one organization to the other and from one person to another as they are not getting what they expect from the organization (Ongori, 2007)[66]. Mobley (1982)[58] and Dickter, Roznowski and Harrison (1996)[27] also called for more research and theory pertaining to how the turnover process occurs over time. A high labour turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit. Researchers such as Heneman and Judge(2003)[40]; Gberevbie (2008)[37] have agreed that an organization’s inability to formulate and implement strategies capable of recruiting competent employees and retaining them to achieve organizational goals is one of the main challenge facing organizations in the area of performance.

Arnold and Feldman (1982)[7] devised that turnover intention can be influenced by many factors such as job satisfaction, age, tenure of the job, organization commitment, perception of job security and intention to switch a job (Lee et al., 2010)[46]. Furthermore, Mobley et al., (1979)[60] presented some other factors which indicated employee’s turnover
intention and these factors are “promotion opportunities”, “centrality of work value” and “peer group interaction” (Lee et al., 2010). Lee et al., (2010) finally derived these factors which influence the turnover intention of the employees i.e. organizational culture (enterprise style, leadership style), job stress (work load, work atmosphere, interaction between upper management and employees), work characteristics (working hours, work attributes, work interest), promotion (promotional opportunities, repositioning, fair allocation), salary and compensation (compensation, employee benefits, reward system, retirement system) and quality of work life (work environment, work atmosphere, interaction with colleagues), (Arnold and Feldman, 1982; Mobley 1979; Mobley et al., 1979).

The other factors that influence employee turnover in Organizations include the individual work variables like demographic variables, integrative variables like job satisfaction, pay, promotion and working condition (Pettman, 1975; Mobley 1979; Arthur 2001). Demographic factors cannot be ignored as age, tenure, level of education, level of income, job category, gender have influenced employee retention and have been found to have a stable relationship with turnover intention.

The information technology industry faced the problem of employee shortage since the employees could have extensive employment opportunities not only at the local level but more importantly at the global level. The expanding employment opportunities with better and better terms of employment made the employees to seek employment with another employer who was willing to hire them with better terms and conditions. In India during the 1990s an employee working with an employer today could be working with another employer day-after, and with a third employer day-after-tomorrow. There was a competition among the employers to find employees. The turnover was increasing at a higher speed.

However, high turnover rates of skilled professionals can pose as a risk to the organization due to the human capital loss in the form of skills, training, and knowledge. Notably, the specialization of skilled professionals makes them more likely to be re-employed within the same industry by a competitor. Therefore, turnover of these individuals incurs both replacement costs to the organization as well as resulting in a competitive disadvantage to the business.

3.3.3 The Turnover Process – Models

The basic reason why people leave their jobs, as Angelo S. DeNisi and Ricky W. Griffin (2009:266-68) have put it, is because they are unhappy with their jobs. In fact, the researchers on employee turnover have not only identified the predictors of turnover but have
also investigated the process of deciding to quit a job\textsuperscript{[41]}. It is revealed through research that the decision to quit can be made in different ways and in response to different stimuli. In 1982 Bill Mobley\textsuperscript{[61]} suggested a model that is placed as the traditional model of turnover. Mobley\textsuperscript{[60]} suggests that the decision to quit is made in a logical and step-by-step fashion, largely in response to dissatisfaction with the present job. Individuals begin by evaluating the current job and level of satisfaction or dissatisfaction. If they are dissatisfied, they may begin to think of quitting, and then assess the costs of quitting and the costs and the likely success of searching for an alternative job. If they believe they have a reasonable chance of finding another job, they may begin a search. After the search, they compare the job alternatives they have discovered to the present job and decide whether it is better to quit or stay. This model suggests that the process of deciding to quit is gradual and that an alternative job is located before the current job is left.

According to Angelo S. DeNisi and Ricky W. Griffin (2009:266-68) the simplest view of the employee turnover process suggests that, if job satisfaction increases employee turnover decreases. Although this basic view is correct, the processes involved are somewhat more complex for different reasons. These reasons are: the economy and the labour market play a role. It is noted that the prevailing unemployment rate is as big a factor in whether a person leaves a job as is the level of job dissatisfaction. This explanation clearly makes a great deal of sense. Even if an employee is extremely dissatisfied, he or she is unlikely to quit without real prospect of finding another job.

\textbf{Figure 3.2: Traditional Model of Employee Turnover.} \\
Source: From book by Cynthia D. Fisher, etc. Al. P. 756.
DeNisi and Griffin write that recognizing this fact, several turnover models emphasize the role of dissatisfaction in the decision to look for alternatives, and it is seen as a necessary (but not sufficient) first step in the decision to leave. Two major streams of research have proposed models incorporating these ideas, and the basic concept of these models is presented in the figure-3.2.

**Figure 3.3. A Model of Employee Turnover.**

*Source: Angelo DeNisi and Ricky W. Griffin, Human Resource Management
2nd Edition Indian Adaptation. 2009 p. 267*

The process begins with factors leading to job dissatisfaction such as nature of the work, pay and benefits, supervision and co-workers. If job dissatisfaction makes the employee to begin thinking about quitting, that leads to a search for alternatives. Only when those alternatives look better the employee decides to leave his/her present job – a decision first manifested by an intention to quit. According to these authors, the implication of this type of model is that managers should reduce the sources of job dissatisfaction. It is best to stop the turnover before the employee begins searching for alternatives because he/she might find an alternative that is more attractive. Once an employee begins searching for alternatives, it may still be possible to retain him/her by convincing that the present job is really better than the alternatives. In fact, the search for alternatives sometimes leads to
increased satisfaction on the present job after the employee discovers that the alternatives were not as positive as once believed.

According to these authors, “other models have proposed similar mechanisms but have also suggested that job dissatisfaction must reach a critical level before anything happens and, at that point, it may be too late to do anything. In other words, this approach suggests that as levels of job dissatisfaction increase, there is little change in the employee’s intentions to leave. Those levels of job dissatisfaction finally reach a critical level, however, and the intention to leave becomes so strong that the employee is almost certain to leave”.

Another interpreting model proposed by Thomas Lee and Terrence Mitchell (1996) that deviates a bit from the basic model revolves around the notion of “shock” to the individual. First, this model proposes that several paths can lead to turnover, and they do not all require shocks. Nonetheless, the major focus is on a shock – an event that can be either positive or negative but is so profound that it causes the employee to think about the organization, the job, and how he/she fits with both. This model begins with shock and not with job dissatisfaction. In fact, the dissatisfaction occurs only because the employee started thinking about the job in response to the shock.

The decision to leave is largely based on the perception that the employee does not really fit with the company – that is, the present job in the present company is not consistent with the image the employee has of him/herself. In some cases, the employee will have without even considering alternatives, but in all cases the decision to leave takes place over time.

This model, the authors, state, includes other aspects of cognitive processing, but the shocks include events such as winning the lottery or losing a loved one, as well as job related events such as missing a promotion or receiving an offer from another company. This model has interesting implications for understanding how difficult it is to manage the turnover process, but recently the authors of the model have added one more wrinkle. Although the model was originally proposed as a way of understanding why people leave their jobs, it can also help understanding why others stay. The notion of job embeddedness has been proposed as an explanation for why people stay on their jobs, even when they decide they are unhappy and should leave.

Some employees are simply tied too strongly to their jobs to leave. Perhaps they are deeply involved in the neighbourhood, or perhaps they can not sell their property (houses and
other non-movable ones). Whatever the reason, they feel that they cannot quit. These employees may be quite unhappy, which can cause resulting problems.

This state is not always a desirable one. Nonetheless, the notion of job embeddedness adds a great deal of the understanding of the turnover process.

