# Chapter 1
# Introduction

## 1.1. Introduction to the Study

People are the most important as well as dynamic resources in any organisation. The management of human resources has undergone significant change due to changes in markets, industry, technology, costs, workforce and employer-employee relationship. Technological growth has posed one of the greatest challenges in today's business world. With rapid pace of technological development over the recent past, an increased shortage of highly skilled employees is being witnessed. One of the critical issues faced by the corporate leaders, today, is retaining the employees. Employee retention, as an issue, is getting importance due to the shortage of skilled labour, economic growth and employee turnover. Today, the demands and expectations of workers have been increasing. It is in terms of every aspect, not only salaries and perquisites but also work experience and cultural context in which it occurs. Intense competition and globalization of businesses have put mounting pressure on organizations to deliver more and better than ever before. An organization cannot afford to allow effective people to leave their organizations because, when they leave, they take away with them the intellectual property, relationships, investments, an occasional employee or two, and a chunk of the organization's future. Employee retention initiatives help organizations to retain its valued employees. In today's highly competitive labour market, there is extensive evidence that organizations regardless of size, technological advances, market focus and other factors are facing retention challenges. In the present scenario it is becoming important for organizations to focus on finding, developing and retaining talented employees. Retention of key employees is critical to the long- term health and success of any organization. Retaining the best employees

ensures and facilitates customer satisfaction, increased product sales, satisfied employees, and reporting staff, effective succession planning and deeply embedded organizational knowledge and learning.

Employees in any organization are normally found to like their jobs and try their level best to work hard for the organization and get appreciation as well as many opportunities to advance in their careers. Employees try to provide their valuable services to the employer and tend to stick to the job. However, in the real world this is not the case as we find that significant segment of the employees lack job satisfaction and they are not happy with the retention initiatives employed by the organization. In fact employees' knowledge and skills are of enormous importance for an organization and an organization's competitive strength is influenced by the type, knowledge and skills of its human resources employed. There is no doubt about the fact that employee retention is important and very crucial for any organisation be it a profit-making organisation or a non-profit-making organisation. It is a cause of concern for organisations to find good people leaving the organization. Employee Retention Strategies help organizations to provide effective employee communication to improve commitment and enhance workforce support for key management initiatives. The long-term health of any organisation heavily depends on the retention of its key employees. Retaining the best employees will not only help in ensuring customer satisfaction, increased sales of the products and services but will also lead to satisfied office executives and deeply imbedded organisational knowledge and learning. According to Jackson and Schuler (2004), the retention of human resources refers to attempts to ensure that employees stay in the organisation and that voluntary turnover will be minimised.

A sensible HR manager always knows the fact that one of the key elements to effective employee retention strategy is the satisfaction of the employees. It should always be remembered by the managers that a satisfied employee has a direct impact on the customers and ultimately company profits. Happy employees are always more productive.

With so much of lucrative oppournities available in the job market, retaining the skilled human resources is one of the most vital problems faced by the organizations today. Employee retention involves taking measures to encourage employees to remain in the organisation for the maximum period. Any or all organizations always try to have the best employees to run their organisations. To retain the employees, the employers have to have motivational factors whereby they can have the best performances out of the employees as well as retain them. These motivational or retention measures include salary, future prospects, promotions, retirement benefits, working conditions and other fringe benefits. Paying good salary and other benefits may not always work, especially in circumstances when the employees are driven hard for performances. That way their energy for working may be burnt out prematurely. So, the work schedule, working conditions and targets for achievements are to be fixed or determined in such a way that optimum level of performance is achieved. The rules and regulations guiding the employees need to be well accepted and workable in nature. The word 'Retention' has many synonyms such as preservation, maintenance, withholding, and custody. Different people and organization perceive the concept of retention in different ways. Retention means to motivate people to stay in the

organization. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period.

