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A Study on determining factors of Employee Attrition and Retention

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Abstract: In this competitive business world the most important asset of the organization is the human resource and they are the one who can create the competitive advantage for the company. If theses employees leave the organization the organization has to bear a lot of cost invested in this employee but also they lose edge over the competition. Some percentage of attrition is normal and can't be stopped but when attrition rises and causes to lose talent then it becomes a big question that needs a deep insight into the problem. The problem can only be solved with the help of HR policies and practices which can understand attrition reasons and suggest measures for retention. This article would provide a theoretical overview and an insight into the various issues surrounding the problem of attrition and what major challenges are being faced in retaining the employer and what can be the solution of these problems.

Keywords: Attrition, Retention, Employees, Job Satisfaction.

I. INTRODUCTION

The strength of any organization is its employees, but when these talented employees leave the organization it becomes alarming situation for the organizations. In the present uncertain situation it has become a problem in the all the sectors. Whenever employees leave an organization, the knowledge and intellect also leaves. The organization looses not only in terms of cost but also in terms of the knowledge and information also. The organizations are focusing the employee attrition are understanding the relevance of the retention of employees. The aim of this research is to understand and identify various researches conducted on employee attrition and retention across sectors. For the same, the literature is studied. Different factors and reasons for attrition have been identified and the main interventions for the employee retention have been identified in the paper.

II. OBJECTIVES

1. To find out the determining factors of attrition of employees.

2. To find out the measures of employee retention in organizations.

Attrition:

Employee attrition is defined as the natural process by which employees leave the workforce – for example, through resignation for personal reasons or retirement – and are not immediately replaced. Some forms of attrition are unavoidable, like if an employee is retiring or is moving to another city. But when attrition crosses a particular threshold, it becomes a cause for concern. For example, attrition among minority employee groups could be hurting diversity at your organization. Or, attrition among senior leaders can lead to a significant gap in organizational leadership. Attrition can be due to retirement, voluntary attrition here employees decide to simply quit their jobs. Involuntary attrition in this scenario, it is the

company and not the employee that initiates the exit. For example, the employee may have shown instances of misconduct in the workplace – a common reason for involuntary attrition. Internal attrition here, employees are quitting their jobs in one department to join another department. In some cases, internal attrition is desirable, as it routes talent towards more profitable areas.

Employee Retention

Employee retention is a continuous effort made by employers that create and promotes an environment and frame policies and practices that fulfills the employees for diverse needs that stimulates present employees to stay in their organization for a longer period . Employees are the assets of an organization, they are considered as the heart and soul of every concern. Employee attrition may cause more problems to a concern, in the form of costs, operational disturbances and loosing efficient employees which affects the morale of other employees. To overcome such problems arising in a concern, employee retention becomes very important one for the organization. It describes the ways to attract and retain innovative, efficient and dedicated employees in the concern. It is not about managing the retention, but managing the human resource of a concern which will automatically take care of employee retention.