3.3.4 Measuring Employee Turnover

Calculating employee turnover is not a matter of simple mathematical method. It is necessary to take into account the root of the problem, by going back to the hiring stage. Harish Bhattiprolu, Director, Sales, Kenexa Technologies points out that most organizations in practice do not evolve robust measurements for calculating cost of a bad hire or labour turnover. The detail of information required and the measurement metrics are not common formulae, but have to be designed dependent on the nature of business and function. "As a result most organizations do not intend to mislead by disclosing statistics which may not be true, it is just that perhaps they believe those to be true. It is imperative to evolve the science of measurement before the measure itself," he asserts. Organizations will however know what their real attrition figures are as they would have a huge impact on business, as Noronha puts it. Attrition is interpreted in different ways and it is up to each organization how and what they wish to share. Organizations are generally much concerned about regretted voluntary attrition. These are people who leave at their own will and those whom the organization would have loved to retain. Similarly, organizations measure managed attrition. These are people made redundant, laid off or exited. Though managed attrition is non-regretted by the organization, if the trend of managed attrition is on the higher side may show the organization in poor light and does have an impact on the organization’s health."

Attrition does not only reflect the hiring policies of an organization, but also induction and retention strategies, training methodologies, work culture and many other factors. Kranti Munje points out that it costs the company valuable time, money and often credibility (especially where employees develop relationships with customers). "Some companies just look at the employee turnover in terms of the cost (based on the PWC Saratoga Institute theory) involved in the hiring and training of the individuals. While others look at the opportunity lost and cost. Sometimes companies also use the figure between 50 to 200 per cent of the annualized salary." It is often found that the organizations aim to reduce voluntary attrition of productive employees and encourage unproductive staff to leave its fold. "It makes way for career progression, new thinking and innovation."
3.3.5 Cost of employee turnover

The cost of the turnover can be expressed as real cost and opportunity cost or direct and indirect costs. The real cost is time taken to select and recruit a replacement, and opportunity costs is lost productivity. The cost of employee turnover to for-profit organizations has been estimated to be up to 150% of the employees' remuneration package. Direct costs relate to the leaving costs, replacement costs and transitions costs, and indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale.

Employees are important in any running of a business; without them the business would be unsuccessful. However, more and more employers today are finding that employees remain for approximately 23 to 24 months, according to the 2006 Bureau of Labour Statistics. The Employment Policy Foundation states that it costs a company an average of $15,000 per employee, which includes separation costs, including paperwork, unemployment; vacancy costs, including overtime or temporary employees; and replacement costs including advertisement, interview time, relocation, training, and decreased productivity when colleagues depart.

The costs of employee turnover can be incredible. Some of the substantial costs that occur when a person leaves the organization are distributed on four fold as per figure 3.3.

![Figure-3.4: Classification of Cost of Employee turnover](image)

1. **Recruitment costs** - from advertising to the time spent interviewing and sourcing.
2. **Training costs** - orientation materials and trainers’ time (e.g., call centre agents require on average 4 - 6 weeks or more of classroom training).
3. **Lost Productivity Costs** - a new employee operates between 25% - 50% of productivity levels for the first three months, not including the time spent by existing employees to assist.
4. **Lost sales costs** - the loss of business when the role is vacant.

The costs and impact associated with an employee who leaves the company can be quite significant. This is not to say that all turnovers should be eliminated. However, given the high cost and impact on running a business, a well thought-out program designed to retain employees may easily pay for itself in a very short period of time [28].

### 3.3.6 Rate of turnover

In human resources context, **turnover** or **staff turnover** or **labour turnover** is the rate at which an employer gains and losses employees. Simple ways to describe it are "how long employees tend to stay" or "the rate of traffic through the revolving door". Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. High turnover may be harmful to a company's productivity if skilled workers are often leaving and the worker population contains a high percentage of novice workers. The rates vary widely when compared over different periods of time or different job sectors.

**Calculation:** Labour turnover is equal to the number of employees leaving, divided by the average total number of employees, multiplied by 100 (in order to give a percentage value). The number of employees leaving and the total number of employees are measured over one calendar year.

\[
\left( \frac{\text{Number of employees who left during the year}}{(\text{Number of employees at the beginning of the year} + \text{Number of employees at the end of the year})/2} \right) \times 100
\]

For example, in a business with an average of 300 employees over the year, 21 of whom leave, labour turnover is 7%. This is derived from \((21/300)\times100\).

### 3.3.7 Benefits of Employee Turnover

Not always the employee turnover has negative consequences or dysfunctional to the organization. Those organizations which strive to keep the rate of attrition as low as possible, should always remember this fact. An organization with too low rate of employee turnover may become stagnant and hidebound, lack opportunities for employees to move up, and retain poor performers it would be better off without. Current thinking suggests that organizations should aim for an optimal rate of turnover rather than the lowest possible rate.
It is suggested by the researchers that the optimal rate occurs where the curve of turnover crosses the curve of retention costs\textsuperscript{[34]}.

According to Cynthia D. Fisher, et. al.\textsuperscript{[23]} the benefits of employee turnover to the organizations are the following ones:

- Poor performers may choose to leave and can be replaced with better employees.
- Leavers are replaced with more junior employees who cost less and who may also stay longer.
- Morale improves following the departure of problematic employees.
- Leavers are replaced with people with more up-to-date job skills.
- Vacancies are created to allow for internal promotions of other employees, thus increasing their career satisfaction and motivation.
- Receptiveness to innovation and change may increase.
- Voluntary turnover is less painful than retrenchment\textsuperscript{[23]}.

### 3.3.8 Diagnosing Turnover/Attrition

Employers who experience high rates of employee turnover/attrition are generally interested in understanding the complex nature of the problem. They are rather interested in taking suitable or effective measures to reduce the turnover rates. In this direction, the commonly used techniques in the Industry are:

1. **Exit Interviews**: Exit interviews provide an excellent source of information of internal problems, employees' perceptions of the organization, underlying workplace issues, and managers' leadership abilities. Exit interviews are used by the majority of companies. They tend to be conducted just before an employee leaves, though some firms wait until after the departure. Exit interviews are normally conducted using a questionnaire, though one to one interviews are also used. Obtaining accurate information on reasons for leaving is difficult. Where exit interviews are used it is best to conduct them a short time after employees serve the notice. The interviewer should not be a manager who has responsibility for the individual or who will be involved in future reference writing.

Confidentiality should be assured and the purpose of the interview explained (Taylor: 2002)\textsuperscript{[76]}. It is widely held that the exit interviews should be preferably conducted by an external agent. It will help employers capture more accurate data about why people are leaving, as individuals are more willing to tell the truth when there is reassurance of anonymity\textsuperscript{[77]}.
2. **Surveys**: Alternative approaches to collecting exit data is the use of confidential attitude surveys which include questions on intention to leave and questionnaires sent to former employees on a confidential basis around six months after their departure. They are commonly used as part of the information gathering process. They are a reasonable way of obtaining relevant information, though response rates are often disappointing. Questionnaires need to be designed carefully to be effective. They should be easy to use, anonymous and fairly brief. Questions can be open or closed, multiple choice answers, ranking of items or checklist format.

### 3.4 EMPLOYEE RETENTION

“*Retention is to prevent the loss of competent employees from leaving productivity and profitability*”  

In this era of globalization, employees are blessed with good opportunities. There are many factors which influence retention and it is required to understand employee expectations. Employee Retention is a process in which the employees are encouraged to be with the organization for the maximum time. To support business optimally, need is to retain existing talented employees who have the essential knowledge, expertise and competencies to do the work. The IT industries are facing the critical challenges of recruiting and retaining the best talents. The retention problem is highly persisted in IT industry.

“Employee Retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs”, as per the report of “Workforce Planning for Wisconsin State Government”.

