Employee Retention Management:some Issues
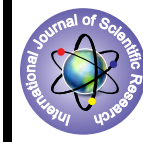
Commerce

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ABSTRACT

Good economic times means lower unemployment increased productivity, and better prospects for growth in all sectors. However, economic prosperity also means increased job-hopping among the job seekers. Opportunities everywhere with increasing computation for talent among companies. With the increasing mobility among the workers, "employee Retention", poses a distinct challenge to any company. Moreover, employee turnover rate provides valuable means of assessing the effectiveness of HR policies and practices in an organisation. This article analyse the issues and challenges of employee retention.

INTRODUCTION:

Employee retention is now a very crucial issue, because in the 21 century, the only sustainable source of competitive advantage for any company is "Human Resource". To maintain a stable workforce, employer must deliberately engage in retention activities. These efforts range from offering attractive compensation packages to involving employees in every share of the functioning of the organisation. Today's employer prefers to have a stable, committed, flexible workforce who is willing to learn and develop. Since sophisticated skills are scare, there is always heavy competition among the employers to attract the best talent to enhance their competitive position in the market. Becoming employer of choice using employer branding are some of the efforts made by the employer to create a tangible work atmosphere in order to attract and retain the best talent available in the market.

Employee turnover is one of the biggest challenges faced by most companies today. It is not only difficult for the employer to let an employee go but as difficult for him to train a new recruit. The organisation's ability to retain the kind of employee it requires has impact on its profitability and effectiveness. The costs of losing an employee are both direct and indirect. The direct costs involve recruitment and training while the indirect costs involve productivity loss.

In these changing times both the employee & employer are under tremendous pressure to perform. There is violent competition not only in the industry but also across categories. This new liberalized cutting edge technology driven environment has made employee retention mind-boggling. The fast pacing change across the globe has made the new employee & employer relationship irreversible. However all corporations not only in IT sector but also traditional manufacturing sector are attempting to stem attrition. This paper attempts to unravel this paradox & study the various facets that surround this burning issue.

FRAMEWORK OF EMPLOYEE RETENTION

· The present times have seen a radical change in the style of work. The basic value system of an individual has changed. In this competitive environment the corporate body must reassert itself. The very entity called corporation is to be explicitly understood. The organizational approach to staffing, its ethical policy, and compensation package, fringe benefits even the pathos of the organization can be turned towards its advantage. The manner in which a corporation portrays its image is the beginning of the talent keeping process.

· The employee was once treated merely as an asset, but today he is treated as family as a unique individual. His aspirations, goals, ambitions, are all given pivotal importance. This is the new employee arrangement that governs the market of today.

· This is the very ground on which both the employee & organization meet. Sound understanding of market structure, the emergence of intermediaries, their economic implications, the government policy. This defines the very environment in which the organization functions.

Need for the employee retention.

It is better to retain the existing talent than to hire continuously. There are some reasons as to why companies should focus on retraining current employees are:

1. It helps to save and reduce recruitment costs.
2. It portrays a culture of loyalty among employees towards the organisation and also that of the organisation towards its employees.
3. It helps to reduce the overall costs of the organisation by reducing replacement costs (this would also include reduction of costs on regular induction programs).
4. It spreads the training costs over the years of employees stay in the organisation.
5. It helps the HR department of the organisation to concentrate on other important things like training, apart from recruitment.

Employees too have high aspirations and thus today aspire to climb the corporate ladder as fast as they can. In order to prevent such employees from job-hopping, companies need to provide them vistas for personal and professional growth. If employees could accomplish their growth objectives with one organisation over a long period of time, they would usually continue in the same job. Employee turnover, costs both employer and the employee heavily. It destabilizes the functioning of an organisation and thus reduces its competitiveness in the market.

Cost to the Employer.

▸ Loss of knowledge and skills.
▸ Cost of training the replacements.
▸ Loss of productivity.
▸ New competitive pressures, because of losing top performers to the potential competitor.
▸ Loss arising from reducing productivity from new starters until they are fully trained.
▸ Recruitment cost.

Cost to the employees.

▸ Loss of seniority and the associated benefits that accrue through one's experience in the firm.
▸ Mental stress and discomfort that accompany the separation.
▸ Need to readjust according to the new business environment in terms of organisational culture, new market, new location etc.
▸ Risk associated with the uncertainty over the new employer and growth prospects in the new company.

The Employee Retention Measures

Companies now adopt more than one technique to create an internal environment that will retain their employees. The most popular retention-oriented initiatives include:

- **Increasing the organisational level of professionalism:** Employees leave companies where intra-organisational interactions are unstructured, and decisions, ad-hoc and driven more by personal prejudice rather than professional consideration. By adopting systems that introduce an element of objectivity into its internal operations, a company can create a better workplace.

- **Moving from family to professional management:** In most family-managed organisations, professional managers leave because they cannot see themselves holding key positions, or functioning with the level of independence that their designations merit. By inducting professionals into senior management positions, a company can lower its attrition-rate.

- **Making performance appraisals objective:** Employees like to know how, when, and by whom their performance is going to be measured. An appraisal process that lists objective and measurable criteria for performance appraisal removes the uncertainty in the minds of employees that their superiors can rate their performance by any method they please.