III. FACTORS AFFECTING ATTRITION

Authors have identified many factors for employees to leave the organization. The causes are sometime related to the organization and sometimes personal factors. Talking about organizational factor **(Udechukwu and Mujtaba, 2007)** gave a mathematical model that explained employee turnover by focusing on internal (employer) and external (social affiliate) determinants which influence an employee's decision to leave an organization. (**Kim and Stoner, 2008)** emphasized that employees intend to leave because of factors related to individual (e.g. demographic factors or personality), job (e.g. nature, content or design of job) or organization (e.g. pay, supervisor or co-worker). Social support and job autonomy might have a direct negative impact on the employee turnover intention. **(Deepa and Stella, 2012)**, in their exploratory study on "Employee turnover in the IT industry with special reference to Chennai city", highlighted a number of factors which contribute to employee turnover. Demographics, Organization's performance, Organization's culture (in terms of its reward system, leadership, shared goals etc.), effect the employee turnover decision. **(Herman, 1999)** has highlighted five main reasons because of which employees leave their current organization. Insufficient support, incompatible corporate culture, unsatisfactory relationships with coworkers, dissatisfaction with compensation offered, and inadequate opportunities for growth are the reasons because of which employees leave. Similar type of reasons have been found by **(Abbasi and Hollman, 2000)**, in their study they talked about five reasons that facilitates employee turnover. Toxic workplace environment, hiring practices, lack of recognition, managerial style, and lack of competitive compensation systems are the reasons which results in employee turnover. **(Adhikari, 2009)** identified the factors affecting employee attrition in the IT and ITES industry. The paper identified four factors. Work related issues have the greatest impact on attrition. The other three being employer related issue, skill of employees and the compensation. Compensation seemed to have the least effect on attrition. **(Sahu and Gupta, 1999)** in their study found out that length of service, expectation reality match, turnover perception and outside career opportunities are also responsible for deciding to quit or to stay with the company. **(Ho et al., 2010)** emphasized the relevance of push and pull factors while understanding employee attrition in the Malaysian service industry. Work stress, improper work-life balance, and poor relations with co-workers are some of the factors which come under the umbrella of push factors and promotion opportunities, better compensations, desire for higher studies, and interesting work are some of the pull factors. Each employee who put his efforts into something expects reward in return either extrinsic or intrinsic. According to **(Arthur, 1994)** the key employees, who have done amazing in their education and are hardworking, always feel the need to be rewarded and recognized for their performance in the organization. Their enthusiasm to work and perform better depends a lot on the organizations" way of rewarding and recognizing them. So, if an organization has an environment that provides prospects for further development and self-actualization, this would reduce the chances of an employee leaving the organization. As far as the factors that ere find to

be affecting the employee attrition can be various .out of which one factor can be the reward for good work. Out of which payment or compensation to employees is the biggest factor which can lead to employee turnover. if the **(Ramlall, 2003)** accentuated that inadequate compensation, payment below prevailing market rate and inadequacy in the internal and external equity was the common reason because of which employees leave an organization. **(Saleem and Affandi, 2014)** investigated the impact which Human Resources practices have on the employee attrition. He mentioned in his study that fairness of rewards and growth opportunities were considered to be the key factors influencing the employees" decision to leave an organization. **(Mano-Negrin and Tzafrir, 2004)** claim that employees leave their organization because of the economic reasons, and one can use these reasons to understand and further envisage the employee turnover in the market. While discussing personal factor they mentioned that Employees personal traits (like desire to learn, change in personal life, new job offer etc.), Job characteristics, Unrealistic expectations are the factors that are perceived to enhance employee turnover in the IT industry. The personal factors have been related with the employee attitude the ay person reacts in certain situations. **(Brayfield and Crockett, 1955)** have highlighted the positive relationship between attitudinal variables and voluntary turnover. It is seen that attitude-based turnover models have a direct link between employee attitudes and the act of leaving the organization. **(Magner etal., 1996)** emphasized that the employees stay longer in the same organization where they feel they are involved in the decision making process. This involvement gives them the satisfaction to be part of something really important. **(Oldham and Hackman, 2005)** highlighted that employees leave their jobs only when they face continuous problems pertaining to work related matters. For instance, over-controlling supervisors or an unsatisfactory compensation. **(Hora, 2005)** talked about the importance of understanding employee expectations. It is important for the HR Managers to understand the importance of their employees and to understand the areas that interests them. (**Joy P. and Radhakrishnan 2012**) in their study on marketing executives of financial product companies identified six factors which affect attrition. 58.77 percent of variance was jointly explained by all the six factors. Work specific attrition, human resource policy of the organization, boss behavior with sub-ordinates, prevailing economic forces, fellow employee influence and opportunities in the society are the six factors identified in this study. A positive relationship among all the factors was supported by the correlation matrix. (**Vinit et al., 2013**) highlighted those factors like appraisal, openness, training, and flexibility act as key influencers for employee turnover. Thus these are the parameters on which an employ ee thinks before deciding to leave an organization.