Employee Retention is an organizational strategy to create an appealing, challenging satisfying and motivating workplace policies, systems, Programmes and practices whereby employees are self-motivated to stay in their although they have ready opportunities available to them elsewhere.

Retention is ‘a voluntary move by an organisation to create an environment which engages employees for the long term’. A more detailed and recent definition of the concept of retention is ‘to prevent the loss of competent employees from leaving productivity and profitability’. Some people view employee retention as the result of the implementation of policies and processes that assist employees to remain with the company because of the provision of a work environment that meets their needs. Employee
retention, according to Harvard Business Essentials, is the ‘converse of turnover—turnover being the sum of voluntary and involuntary separations between an employee and his or her company’. However, postulate that discussing employee retention within the context of employee turnover is insufficient; instead, focus should be on the way in which employee retention promotes the preservation of a workforce that is able to meet the corporation’s needs. For them, employee turnover is necessary in order to remove employees who are unable to meet the objectives of the organisation; good retention focuses on keeping those employees who can.

Milkovich and Newman (2004) have clearly stated that among all types of reward and monetary pay is considered one of the most important and significant factoring in retention. In a research by Moncraz, Zhao and Kay (2009) it was concluded that although compensation was not one of the top factors influencing non-management turnover but compensation can act as a critical factor in reducing managerial turnover and increasing commitment.

The talented employees are required for maintaining a competitive advantage and employees want career growth opportunities to develop and rise in their career ladder. Research by Meyer et al, (2003) has shown internal career development of employees is often the best predictor of an employee's effective commitment.

Work-life balance is increasingly important for engagement and affects retention. Hyman et al., (2003) in their empirical research in the UK found that interventions of work demands into personal life (e.g. working during the week-end) resulted into heightened stress and emotional exhaustion among the employees.

Performance reviews help the company as well as the employees. They help the employees get a feedback of their past performance, it helps them understand as to where in the organization hierarchy they stand- their strengths and weakness which can be worked upon further for efficiency. In case of employees who possess very high potential a performance appraisal for them is more important than pay hike or increase in benefits as it helps in enhancing further motivation and commitment. Companies like Ingersol Rand Limited have developed a 360 degree online performance appraisal tool to manage the evaluation and opinion process and also provide consultative advice on coaching and mentoring. According to the survey conducted by them with company heads being interviewed such as the TATAS, Hyundai Motors, Reliance industries, Infosys, etc. it was
revealed that employees need to be given that “extra” which motivates them to stay (Jonathan P. Doh, 2011).

The retention of talented employees is an advantage to an organisation because employees’ knowledge and skills are central to a company’s ability to be economically competitive. Employee retention becomes increasingly important to organisations because periodic labour shortages can reduce the availability of high performing employees; thus, workers are searching for better employment opportunities, and firms are seeking to improve the productivity of their workforce. However, there are challenges in attempting to retain employees because of bounded rationality, particularly of cultural and social norms associated with the country.

Organisations are more worried about retention of their employees because intent to leave is disappointing for both employees and employers. Organisations have to tolerate the cost of hiring, and the cost of losing, their employees; therefore, organisations try to keep their existing staff. In fact, this retention of employees and their appreciated skills helps the organisation to preserve their investment of employee training, which causes lower loss of human capital and yields higher retention. Given this, organisations should take steps to retain employees, to avoid unwanted turnover due to stress, low-job satisfaction unsatisfactory working condition, and inadequate benefits.

Researchers demonstrate that organisations use different techniques to retain their employees, such as having compensation, training and development, competitive work environment, and other benefits. Employee retention is the main aim and the major concern for the most organizations.

In this continually changing global economy, business needs to understand and utilize key concepts concerning employee retention. Without adapting to potential problems, organizations face debilitating outcomes, one of which is the cost of turnover. Other issue is to retain human resources in order to obtain competitive advantage. There are many reasons for this to be true but two main factors can be initially mentioned. First, knowledge workers are relatively scarce in quantity. Second, the knowledge and expertise these workers possess are vital for firm’s competitiveness. Therefore, it is not unexpected to view retention as being of strategic importance because of the potential return on employee’s expertise in the long term. Treating staff as a long term resource accords with what Storey characterises as soft HRM, which focuses on carefully nurturing and investing in human resources to make
them committed and thereby successfully retaining their knowledge. This stands in contrast to hard HRM that views human resources as an expense of doing business instead of the “only resource capable of turning inanimate factors of production into wealth”

3.4.1 Importance of Retention

Is it just to reduce the turnover costs? It’s not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of employee retention will benefit an organization in the following ways:

1. **The Cost of Turnover**: The cost of employee turnover adds hundreds of thousands of dollars/rupees to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

2. **Loss of Company Knowledge**: When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment on him is not realized.

3. **Interruption of Customer Service**: Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that he built for the company are severed leading to potential customer loss.

4. **Turnover leads to More Turnovers**: When an employee terminates his employment relations, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.

5. **Goodwill of the Company**: The goodwill of a company is maintained when the attrition rates are low. Lower retention rates motivate potential employees to join the organization.

6. **Regaining Efficiency**: If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this adds to the loss of the company directly which many a times goes unnoticed. And even after this one cannot assure us of the same efficiency from the new employee.
3.4.2 Benefits of retention.

S. Shiny Nair\(^7\) writes in Google file on Jun 26, 2009 that every company should understand that people are their best commodity. Without qualified people who are good at what they do, any company would be in serious trouble. In the long run, the retention of existing employees saves companies money\(^7\). As Beverly Kaye and SharonJordanEvan stated “the cost of replacing lost talent is 70 to 200 percent of that employee’s annual salary. There are advertising and recruiting expenses, orientation and training of the new employee, decreased productivity until the new employee is up to speed, and loss of customers who were loyal to the departing employee. Finding, recruiting, and training the best employees represents a major investment. Once a company has captured talented people the return-on-investment requires closing the back door to prevent them from walking out”\(^3\).

When an employee leaves a company for a direct competitor, there is always a chance that they will take important business strategies and secrets with them to be explained by the competition. This is yet another reason why the retention of employees is so crucial to some businesses. While this practice seems a bit unscrupulous, it still happens quite frequently. As Bill Leonard stated in HR Magazine: “Because employers know that the best-qualified applicants will come directly from competitors, recruiting and hiring employees away from mother of inventive and sometimes controversial business practices. Recruiting and hiring from your competitors is probably is as old as business itself. But what is new - and a hot topic among employers – is how to attract and retain qualified candidates in a highly competitive labour market while also preventing their own intellectual capital from winding up in the hands of competitors. One way for a company to prevent employees from giving valuable information to competitors is to make it a policy to enforce strict non-compete and confidentiality agreements amongst its employees. The existence of such agreements could in fact deter a competitor from hiring a valuable employee because they might not want to risk possible legal entanglements with the other company. Of course, all this could possibly lead to animosity with the employee who could feel that his or her options are being limited. Many employees don’t always remember signing such a document, so a copy of it should always be kept on file for the employee to refer to. This area could prove to be a highly sensitive one between employer and employee, so extreme caution is suggested in all instances.
3.4.3 Factors Determining Employee Retention

Retaining the good and performing employees is determined by factors, such as\(^6\):

1. The age of the employee and his/her career interests;
2. Company image;
3. Recruitment, selection and deployment;
4. Leadership –employees join companies and leave managers for supporting managers;
5. Learning opportunities the company provides; and

Further, Armstrong quotes a study by Holbeche (1998 study) who found that the factors that aided to retain and motivate the high performers included providing challenge and achievement opportunities (e.g. assignments), mentors, realistic self assessment and feedback processes. In the presence of these and other relevant factors the employer has to design and develop his own strategies which need to be totally organization oriented.

