

## A Study on Employee Retention and Turnover in India

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### **Abstract-**

Retention of skilled employees has been a severe issue for the organisation. This article tries to explore the factor effecting retention of the employees in various different sectors (construction, IT, FMCG and banking sector) in India. This paper attempts to find out the motivational factors which enable retention and reduces turnover of employees. Exploratory and Descriptive research design is adopted for this research. Exhausting established literature and researcher interpretation, various factor effecting retention were identified to construct reliable and validated questionnaire. Through the questionnaire data was collected from 401 employees working in different sector. Confirmatory factor analysis (CFA) was conducted and the model fit indices was assessed for an acceptable fit. The model fit indices found were chi-square/d.f. ( $\chi^2/df$ ) = 3.18,  $p = 0.00$ , goodness-of-fit index (GFI) = 0.87, comparative fit index (CFI) = 0.94, normative fit index (NFI) = 0.92 and root mean square error of approximation (RMSEA) = 0.07. These fit indices indicated an acceptable measurement model. The major predictor of retention of employees are found as job satisfaction, growth opportunities, sense of belongingness and job empowerment. The paper tries to establish the point that in order to reduce employee turnover job satisfaction shall be enhanced through freedom at work, task variety and making the work interesting. Similarly enhancing growth opportunity through recognition and promotion, enhancing sense of belongingness through pride, motivation and supervision and lastly improving level of empowerment through autonomy and equality.

**Keywords** – Employee Retention, Reducing Turnover, Job Satisfaction

## I. INTRODUCTION

It is difficult to recruit the right person at the right place but it is more difficult to retain them in the highly competitive organisations. Retention of skilled employees has been a severe issue for the organisation today to face not just in India but in the worldwide. Alagusundaram & Raghavan (2017), Anitha & Begum (2016), Chatterjee (2009), Sandhya & Kumar (2014) said that due to the tremendous competition the organisation have to rely on the skilled employees in order to gain competitive advantage in the global market. Many studies have shown that it is quite difficult to retain a highly skilled employee in the organisation as Collins, Collins, McKinnies, & Jensen, (2013), Covella, McCarthy, Kaifi, & Cocoran, (2017) Dutta & Banerjee (2014). Retaining the highly skilled employee is so very difficult due to enhanced competition. Many studies such as Irshad (2000), Lahkar Das & Baruah (2013), Singh (2019), Tangthong, Trimetsoontorn, & Rojniruntikul (2014) have been conducted on how to retain the highly skilled employees in the organisation and it is directly affected by the job satisfaction of the employees. Studies suggest that retention can be enhanced through increasing level of job satisfaction, creating growth opportunities, empowering employees and making them feel belonged. Tripathi (2015) suggested that to retain employees follow direct method as signing legal bond or indirect way by following some strategies. Satpal et al (2016) in his work found that employees take into consideration various factors before leaving a job such as work environment, compensation, family problems and relation with supervisors. This paper attempts to find out the motivational factors which enable retention of employees in an organisation as a result of which the associated cost of employee turnover can be reduced. Every organisation wishes to reduce the employee turnover rate, the present study focuses on finding factors that can be incorporated in the organisation policy to increase retention.

The rest of the paper is organized as follows. Review of established literature related to retention of employees is included in section II. Research methodology adopted for the study is presented in section III. Analysis, discussion and concluding remarks are given in section IV and V.

## II. REVIEW OF LITERATURE

Usually turnover of employees happens when the present employees leave the organisation and another worker has to be replaced by him. The replacement of the existing employees is expensive to the organisation and it is destructive for the customer satisfaction. So it is essential for any organisation to retain the present employees so that minimum loss occurs. That's why retention is a move undertaken by the organisations so that the employees stay for a longer period of time. There are many studies which have been conducted to find out the variable that impacts the retention of an employee in an organisation. A study conducted on the accountant in six organisations showed that job performance and retention of the employees is significantly affected by the organisational cultural value (Sheridan, 2018). Another study conducted showed that employees' motivation is the most important factor for the retention of employees in the organisation which includes rewards programs, career enhancement, open communication and even gifts at some point of time (Sandhya & Pradeep Kumar, 2011). A review conducted on the employees' retention clearly depicted that employees' retention is directly influenced by the job satisfaction of the employees (Das, 2014). A study conducted in an African country clearly indicated that training and development, freedom of innovative thinking, interesting work and job security