Employee Retention Measures: Fitz-enz (1990) found in a research that employee commitment and retention cannot be determined by a single issue and it is determined by many factors. Out of these factors the first factor is employee satisfaction with his job and his level of motivation.**Vijaya Mani (2010)** in a study found that if employees are dissatisfied, it is struggle for the employer to retain the knowledgeable people in the organization.**Noltemeyer and Patrick (2014),** in his study found out the different factors which can create job satisfaction in the organization. He mentioned that work, good supervisor and employee recognition are important factors are reason for employee satisfaction. he also focused on performance appraisal as a primary reason for the employee satisfaction. According to is study both the employer as well as employee is benefited out of performance appraisal. It helps employees to realize their strength and weakness. It also helps to identify the performance gap between the actual and the set standard. It helps the individual as well as the organization where they are. Based on the performance feedback, efficiency of employees can be improved. Apart from job satisfaction and motivation it as found that works life balance is also a important factor in employee retention. **Noor and Maad (2008),** this study revealed that satisfaction towards work-life balance leads to low turnover intentions. **Hyman and summers (2004)** stated in this study that work which demands interventions into employees' personal life would exhaust them emotionally and result into high stress among the employees. **Deery (2008)** suggested some retention strategies which help in balancing the personal and professional life e.g. i. flexible working hours, ii. Flexible working arrangements, iii. Providing adequate resources iv. Training opportunities, v. correct workload, vi. Providing adequate breaks in a day, vii. Permission to take leaves i.e. career's leave and sabbatical leave etc., viii. Staff reward, ix. Inviting staff families for staff functions, x. wellness opportunities, and xi. Effective management practices. **Shrotriya (2009),** it is proved in this study that balance between professional and personal life increases the employee

productivity and competence which in turn would result into commitment and satisfactions. **Branch (2011)** contended that to improve employee retention, encouraging a good work-life balance was not the only way to retain employees, but a good compensation structure in a competitive range, career and development opportunities and some other factors also have some influence over it. Further, it is essential to have a balance between personal and professional work which would improve commitment towards the organization. **. Khairunnezam Mohd Noor (2011),** in this study correlation analysis and mediation analysis were performed. In correlation analysis, it was found that perceived work-life satisfaction have negative impact with the intention to leave.