Employees are an organization's intellectual asset that is responsible for the day-to-day business operation. Although retaining competent employees in an organization generates goodwill in the work force, it also has a positive effect on the product or services a company offers. Employee retention is a financial gain for organizations.

- Acquiring Talent
- Training and Development
- Skilled Labour Force
- Impact on Customer Service
- Reduce employee stress
- Retention improves productivity
- Provide access to new markets
- Retention improves sustainability in competitive age
- Retention reduces spirals into more turnovers

*Figure-3.5: Factors determining Employee Turnover*

- **Acquiring Talent** – a) When organizations retain their employees, they avoid hiring costs. These are often hidden costs. b) The hiring process is risky.
Background checks, personality testing and aptitude testing can predict a candidate's capability, but there is still a risk.

- **Training and Development** - Retaining workers reduces training costs. When companies retain employees, training cost can be used to further develop the work force. Long-term associates have the experience to review what has worked before and apply that knowledge to future situations.

- **Skilled Labour Force** - Employment retention develops a strong staff. Working individually or in teams these individuals share knowledge and expertise. They are committed to the continued growth of the origination and its work force. These individuals have finessed the inner workings of an organization. As they continue to develop their skills, the organization benefits.

- **Impact on Customer Service** - Employee retention has a positive impact on customer service. It prevents brings disruption in customer service, loss of business and possible negative business impacts.

- **Reduce employee stress** - Employees will appreciate the time that such a service saves them - enabling them as a result to spend more time with their families and friends.

- **Retention improves productivity** - By employers understanding the wants and needs of the employees, they can help them achieve them, and therefore foster tremendous productivity and growth and loyalty from those employees.

- **Provide access to new markets** – As the employees are retained in the organization, it improves customer loyalty and makes an organization an employer and vendor of choice which gives access to new market.

- **Retention improves sustainability in competitive age** - Retain the high performers that give it a competitive edge.

- **Retention reduces spirals into more turnovers** - When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.
3.4.4 Models of Employee Retention

An Employee Retention Model is a philosophical and newly touted theory. It states that to keep employees, we must understand what they like and do not like. What they do not like the employer needs to address, focusing on the employees' needs. He must work to meet the overall big picture first. Once he has the process in place, he has more chances to help employees meet their individual needs. The employer can never satisfy all employees, but if he has a workplace that is driven to help, all employees feel good about what they do, employees will more likely want to stay in this culture.

Over the years there have been thousands of research articles exploring the various aspects of turnover, and in due course several models of employee turnover have been promulgated. The first model and by far the one attaining most attention from researcher, was put forward in 1958 by March & Simon. After this model there have been several efforts to extend the concept. Since 1958 the following models of employee turnover have been published.

- March and Simon (1958) Process Model of Turnover
- Porter & Steers (1973) Meet Expectations Model
- Price (1977) Causal Model of Turnover
- Mobley (1977) Intermediate Linkages Model
- Whitmore (1979) Inverse Gaussian Model for Labour Turnover
- Steers and Mowday (1981) Turnover Model
- Sheridan & Abelson (1983) Cusp Catastrophe Model of Employee Turnover
- Aquino, et al. (1997) Referent Cognitions Model

Some models of employee retention in detail in the following pages.

**The Rethinking Retention Model**: A Process-Driven Approach to Keeping the Best People. The program is the first research-based comprehensive way for keeping the best people. It presents candidates with a process-driven approach, moving away from dress-down Fridays to establishing the right retention-based processes that are practiced daily. The program’s hands-on step-by-step approach is based on 3 specific principles, 7 proven strategies, and more than 300 tested employee retention solutions based on extensive research into virtually all known studies and best practices that produce retention improvement. These practices can be categorized in 3 levels: Low, Medium and High Level as shown in the figure.
3.4.4.1 Content Model of Employee Retention

Little research has examined employees’ reasons for staying while testing whether these factors differ based on job performance or job level. Hausknecht, Rodda, and Howard developed a content model of employee retention that is grounded in theory and past research (e.g., March & Simon, 1958; Mobley, Griffith, Hand, & Meglino, 1979[60]; Porter Steers, 1973; Price & Mueller, 1981[69]), and then test it with a sample of nearly 25,000 employees who were asked to comment on why they stay with their employer. They also developed and tested predictions grounded in ease/desirability of movement (March & Simon, 1958) and psychological contract (Rousseau, 1994[70]) rationales to explain why high and low performers and those at different job levels will be more or less likely to emphasize particular retention dimensions.
3.4.4.2 Theory of Organizational Equilibrium

One of the earliest models of turnover is March and Simon’s (1958) theory of organizational equilibrium, in which the authors proposed that desirability of movement and ease of movement are the two main drivers of employee turnover. Desirability of movement is commonly defined by the individual’s satisfaction with the job, whereas ease of movement generally reflects perceived or actual job alternatives in the external market. Viewed from the perspective of retention, the model suggests that employees will be more likely to stay when they are satisfied with their jobs and believe that there are few alternatives available. Hence, job satisfaction and lack of alternatives are included here as two important factors in employees’ decisions to stay described in the Table below, many of the subsequent theories of turnover/retention have built upon the satisfaction/alternatives framework outlined by March and Simon.

<table>
<thead>
<tr>
<th>Retention Factor</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>Advancement opportunities</td>
<td>The amount of potential for movement to higher levels within the organization</td>
</tr>
<tr>
<td>Constituent attachments</td>
<td>The degree of attachment to individuals associated with the organization such as supervisor, co-workers, or customers</td>
</tr>
<tr>
<td>Extrinsic rewards</td>
<td>The amount of pay, benefits, or equivalents distributed in return for service</td>
</tr>
<tr>
<td>Flexible work Arrangements</td>
<td>The nature of the work schedule or hours</td>
</tr>
<tr>
<td>Investments</td>
<td>Perceptions about the length of service to the organization</td>
</tr>
<tr>
<td>-------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>The degree to which individuals like their jobs</td>
</tr>
<tr>
<td>Lack of alternatives</td>
<td>Beliefs about the unavailability of jobs outside of the organization</td>
</tr>
<tr>
<td>Location</td>
<td>The proximity of the workplace relative to one’s home</td>
</tr>
<tr>
<td>Non-work influences</td>
<td>The existence of responsibilities and commitments outside of the organization</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>The degree to which individual’s identify with and are involved in the organization</td>
</tr>
<tr>
<td>Organizational justice</td>
<td>Perceptions about the fairness of reward allocations, policies and procedures, and interpersonal treatment</td>
</tr>
<tr>
<td>Organizational prestige</td>
<td>The degree to which the organization is perceived to be reputable and well-regarded</td>
</tr>
</tbody>
</table>

*Source: Several definitions in this Table are adapted from Price & Mueller (1981⁷⁷) and Steers (1977).*

Porter and Steers (1973) introduced one of the first major updates to the March and Simon model, and asserted that a variety of work-related and personal factors were important precursors of turnover. From the standpoint of explaining why employees stay, five dimensions from their model are relevant to this study, and are thus included in Table 1. Two of these dimensions, extrinsic rewards (e.g., pay, benefits) and advancement opportunities, should be related to staying because employees are sensitive to receiving fair rewards for their efforts and may leave when opportunities to receive greater rewards exist elsewhere. A third factor, constituent attachments, in the form of effective supervision and positive peer group relations, should also be related to retention. Porter and Steers reviewed evidence from previous research showing higher turnover among employees when supervisors had treated them poorly, displayed low levels of consideration behaviours, or did not meet their needs regarding feedback and recognition. Additionally, co-workers may influence retention because they can provide support and encouragement to employees to help them adjust to the work environment, thereby facilitating attachment to the organization. Fourth, Porter and Steers suggested that employees are more likely to stay as they build longer tenure with the organization (because of seniority related perks or other valued outcomes), a notion that may be labelled here as investments. Finally, non-work influences such as family responsibilities were mentioned as another factor that may be related to employee retention, which has since been expanded to include a variety of ties to one’s community, family, and other life activities outside of work⁷⁵.