are the primary reasons for employee's retention in an organisation. A study conducted in Chhattisgarh India on the bank employees indicated that organisational attractiveness is significant predictor of employee's retention. Similarly organisational culture has been proved as a strongest predictor of employees retention in many studies(Bhatt, 2015)(Dey, 2009; Gberville, 2011; Joseph, Sahu, & Uz Zaman Khan, 2014; Vijayalakshmi & Balanagagurunaathan, 2012). Retention is incorporated with a motive to ensure that the loss of skilled employees doesn't bring adverse effect on the organisation. A study conducted on the engineering based organisation found that good relationship, freedom of innovativeness, reward are the key factors which impact an employee's retention (Sinha & Sinha, 2012).

### III. RESEARCH METHODOLOGY

The research is conducted with an aim to find out the motivational factors which enable retention of employees in an organisation. In order to fulfil the objectives job satisfaction, job empowerment, culture of the organisation and cordial relationship scales have been undertaken to see whether these factor influence the employees retention or not. The data was collected from 401 employees working four different sector namely construction, IT & ITES, Bank and FMCG sector with help of a well drafted questionnaire from June 2018 to December 2018.

Table -1 Demographic Data

<b>Gender</b>	<b>N</b>	<b>Percentage</b>
Male	283	70.6
female	118	29.4
<b>Age</b>		
21-30	250	62.3
31-40	140	34.9
41-50	9	2.2
>50	2	.5
<b>Salary</b>		
<25000`	158	39.4
25000-50000	164	40.9
51000-75000	47	11.7
>75000	32	8.0
<b>Experience</b>		
<5yrs	216	53.9
5-10	106	26.4
11-15	72	18.0
>15	7	1.7
<b>Educational qualification</b>		
Under graduate	131	32.7
Graduate	109	27.2
Post graduate	161	40.1
<b>Industry</b>		
Construction	100	24.9
IT & ITES	102	25.4
Bank	110	27.4
FMCG	89	22.2
Total	401	100.0

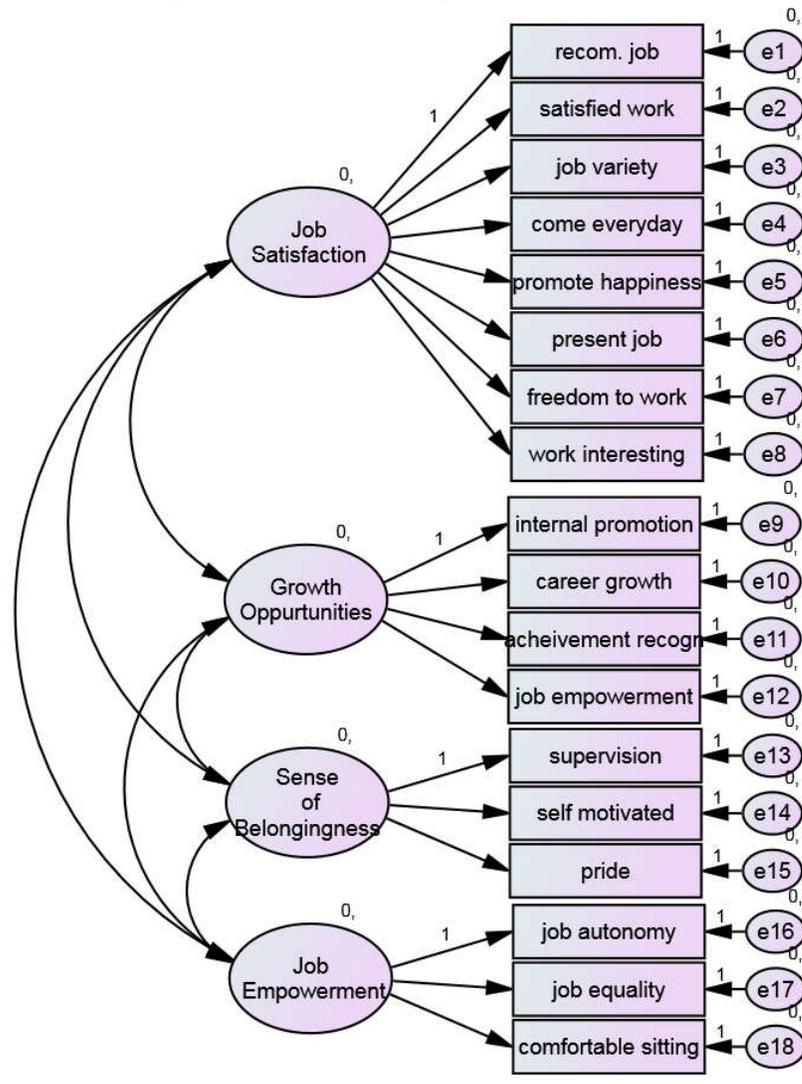
Table 1 shows the demographic distribution of data collected through 401 participants. The demographics factors considered are gender, age, salary, experience, educational qualification, and industry.