Jonathan P. et al. (2011) found that it is required to be given that 'extra' to motivate the employees to stay. Work-life balance and Retention: The balance between the professional life and personal life is one of the factors in employee retention. The employee commitment as found to be a important factor in the employee retention **.Allen and Mayor (1990)** found that in organizations, employees with strong/high employee attachment or commitment have low turnover intentions when compared to weak/poor employee attachment or commitment. **Goulet and Frank (2002)** conducted a research in which organizational commitment in public, non-profit and profit sectors were studied and it was discovered that the workers from the profit sector was the most committed to their organization and next committed was non-profit and finally the public sector employees. Due to extrinsic and intrinsic motivation, the employees from the public & non-profit sectors were anticipated to have high organizational commitment but the study resulted against the expectation. **Mike Johnson (2004)** in his book "The new rules of engagement" described that one of the utmost organizational battles for the future 10 years and it is the ability of the organization to engage employees to work with the business of the organization successfully. This is the hot topic currently i.e., in the 21st century and almost all the organizations are attempting to achieve this to their extent. **Gemma Robertson-Smith and Carl Markwick (2005)** in IES Engagement survey 2005 discussed that job satisfaction, feeling valued and involved, equal opportunity, health & safety, total service, ethnicity, communication and co-operation are employee engagement drivers in organizations. **Hemsley and Fraser (2008)** cited that higher employee engagement leads to low turnover of employees' i.e. high retention, high productivity and profits and return on investments. **Alkhawaja and Arwa (2017)** while discussing the leadership style and employee turnover stated that increase in turnover is due to unbalanced treatment of employees and hence while dealing with people, leaders should question themselves regarding their personal judgments, biases and assumptions, this ultimately results into high motivations and organizational effectiveness. **Bassi and Van Buren (1999)** identified in this research that competency and professional advancement is the primary factor for retention of employees which are acquired through training. Investing money on training is not a cost, it adds value and strategy of an organization is reflected through training for the growth and successful survival. **Deery (2008)** suggested that one of the ways to improve retention and commitment is providing on the job training opportunities **Sarah Leidner et al., (2013)** in this study, it is highlighted that for promoting employee devotion to the organization HR practices play an important role. It is found in this study that providing better training to workers leads to employee loyalty. **Davy et al., (1991)** clearly stated the relationship between job security, job satisfaction and retention and highlighted that the results of insecurity among workforce results into job dissatisfaction. **Koh and Goh (1995),** highlighted the significant factors that affect turnover intentions which were job satisfaction with respect to career growth, identity of company and financial rewards and results showed that the higher satisfaction over these factors causes lower turnover intentions. **Abeysekera (2007)** in a study evaluated the HR practices like realistic information about job, job analysis, work life balance and career opportunities, supervisor support and compensation and their impact on employees' intentions to leave which resulted that compensation and job analysis have positive impact on employee turnover. **Taylor (2010)** while explaining turnover stated that pull and push factors are to be considered. Positive attraction towards alternative job opportunity is pull factors, in which employees are searching for alternative job opportunities even if they are happy and satisfied. In this circumstance, it is highly essential that employer/management must understand the real value of their employees and identify the reasons for searching or what they are expecting in the current job and this would help to retain the talents. The next important factor is push factors, in which some dissatisfied circumstances are prevailing in the current

organization which makes the employee to leave for refining work life. There are several attributes for pulland push factors that need to be identified and focused more. **Cardy and Lengnick-Hall (2011)** conducted a study on retention of employees, which emphasizes more on customer-oriented approach. Employee equity model is the method followed in this research. This study explores more regarding employees' values rather than external factors which have effects on the employees whether to stay or to leave. In other words, this study was concentred towards internal factors which makes the employees to stay or leave. **Chitra Devi and Latha (2011)** conducted a research on employee retention in IT sector. The main aim of the research is to identify why employees are migrating one from companies to another i.e. reasons for migration and to analyse the retention benefits. Discriminate analysis tool was used and resulted that the sector has to focus on compensation, job satisfaction and job security as these were some of the important tools used for retention of employees in organizations. **(Walker, 2001)** has identified seven factors **which boosts retention**. These factors are compensation and appreciation of the work performed, recognition of capabilities and performance contributions, challenging work, good communication, opportunities to learn, positive relationships with colleagues, and good work-life balance. Daniel Eseme Gberevbie (2010) analyzed the organizational retention strategies and employee performance in banking sector and resulted that suitable employee retention strategies help in achieving the goal of the organizations. The following strategies are recommendations in the study: 1. Employee must be encouraged by way of fair human treatment 2. Employees should be informed of on a regular basis the reasons for taking actions. Implementation of policies and practices reflect how management has a view towards employees and how friendly the management is with the employees and it is the ability of the organization to keep up the promises and the integrity. 4. Regular salary package increases employee retention 5. Participation of employees in decision making process enhances retention. John Mason (2008) conducted a research and concluded that retention strategies now-a-days are recognized as vital one in most of the industries. He listed out top ten retention strategies, these are as follows: 1. Treat employees like the way one treats his/her valuable clients. 2. Make the employee to fall in live with the company/organization where attached with. 3. Frame strong strategies for retention which ultimately brings recruitment advantages. 4. Right person for the right job. 5. Money is a driver but it is not the main reason for employees to stay. 6. To determine why employee, stay and leave, form employee committees. 7. Leadership style of the management. 8. Recognition 9. Fun in work teams 10. Competitive benefit packages. **Ananthan B.R and Sudheendra Rao L.N (2011)** investigated the dynamics of retention towards practices and strategies in Multinational companies and Indian firms. It was revealed in the study that there was no difference observed in MNCs and Indian firms over retention strategies. The study resulted that perception towards retention strategies was significantly high in employees' side than the management side. Further, employees scored higher than the management with respect to strategies such as organizational strategies, employee benefit strategies, rewards and recognitions strategies and ideas and suggestions strategies. It was suggested in the study that integration of human resource practices to match with the organizational as well as individual needs would be an effective strategy to improve job motivation and retention. **Kate Hutchings et al. (2011)** highlighted some strategies for attracting and retaining employees in the Australian Resources Sector. They classified three types of strategies in terms of organizational context-1, employment practices-2 and community and social concerns-3. Strategies with respect to company reputation, excellent work environment, high quality leadership, quality people, good communications and high ethics and professional standards are discussed in organizational context. Competitive remuneration, bonuses, training and development opportunities, benefit packages/workplace benefits, challenging work, career opportunities (international), rostering, permanent work and secured contract are discussed in employment practices..**Tripathi et al. (2011)** concluded in the study that retention strategies for faculties irrespective of their level of pay. It is discussed that there are several steps must be taken to develop retention strategies. First step is assessment of the existing situation and measure the turnover rates in organization. The second step is to create designations/positions in organization e.g. Officer for Recruitment & Retention. The next step is building a programme for comprehensive retention management which would provide a correct data about how many employees are leaving and the reasons their leaving and without this accurate information, the facts behind leaving cannot be found out. Finally, organizations with a view to retain employees must conduct interviews and exit interviews.