Several years later, Mobley and his colleagues offered a revised framework that specified many of the factors discussed above (e.g., pay, promotion, supervision), but also included several new dimensions that could influence retention (Mobley et al., 1979). In terms of work attitudes, job satisfaction was viewed as the primary determinant of quit intentions in their model, and the authors were also among the first to discuss the role of organizational commitment in turnover decisions, which was defined in earlier work as an “individual’s identification with and involvement in a particular organization” (Steers, 1977, p. 46). The authors suggested that committed employees are expected to remain because they believe in the goals and values of the organization and are willing to exert effort on its behalf.

Since that time, and along with job satisfaction, organizational commitment represents one of the most widely studied antecedents of turnover (Griffeth, et al., 2000). Thus, Mobley et al. And others reinforce the value of several dimensions included here, and were among the first to recognize organizational commitment as an important retention factor.

Price and Mueller (1981) presented an updated model that encompasses many of the earlier retention factors while introducing several new ones. Drawing from earlier perspectives, job satisfaction and perceived alternatives were considered proximate causes of decisions to stay, whereas pay, promotional opportunities, constituent attachments, kinship, and organizational commitment were included as distant influences. One important addition to the model was distributive justice. Drawing from the developing literature on equity theory at that time, the authors suggested that employees would be satisfied (and thus more likely to stay) if they felt that the outcomes they received reflected the effort and other inputs that they had invested.

More recently, organizational justice has been defined more broadly to include fairness perceptions related to outcomes, procedures, and interpersonal interactions, which have been shown to be related to employees’ decisions to remain with their employer.

A handful of other explanatory constructs have emerged in the retention literature since the earliest models were introduced. First, a number of organizations have offered employees flexible work arrangements in order to accommodate different employee preferences regarding when (and where) they perform their work. These programs typically involve alternative work hours and/or compressed scheduling and are often established with the goal of reducing tensions between competing work and non-work demands. Second, Muchinsky and Morrow (1980) introduced the notion of organizational prestige as a potentially important retention factor. This dimension is similar to definitions of
company reputation (Fombrun & Shanley, 1990), and also reflects the more recent effort by organizations to attract and retain talented employees by becoming an “employer of choice”, which often involves communicating and emphasizing the positive features of working for a particular organization to current and potential employees (Branham, 2005). Finally, the location of the workplace has been investigated in relation to withdrawal behaviours such as absenteeism, although few studies (if any) have empirically examined location effects on turnover. Research reveals positive associations between distance to work and absence[105], perhaps because longer commute times are a source of stress and limit the ability of employees to attend to non-work responsibilities. In the context of retention, living close to work can be viewed as an influence that promotes job embeddedness [78] or perhaps continuance commitment[41] as employees may have to relinquish a favourable commute if they were to leave the organization.

Taken together, the content model developed here is thought to reflect many of the potential influences on employee retention. Early contributions in this area emphasized job satisfaction and perceived alternatives, followed by models that featured extrinsic rewards, advancement opportunities, constituent attachments, investments, and non-work influences. More recently, organizational commitment, organizational justice, flexible work arrangements, organizational prestige, and location have been viewed as potentially important determinants of employees’ decisions to stay. As described in the methodology, the 12-factor model was used in this study as the organizing framework for analyzing the open-ended comments related to why employees stay.

3.4.4.3. Employee Retention Model by Howatt: A Discussion Model

The model used by Howatt is structured, though flexible. The following section is an overview of what Howatt does. The SUCCESS mnemonic sets up what needs to be done in coaching to help the employees and employers in retention.
Figure 3.8. Howatt’s Model of Employee Retention

Source: (http://www.howatthr.com/images/pdf/pplmgmt/Employee%20Retention%20A%20Discussion%20Model.pdf)

S— See the priorities and pick out the critical issues and goals that need to be addressed.

U— Understand the needs of the employee from their frame of reference. Learn and practice the Success Touch that is treating others not as you want to be treated, rather as they want to be treated.

C— Create the programs and services that are needed for staff to perceive they are of value and importance.

C— Concentrate on what is working, and reflect and learn why it is. Once we do this we are able to continue to extrapolate the hows in regard to employee motivation. Be aware of how to help employees choose to be motivated.

E— Evaluate if both the employees and upper management are working for a common goal.

S— Study the learning from the above steps and learn what can be done to enhance the workplace.

S— Set the task to continue to look for feedback. Support the staff and transfer what is learned so that there is a reduction in the same mistakes being made, so that it does not work against staff morale or motivation.
3.4.4.4 A Mathematical Model of Employee Retention

Figure 3.9: A Mathematical Model of Employee Retention-1: A possible performance function, mapping $t$, which measures agent experience in months (horizontal axis) into the selected performance, $r(t)$, which measures the return in thousands of dollars per month (vertical axis). Specifically, the exponential performance function in (2.2) is depicted with $p=10$ and $\lambda=0.2$.

Source: Ward Whitt (2005), The Impact of Increased Employee Retention Upon Performance in a Customer Contact Centre, Columbia University, New York, NY 10027

Figure 3.10: A Mathematical Model of Employee Retention-2: A possible staff-experience probability density function, mapping $t$, which measures agent experience in months (horizontal axis) into the probability density $f(t)$ of agents with experience $t$. Specifically, the exponential staff-experience pdf in (2.6) is depicted with $\mu = 0.1$ (mean = 10).

Source: Ward Whitt (2005), The Impact of Increased Employee Retention Upon Performance in a Customer Contact Centre, Columbia University, New York, NY 10027
Whitt (2005) developed a mathematical model that can provide insight into the way increased employee retention, achieved via increased employee job satisfaction, can improve performance. The employees are customer service representatives in contact centres, are referred to as agents, but the analysis applies more broadly. For an overview of contact centres and various mathematical models that have been applied to them, one can refer Gans et al. (2003). For a different mathematical model studying turnover, one can mention Gans and Zhou (2002). For stochastic analysis of various behavioural aspects of queues, one can study Mandelbaum and Shimkin (2000) and Zohar et al. (2002).

This model is developed to help to analyze the benefits in contact-centre performance obtained from increasing employee (agent) retention, by increasing agent job satisfaction. The contact-centre “performance” may be restricted to a traditional productivity measure such as the number of calls answered per hour or it may include a broader measure of the quality of service, e.g., revenue earned per hour or the number of problems successfully resolved per hour. The analysis is based on an idealized model of a contact centre, in which the number of employed agents is constant over time, assuming that a new agent is immediately hired to replace each departing agent. The agent employment periods are assumed to be independent and identically distributed random variables with a general agent-retention probability distribution, which depends upon management policy and actions. The steady-state employee-experience distribution is obtained from the agent-retention distribution by applying renewal theory. An increasing real-value function specifies the average performance as a function of agent experience. Convenient closed-form expressions for the overall performance as a function of model elements are derived when either the agent-retention distribution or the performance function has exponential structure. Management actions may cause the agent-retention distribution to change. The model describes the consequences of such changes upon the long-run average employee experience and the long-run average performance.

3.4.5 Measuring Employee Retention

A stability index indicates the retention rate of experienced employees. Like turnover rates, this can also be used across an organization as a whole or for a particular part of it. The usual calculation for the stability index is:
Number of employees with service of one year or more
--------------------------------------------------------------------- x 100
Total number of employees in past one year ago

This will help us to determine how many employees and who were those employees who remained with the organization during that period. It will also help us to understand from them the factors that made the employees to stay with the organization. Once these factors are identified, the HR managers can strengthen those factors leading to better retention.