- **Involving employees in the decision making process:** People like to work in organisations where their opinions count. The higher an employee's involvement in decision-making, the higher the organisation's retention-level. A participative decision-making process is good; total empowerment is better.

- **Ensuring a match between authority and accountability:** Most companies fall into the trap of holding an employee accountable for a specific activity without empowering the employee with the authority to perform it well. Often, the situation is exacerbated by the fact that they vest another employee with the same authority, but do not hold him accountable!

- **Measuring employees satisfaction:** Obsessed with catering to the demands of their external customers, companies ignore their internal customers. Periodic employee satisfaction surveys can highlight the potential flash-points, and enable the company to take corrective action.

- **Achieving a match between individual and organisation:** Many companies fall into the trap of expecting their employees to subsume their individual objectives before the organisational one. Which forces employees to leave. The best companies achieve a balance between the two.

- **Designing a competitive compensation package:** Money isn't a motivator, but it is an effective de-motivator. While organisations that pay best-in-industry salaries may find themselves unable to use that fact to motivate their employees, those that do not could find their best employees leaving.

- **Focusing on welfare measures:** Employees are not just warm bodies; they are individuals with families and lives of their own outside the workplace. Organisations that recognise this, and help employees achieve a better balance between life and works are likely to face fewer problems than those that do not.

Training is a Tool for Employee Retention:

Training is considered to be one of the most significant tools in retaining the employees. But the question arise, how? To answer this, first it is, necessary to determine how the training is connected to a business/ organisational needs. Very often training is put in place without enough forethought, which is the reason that very often many training programs fail to get the right outcome. Am effective training program should have learning objectives, some observable and measurable behaviour to the end of the process. Usually there are three learning objectives:

- ➢ Awareness familiarity with terms, concepts and processes.
- ➢ Knowledge a general understanding of concepts, processes, or procedures.
- ➢ Performance an ability to demonstrate skills on at least at a basic level. A good training will also have another two objectives - applications and impact. Focusing on these objectives will defining help in successful training program.

Training is of two types: Technical Training and Soft Skill Training. Both technical and soft skill training act an employee retention tool in the following ways:

- ➢ Technical training helps in enhancing the required skill sets for the job and advances the career development for the employee. An excellent technical training would add a lot of value to the individual employee. If an organisation is know for this kind of training programs, then most of the organisation is beneficial for them both – personally and professionally.
- ➢ Acquiring new skills and capabilities also lead to employee promotion through improved/superior performance.
- ➢ Employee can also opt for internal recruitment for a better job.
- ➢ Soft skill training helps in the overall personality development of the employees and fasters a change in attitudes in them. Focus on soft skill training is also important, as it helps in a complete development of the employee.
- ➢ Training at intervals throughout the year is an alluring factor for employees to stick on.

Some Major Challenges Faced by HR managers

Establishing and maintaining a retention plan comes with many challenges. The largest of these is justifying the cost of rewards in a pay-for-performance culture. For many companies, providing talented employees with a competitive salary and benefits, bonuses, and work-life balance has proven to be the most effective way to retain employees. However, the inability to validate the return on investment and correlating the money spent on salary and benefits to performance metrics can be a challenge.

Improving retention can be accomplished by improving the three key phases of the employee lifecycle.

- **Improved hiring management:** Finding the right employee to hire through better sourcing, screening and placement.
- **Better employee management:** Aligning Company and employee performance objectives and offering training, advancement opportunities and improved benefits to ensure employees job satisfaction in their positions.
- **Recognition of employee results:** Recognizing the employee as an individual supporting their personal work-life needs and recognizing their achievements with rewards, bonuses or merit programs.

- ➢ High employee attrition rate.
- ➢ Rapid advancements in technology making employees competencies totally irrelevant.
- ➢ In order to keep abreast of today's technological trend employees must continuously learn and update their skills in the emergent areas.
- ➢ Burnout problems faced by the employees due to high level of stress.

Some Issues to ensure maximum utilization of HR:

Employee retention is most critical issue facing corporate leaders as a result of the shortage of skilled labor, economic growth and employee turnover. Aspects of the workforce stability issue in the face of unprecedented churning in the employment market with a focus on retaining the organization's employees.

- ✓ Empower the employees to innovate.
- ✓ Recognize the contribution made by the employees.
- ✓ Enhance learning opportunities and tools.
- ✓ Obtain the commitment of the employees.

Conclusion:

Employee retention is now a very crucial issue, because in the 21 century, the only sustainable source of competitive advantage for any company is "Human Resource". To maintain a stable workforce, employer must deliberately engage in retention activities. These efforts range from offering attractive compensation packages to involving employees in every share of the functioning of the organisation. Today's employer prefer to have a stable, committed, flexible workforce who is willing to learn and develop. Since sophisticated skills are scare, there is always heavy competition among the employers to attract the best talent to enhance their competitive position in the market. Becoming employer of choice using employer branding are some of the efforts made by the employer to create a tangible work atmosphere in order to attract and retain the best talent available in the market.

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