#### IV. ANALYSIS AND DISCUSSION

Common method variance refers to “the observed variance or error that is being caused because of the measurement procedure rather than the variance that is shared among the constructs” (Chang, Witteloostuijn, & Lorraine, 2010; Eichhorn, 2014; Sharma, Yetton, & Crawford, 2009). For the issue, Harman’s single-factor test was used as discussed by Podsakoff et al. (2003) (Teo, 2011). By using promax rotation in principal axis factoring framework while fixing the extraction to 1 factor, the total accumulated variation was found to be 38.61% which is less than the threshold of 50%. Thus the test shows the absence of the CMV.

A confirmatory factor analysis (CFA) was conducted for factor influencing retention. Measurement model results and reliability values of each construct in factor influencing retention. The model fit indices were assessed for an acceptable fit. The model fit indices found were chi-square/d.f. ( $\chi^2/df$ ) = 3.18,  $p = 0.00$ , goodness-of-fit index (GFI) = 0.87, comparative fit index (CFI) = 0.94, normative fit index (NFI) = 0.92 and root mean square error of approximation (RMSEA) = 0.07. These fit indices indicated an acceptable measurement model.

Figure 1.Confirmatory Factor



Analysis

#### IV.CONCLUSION

From the confirmatory factor analysis it was found that the factor which are influencing employees retention is firstly job satisfaction which has been proved as a significant factor in many studies(Brunetto, Teo, Shacklock, & Farr-Wharton, 2012; Spector, 2005; Terera & Ngirande, 2014).The second factor that growth opportunities which was much similar to the studies were rewards and recognition has been the predictor for job satisfaction(Sandhya & Pradeep Kumar, 2011). The third critical factor was sense of belongingness which has got direct link with the organisation culture which was proved in many studies(Chatterjee, 2009; Kyndt, Dochy, Michielsen, & Moeyaert, 2009; Morrell, Loan-Clarke, & Wilkinson, 2004; Sheridan, 2018). Next important factor for job retention is job empowerment which has a direct impact on

job satisfaction that have been proved in many studies(Choi, Goh, Adam, & Tan, 2016; Ng Chee Hong, Zheng Hao, Kumar, Ramendran, & Kadiresan, 2012; Pelit, Öztürk, & Arslantürk, 2011; Seibert, Silver, & Randolph, 2004; Stander & Rothmann, 2010; Ugboro & Obeng, 2002). So the major predictor of retention of employees are job satisfaction, growth opportunities, sense of belongingness and job empowerment.

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