3.5 EMPLOYEE RETENTION STRATEGIES

In all modern industries, employee retention is the most critical problem. It not only results in the loss of good and performing employees but also in hiring people as and when people leave, loss of production, loss of market and consumers, and loss of the image of the Company. The management may be able to get recruited people to replace those who leave. But hiring new employees when those in employment of the company leave is not an important issue. For any organization suffering from high rates of employee attrition the question of retaining employees is quite important.

Hence, the study of employee retention achieves significance. Employers seek to adopt different strategies to retain employees. But before understanding what are these strategies that the employers adopt let us understand what we mean by the term “strategy”

**Strategy:** The term strategy means a large scale future oriented plans of management for interacting with the competitive environment to achieve the company objectives. A strategy is a company’s game plan. Although that plan does not precisely detail all future deployments, it does provide a framework for managerial decisions. A strategy reflects a company’s awareness of how, when and where it should compete; again whom it should compete; and for what purpose it should compete[^105]. It is an overall plan of how to proceed in the task of achieving the objectives of the organization. It is concerned with mapping out the planned basic policies to be followed in the process of achieving the objectives.

“Retention in any industry or occupation is multifaceted and situation specific; accordingly, retention strategies need to be evidence based, grounded in organizational, industry and occupation specific realities and reviewed periodically. There is no silver bullet when it comes to employee retention as it will always be”[^52].
Any employee retention strategy would necessarily include a plan for redressing employee grievances and ways and means to address employee issues. This would mean that the employees would be enabled to take their issues regarding pay, their work, their role etc., to the HR manager and expect to get a fair hearing in the process. There should be a plan where the HR manager in conjunction with the manager of the employee who has raised the issue works towards resolving the issue. The basic practices which should be kept in mind in the employee retention strategies are:

1. Hire the right people at the right place at the right time.
2. Empower the employees: Give the employees the authority to get things done.
3. Make employees realize that they are the most valuable asset of the organization.
4. Have faith in them, trust them and respect them.
5. Provide them information and knowledge.
6. Keep providing them feedback on their performance.
7. Recognize and appreciate their achievements.
8. Keep their morale high.
9. Create an environment where the employees want to work and have fun.

Retention strategies for the first time on an extensive basis were researched, analysed and presented in 1991 by Roger E. Herman, the Father of Employee Retention, in his book titled “Keeping Good People: Strategies for Solving Dilemma of the Decade”. He grouped the strategies into six categories and under each of them he lists the subcategories. The list is as follows:

A. Environmental Strategies:

Share a Common Vision, Value Each Individual, Work together as a Team, Loyalty is a two-way Relationship, Enthusiasm is justified and appropriate, We are all here for the Customer, Have a set of Guiding Principles, Offer stability, security, risk, as needed, Prohibit Discrimination of any Kind, Eschew profanity, Be Fair and Honest, Facilitate a Family Feeling, Value professional Standing, Promote integrity, Encourage Camaraderie, Promote a Healthy Working Environment, Insist on Workplace Safety, Avoid Stupid Rules, Provide Flexibility in Working Hours, Apply Progressive Discipline Fairly, Make Work Fun, Celebrate Achievements, birthdays, etc., Don’t tolerate, remove Unsuitable People, Conduct Exit Interviews, Establish Clear Policies, Administer policies Uniformly, Provide advancement opportunities, promote from within, Give permission to Fail or succeed, Management Commitment: people are our most important resource, Share information, Value all your people,
Respond to Complaints with solutions, Within safety constraints, permit refreshments at work stations, Use your business plan, Offer freedom of choice: break times, dress and vacations, Choose employees carefully the first time, Locate your company in a suitable Environment, Encourage people to personalize their work areas, Eliminate reserved personal parking, Provide effective communications systems, Equip people to be productive, Provide for appropriate child care services, Maintain comfortable atmosphere conditions, Use color constructively in decoration, Provide a safe, secure environment.

B. Relationship Strategies:
Understanding Behavioral style, Appreciate values and ethical standards, Resolve conflicts, Hold Regular Meetings of your team members, Call spontaneous meetings, Facilitate open communication, Stick to your people, Give recognition strategically and deliberately, Recognize the “new woman”, Recognize other “special employees”, Be patient, Show respect for others, Give people freedom and flexibility, Trust your people, Show genuine, sincere appreciation, Listen, Let people be who they are, Find opportunities to talk with people, Balanced praise and criticism, Build everyone’s self esteem, Don’t gossip, Look for positives, not negative, Express confidence, Enable people to be together, Care about people as individuals, Be accessible, Have a sense of humor, Set an example, Show leadership at the top of your organization, Reduce stress. Keep anxiety to stay sharp, don’t question or second-guess people all the time, and be firm and fair.

C. Task-focused Strategies:
Give people real things to do, Provide challenges, Fight frustration, Remove barriers to accomplishments, Adjust jobs to fit strengths, abilities and talents, Empower people to work as tea, Mickey mouse should be fun, not fundamental, Keep the promises you make, Provide the resources to get the job done, Avoid rejection, raw criticism, humiliation, Encourage and welcome new ideas, Define responsibilities, Define accountabilities, Define authority, Encourage initiative, Inspire and enable creativity and innovation, Establish limits, parameters, Know what your people are doing, Respond when people ask for approval or guidance, Give clear direction, Get people involved, Reduce reporting requirements, Don’t look people’ shoulders, Don’t keep people overtime without previous notice, Appreciate routine work, Enter into
performance contracts, Fight boredom, Design tasks to meet personal needs, Give people a break, and Give specifics in performance feedback.

D. Compensation Strategies:
Present the full value of compensation, Provide linking incentive opportunities to all employees, Link performance with rewards, Leverage the total cash compensation for maximum Effectiveness, Design reward system for employee involvement, Compensate high potential/low skill employees with skills-based system, Use flexible benefits in a changing workforce, and Consider ESOPs and employee stock Ownership.

E. People Growing Strategies:
Give people challenging responsibilities, Support formal education, Offer learning materials for personal growth, Connect with outside resources for learning materials, Send people to outside seminars, Have learners pass their training along to others, Help people grow into bigger jobs, Enable people to discover the wealth of talents they have and encourage intellectual growth, Assign special projects, Build competency deliberately, and Provide incentives.

This list of retention strategies is certainly a detailed and perhaps exhaustive one. Perhaps for that reason the views of Mr. Herman were received warmly and he was given the title as “Father of Employee Retention” by the American industries. The employee retention strategies advocated by him were adopted and put into practice by all industries that had the problem of keeping their (good) employees. His views on employee retention lived without parallels for a long time - for more than 15 years in the American industries till Gregory P. Smith came out with his research on the Employee Retention Strategies in 2007, which he published under the title “401 Proven Ways to retain your Best Employees”. This is more an exhaustive list on the subject. He classified them into seven groups

Table 3.2: Employee Retention strategies of Gregory P. Smith.