Vijayalakshmi V (2012) discussed in the study that employees-the bases of a company and hence human resource department must focus on them by identifying why employees are voluntarily leaving in an organization and what are all their needs relating to their growth, education and personal life. This approach would create a positive impact in employee retention in organizations.

IV. RECOMMENDATION

The suggestions derived from the study are as follows.

1. The retention of employees starts directly from the recruitment of employee's .if the employee is fit to the job as well to the organization's culture and qualification, skills and experience, and attitude required for the job matches ell the chance for attrition becomes less.

2. The employees' stays with the organizations they find fit for their career growth. So any initiative for training and development ensures their stay in the organization.

3. Motivation, appreciation, recognition are the best rewards that the employee can expect and create commitment towards the organization.

4. As the literature review indicates that the job satisfaction is the one big reason of employee retention and productivity .If the employees are not satisfied they can leave the organization .the reason for the employee satisfaction can be varied among different employees.

5. Mutual trust between the employer and employee must be created so as to bring a feel that employees are part of the organization and they are working not only for their benefit but also for the benefit of the organization and as well as for the benefit of the society.

6. There must be a balance between the employee's personal life and professional life i.e. work-life balance play a vital role in retention because this would bring peace to the employees.

7. Flexi-timings can also be encouraged so as to improve work-life balance.

Equality and fairness treatment among the employees would create a sense that everyone is treated as one and the same i.e. there is no bias among the employees.

V. CONCLUSION

In this competitive world where talent is the main competitive factor their attrition and retention is a major issue of concern for the organization. If the organization tries to frame its policy and practices in such a way that the employees feel secured valued satisfied and motivated will stay with the organization. It is also necessary that strategies must be aligned with HR practices (i.e. recruitment and selection, training and development, performance appraisal and compensation). Any retention strategy without aligning these practices would definitely be ineffective. The factors like job satisfaction work life balance career progression competitive compensation should be taken care by the organizations. .By reviewing the research papers, this study brings a holistic approach to retain the talented and committed employees in organizations.

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