<table>
<thead>
<tr>
<th>No. Strategy</th>
<th>Category</th>
<th>Sub-category</th>
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<tbody>
<tr>
<td>1</td>
<td>Organizational Strategy –</td>
<td>1. Management by Fact</td>
</tr>
<tr>
<td></td>
<td>A Good Company Reputation</td>
<td>2. Managers Taking Action</td>
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<td></td>
<td></td>
<td>3. Pinpointing Job Dissatisfaction</td>
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<tr>
<td></td>
<td></td>
<td>4. Creating Positive Environment</td>
</tr>
<tr>
<td>II</td>
<td>Organization and Onboarding Strategies</td>
<td></td>
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<td>---</td>
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</tbody>
</table>
| 1. Starting off the Right Foot  
2. Team Spirit  
3. Sample Employee Orientation Program  
4. Create a Celebration |

<table>
<thead>
<tr>
<th>III</th>
<th>Communication and Connection Strategies</th>
</tr>
</thead>
</table>
| 1. Diversity  
2. Building Strong Connections.  
3. Designing Productive Meetings.  
5. Pickup the Phone  
6. Written Communication |

<table>
<thead>
<tr>
<th>IV</th>
<th>Career and Development strategies</th>
</tr>
</thead>
</table>
| 1. The Values of Training & Development.  
2. Training Programs that Work.  
3. Provide Growth Opportunities |

<table>
<thead>
<tr>
<th>V</th>
<th>Reward and Recognition Strategies</th>
</tr>
</thead>
</table>
| 1. Special Celebrations  
2. Peer Recognition  
3. Individual Recognition.  
4. Cash Awards  
5. Unique Awards |

<table>
<thead>
<tr>
<th>VI</th>
<th>Employee Benefit Strategies</th>
</tr>
</thead>
</table>
| 1. Flexible work Arrangements.  
2. Office Design.  
3. Family Involvement.  
4. Special services  
5. Employee Ownership. |

<table>
<thead>
<tr>
<th>VII</th>
<th>Employee Ideas and Suggestions – The Ritz Carlton Way</th>
</tr>
</thead>
</table>
| 1. Idea Campaigns and Suggestions  
2. Managing Innovation  
3. Team Involvement.  
4. Individual Suggestions. |

Thus we have two extensively researched lists of retention strategies which need to be carefully examined and applied by an employer who is interested in retaining his employees. Of the two, the list of strategies researched by Smith is the more recent one. Though these strategies are researched in the context of US industrial situation, they have relevance beyond the US boundaries. Hence, the employers in India could easily adopt them in their effort to manage employee retention. However, a few HR Managers working in different Indian industries including IT and ITES have advocated the following retention strategies. We shall now consider these strategies.

Formal workplace flexibility and work systems including work arrangements, flexitime and telecommuting or working from home lead to better engagement of employees which in turn enables the organization to retain the employees through the relationship of Perceived Flexibility, Supportive Work of Formal Flexible Arrangements and Occasional Flexibility to Employee Engagement and Expected Retention.
A study under the title “Employee Retention in Private Sector: An Exploratory Study in the State of Kuwait” covers three aspects of employee retention: (1) influence of benefits, (2) organizational strategies in retaining the employees, and (3) organizational culture serving as retention strategy. This study brings out that organizations often look beyond employee satisfaction to developing trust and ensuring long term relationship with the employees to retain them. Once the trust is built into the relationship, the probability of either party ending the relationship becomes less. And the employees stay when they have strong relationships with their fellow or co-workers and supervisors. Hence, the organizations do make efforts to encourage team building, project assignments involving work sharing and opportunities for high interaction on and off the job. Similarly effective communication and culture leading to identification with the organization by the supervisory executives helps employee retention.

The study points out that the benefits factors helping employee retention include:

1) Salary and monetary compensation.
2) Leave benefits.
3) Retirement plans.
4) Health plans and other benefits.
5) Deferred compensation.
6) Employee assistance programs.

Similarly, the organizational retention strategies include the following factors:

a) Rewards and recognition.
b) Annual performance appraisal.
c) Training opportunities – work related.
d) Education opportunities.
e) Employee suggestion programs.
f) On-site day care.
g) Job rotation and new assignments.
h) Mentoring and coaching.
i) Wellness programs.
j) Alternative work schedule.
k) Voluntary reduction in work schedule.
l) Telecommuting and work at home.

Lastly, the organizational culture factors helping to retain employees are:

1. Supervisors discussing with employees their development plan at least once in six months.
2. Employees given opportunity to be part of task groups and assignments outside their core jobs.
3. Organization career development programs making employees themselves responsible for their career management.
4. Working on a new project/assignment an open process with few barriers.
5. Effective supervisory communication.
6. Culture of recognition and values diversity.
7. An environment of openness and trust.
8. Treating employees with fairness and respect.
9. Supervisors listening to employees ideas.
10. Empowering employees to take responsibility and authority.

The data in this study reveals that 51.2% of the employees feel that the organizational culture of giving employees a responsibility for their own career development, 44.8% employees feeling the importance of new project assignment, 60% attaching importance to supervisory communication, 63.2% believing openness and trust helping employees to stay with the organization, 54.4% underlining fairness in treatment and respect for the employees, 55% stating that managers listening to the employees ideas, and 59% believing that empowering employees act as good retention strategies. The study also underlines that the management efforts to promote self actualization through educational promotion among the employees, freedom to employees to schedule their work keeping in mind their convenient time for family and personal work through innovative work scheduling methods also act as strong retention strategies.

Shiney Nair[72], a practicing HR Manager uses the term “Tools” instead of the term “strategies”. According to her the following are the “tools” of employee retention. On the other hand, another HR Manager Mr. Sanjiva Sharma uses the term “strategies” and discusses the employee retention strategies he has put into practice. But what sets Employee Retention Strategies apart is a steadfast philosophy that:

- Uses only research-based, theory-supported approaches to improving employee engagement. Avoided are gimmicks such as employee of the month, suggestion boxes, prizes or other “carrots.” While commonly used, these short-term fixes fail to produce genuine employee loyalty (more than 60 years’ of research tells us so!).
- Employs an easy-to-understand systems approach to ensure the root causes of turnover are addressed and the potential for lasting change unleashed.
- Customize all activities to your organization’s unique history, current practices and strategic objectives. Also considered are challenges unique to your industry sector, competitive marketplace issues and talent shortages.
• Involves those responsible for implementing change in actually creating the change, ensuring input and improved shared understanding and support of all initiatives.

• Integrates hands-on, action-oriented approaches that enable organizations to move forward quickly and effectively

• Recognizes the research-proven role of no-cost strategies in developing the “glue” that builds employee loyalty and commitment.

• Brings to your organization leading-edge organization-development best practices to effectively and quickly build a retention-rich culture.

Now we shall look into the list of retention “tools” or “strategies” as discussed by the two HR Managers in Indian industries.

3.6 EMPLOYEE RETENTION TOOLS (Shiney Nair: Google: June 26, 2009)[72]

- **Communication:** Communication has become so heavily stressed in the workplace that it almost seems clichéd. However communication couldn’t be more important in the effort to retain employees. Be sure that team members know their rules, job description, and responsibilities within the organization. Communicate any new company policies or initiatives to all employees to be sure that everyone is on the same page. Nobody wants to feel that they are being left out of the loop.

- **Include E in Decision-Making:** It is incredibly important to include team members in the decision making process, especially when decision will effect an individual’s department or work team. This can help to create of employee involvement and will generate new ideas and perspectives that top management might never have thought of.

- **Allow Team Members to Share their Knowledge with Others:** The highest percentage of information retention occurs when one shares that information with others. Having team members share when they have learned at a recent conference or training workshop will not only increase the amount is information they will retain, but also lets a team member know that he is a valuable member of the organization. Facilitating knowledge sharing through an employee mentoring program can be equally beneficial for the team member being mentored as well as mentor.

- **Shorten the Feedback Loop:** Do not wait for an annual performance evaluation to come due to give feedback on how an employee is performing. Most team members
enjoy frequent feedback about how they are performing. Shortening the feedback loop will help to keep performance level high and will reinforce positive behaviour. Feedback does not necessarily need to be scheduled or highly structured; simply stopping by a team member’s desk and letting them know they are doing a good job a current project can do wonders for morale and help to increase retention.

- **Balance Work and Personal Life**: Family is incredibly important to team members. When work begins to put a significant strain on one’s family no amount of money will keep an employee around. Stress the importance of balancing work and one’s personal life. Small gestures such as allowing a team member to take an extended lunch once a week to watch his son’s baseball game will likely be repaid with loyalty and extended employment with an organization.

- **Provide Opportunities for Growth and Development**: Offer opportunities for team members to acquire new skills and knowledge useful to the organization. If an employee appears to be bored or burned out in a current position offer to train this individual in another facet of the organization where he or she would be a good fit. Nobody wants to feel stuck in their position will no possibility for advancement or new opportunities.

- **Recognize Team Members for Their Hard Work and Let Them Know They Are Appreciated**: This can be one of the single greatest factors affecting employee retention. Everybody, in the all levels of an organization, wants to know that their efforts are appreciated and recognized. This can be as simple or as extravagant as a supervisor may desire. Often time a short e-mail or quickly stopping by a team member’s desk and saying “thanks” can do wonder for morale. Other options might include a mention in the company newsletter for outstanding performance or gift certificates to a restaurant or movie theatre – the possibilities are endless.

- **Clearly Define “What is Expected of Team Members”**: Nothing can be more frustrating or discouraging for an employee than the lack of a clear understanding of what is expected of him on the job. In a performance driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them. Even worse outright anger can occur when a team member receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.
- **The Quality of Supervision and Mentorship:** It has been said so often that it is almost cliché, but people leave, not their jobs. Supervisors play the largest role in a team member’s development and ultimate success within an organization. All employees want to have supervisors who are respectful, courteous, and friendly – that is a given. But more importantly team members want supervisors who should set clear performance expectations, deliver timely feedback on performance, live up to their word and promises, and provide an environment where the employee can grow and succeed. Failure by supervisors and management to provide this can cause an employee to start looking for greener pastures.

- **Fair and Equitable Treatment of all Employees:** One of the surest ways to create animosity and resentment in an organization is to allow favouritism and preferential treatment of individual team members. The so-called “good old’ boys club” concrete a noxious organization culture and foster resentment among team members. This culture will only get worse and can create a devastating exodus of valued team members.

- **Best Employee Reward Programs:** If these rewards are in terms of money, by dividing it into two parts and giving the first half parts with the initial month’s salary and the remaining after six months helps in retaining the employee for six months.

- **Career Development Program:** Conditional assistance for certain courses should be provided within the company in which the company will bear the expenses only if he/she scores a certain aggregate of marks.

- **Performance Based Bonus:** To get more work out of the employees, remuneration in the form of bonus helps to retain individuals who are highly productive. It doesn’t add extra – pressure on the company’s budget. It can be arranged by cutting a part of the salary hikes.

- **Employee Referral Plan:** Introducing employee referral plans and giving referral bonus after six to nine months of continuous working of the new employee as well as existing employee reduces the hiring cost of new employee as well as helps retention of the existing ones for a longer period of time.

- **Loyalty Bonus:** After successful completion of a specified period of time in an organization rewarding employees with money or position gives recognition and satisfaction to them. It also gives encouragement to the fellow employees.
- **Giving Voice to the Knowledge Banks:** The important intellectual assets of the company are the workforce. The company should retain it through involving them in some of the important decisions.

- **Employee Recreation:** Involvement of top management along with the lower and middle level management in some recreational activities makes the employees feel that they are very close to the management and are treated equally.

- **Gifts on some Occasions:** Giving some gifts on festivals and special occasions to the employees makes them feel good and realize that the management is concerned about them.

- **Accountability:** Creation of an environment that demands accountability and transparency helps employees to feel that they are as superiors. This helps in emotional bonding of the employees.

- **Surveys:** Conducting regular surveys, feedbacks from superiors as well as other issues like morale, development plans, etc. This make them feel important and understand that the company really cares for them.

- **Fun and Laughter at Workplace:** Fun and laughter in a workplace lend a competitive advantage to an organization through its human resources. The presence of humour in a workplace enables the employees to work with interest and enthusiasm that reduce the work pressure and attrition levels. It instils a sense of joy among the employees that can go a long way in creating a bond between the employees and the employer and thereby decreasing the rate of employee attrition. In a nutshell, creating a fun and laughter-filled work environment in an organization will pave the way for its success in the marketplace. Such a company is sure to emerge as an ‘employer of choice’. For every company, workforce is an intellectual capital which is the source of its competitive advantage and helps achieve the bottom line. Hence, retaining a well trained, skilled and contented workforce can lead a company to dizzy heights while the lack of it can hamper its growth badly. So, every resignation saved is every dollar earned.

### 3.7 NEED OF RETENTION IN IT INDUSTRY IN INDIA

Considering the growth of the IT industry in India in the geometrical ratio, the scarcity of the workforce, the competition among the IT organizations for the talented
employees, the growing global market for the IT products and the clients’ requirements the IT organizations are in search of new and newer strategies to retain their employees. To this task one more dimension is added. It is a common knowledge that the Indian companies get their business from other countries and of late they are not able to deliver the goods on time. Often they quote the problem of high quantum of employee attrition. It is reported (Times of India dated March 5, 2008. p.25) that the clients are not willing to accept excuses about project delays on account of employee attrition. Not all are willing to foot financial losses resulting from delayed delivery. The clients are now introducing a ‘retention clause’ in contracts. This will make enterprises responsible for retaining people/teams working on the client’s projects. Failing that they would attract financial penalty. Consequently, the IT companies and organizations have to think about the effective strategies of retaining their people.

There are research gaps on various concepts on employee retention strategies. Not many studies are documented in the area of employee retention strategies. Each company follows its own employee retention strategy. Present study is an attempt to fill up these gaps by adopting both Indian and MNCs.

3.8 CONCLUSION

Conceptually, the term employee turnover underwent a change during the last quarter of the 20th century. It was rechristened as employee attrition. The Webster’s Dictionary defines the term attrition as “the process or state of being gradually worn down”. Accordingly the attrition process sometimes starts after a person is employed in an organization and ends when he quits or retires.

There is no set level of employee turnover that determines at what point turnover starts to have a negative impact on an organization’s performance. Everything depends on the type of labour markets in which the employer is placed. Some employee turnover positively benefits organizations. This happens when a poor performer is replaced by a more productive employee, and can happen when a senior retirement allows the promotion or acquisition of welcome 'fresh blood'.

Calculating employee turnover is not a matter of simple mathematical method to measure employee turnover. It is necessary to take into account the root of the problem, by going back to the hiring stage. In fact, there are 9 key costs associated with departing
employees: Exit interviews, Advertising, Recruiting, Interviewing, Testing, Hiring, Orientation, Training, Lost productivity until they learn the job.

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace.

Why is Retention so Important? Is it just to reduce the turnover costs? It’s not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of employee retention will benefit an organization in the following ways: The Cost of Turnover, Loss of Company Knowledge, Interruption of Customer Service, Turnover leads to More Turnovers, Goodwill of the Company, Regaining Efficiency.

Employee attrition is a very challenging problem not only in the industrialized countries but also in India which is fast industrializing. Attrition is considered to be one of the biggest challenges Indian corporate sector is facing today. According to these companies, it is a complex issue. Among all the industries in India attrition has gained seriousness in the IT industry and ITES organizations. In India there is an increasing demand and supply gap for professionals. It is sometimes difficult for HR managers to maintain consistency in performance and keep the motivation levels high especially when the work is monotonous. Some companies in India believe that the attrition rates and the costs associated with them are so high that they can override the benefits of lower wage costs. Hence, retaining a well trained, skilled and contented workforce can lead a company to dizzy heights while the lack of it can hamper its growth badly.

REFERENCES