Johnson (2000) has defined retention as, "*the ability to hold onto those employees you want to keep for longer than your competitors.*" Walker (2001) identified seven factors that can enhance employee retention: (i) compensation and appreciation, (ii) challenging work, (iii) promotion and opportunity to learn, (iv) good, healthy and welcoming atmosphere within the organization, (v) positive relations with colleagues, (vi) healthy work-life balance, and (viii) good communications. Together, these factors set the workplace norms and practices that might help in retaining and inviting employee engagement. Lee (2001) has given his view that in this rapid changing business world, the psychological relationship between employer and employee has changed fundamentally. Cutler (2001) was of the view that one of the most important demands on management today in any organization is keeping the most vital and dynamic human resources motivated and dedicated. It is not important to see who the organization hires but what counts is that who are kept in the organization. Panoch (2001) forwarded the view that organizations today take great care in retaining its valuable employees and good employees, as they are increasingly becoming more difficult to find. Zenke (2002) explains that there is an urgent need to understand the expectations and needs of employees and as such keeping skilful employees remains a major worry of many organizations. Birt *et. al*. (2004) in their study have found that high involvement in work, proper empowerment, responsibility, and new challenges in work are important for employee retention. They were also of the view that the perception and experience of the employees with regard to these factors has the greatest influence on

employee retention. According to Jackson and Schuler (2004), the retention of human resources refers to attempts to ensure that employees stay in the organization and that voluntary turnover will be minimized. Guld (2007) stated that recruitment is no doubt one of the important function of an organization, but still top priority should be given to their retention because he believed that good people are hard to find but dependable people are much harder to replace. Karin (2008) was of the view that the basic requirement for formulating a sound retention policy is to establish and understand the reasons why people leave.

Fitz-enz (1990) recognized that employee retention is not influenced by a single factor, but there are hosts of factors which are responsible for retaining employees in an organization. Management need to pay attention to factors such as compensation and rewards, job security, training and developments, supervisor support culture, work environment and organization justice etc. According to Osteraker (1999) the employee satisfaction and retention are the key factors for the success of an organization. The retention factor was divided into three broad categories, i.e., social, mental and physical. The social dimension consists of the relations that the employees have with people, both inside and outside the organization. The mental dimension of retention consist of the characteristics of the job. Employees usually prefer flexible work tasks where they can use their knowledge and see the results of their efforts which, in turn, helps in retaining the valuable resources.. The physical dimension consists of working conditions and pay. Eva Kyndt , Filip Dochy *et. al.*,(2009) have found in their study, while investigating employee retention that personal factors such as education, seniority, leadership skills, and learning attitude and organizational factors such as

appreciation and stimulation, and pressure of work are of great relevance in employee retention.

Thus, we can say that human beings are influenced by a variety of factors in an organization. The needs, demands and expectations of the human resources employed in an organization differs fom person to person. Identifying those needs and taking care of them is the challanging task of any organization. If the expectations of the employees are not fulfilled and they are not engaged properly in the work place, it may lead to dissatisfaction among them which may create a problem in retaining them. Taking into account the importance of retention in human resource management, the present research study has been carried out to find out and explore the major retention factors in service sector organizations in the city of Guwahati and conduct a critical evaluation of the same.

## 1.2. Statement of Problem

Hiring employees is not a difficult task for the organizations. However, retaining the skilled and trained employees is one of the toughest tasks for the organization. Retention depends upon so many factors such as compensation, reward etc. Every employee gives different weightage to the different factors. Besides these retention factors differ from organization to organization. The present study helps in investigating the different retention initiatives taken up by the service sector organizations in Guwahati city. It also helps in determining the impact of various factors on employees' retention. The study throws light on the effect of various retention initiatives on employee satisfaction. The research also makes an organisational and inter-industry comparison regarding initiatives in terms of employee retention and employee satisfaction caused by retention. The study has carried out a critical analysis of the retention initiatives and their impact on employee satisfaction. It has also carried out a comparative analysis between public and private sector in finding out answer to the question as to which service sector organization i.e., public and private is more capable of retaining its employee an in rendering more satisfaction to its employees.

## 1.3.    Social Significance of the Study

Retention of talent or human capital has been a major challenge that most of the service sector organisations are facing today. The nature of the service sector organisations are such that without proper human capital they are not able to deliver their services to the consumers. Human beings are wanting living beings and the nature of human resources is such that wherever better opportunities exist; they always have the tendency to shift towards that. Employee retention or employee engagement is a hard task that the organisations are facing today, be it a profit-making or non profit making organisation. Human wants differ from person to person and this characteristic of human beings makes the task of retention even more difficult. Various factors work cumulatively to satisfy a single person. As such identifying the different needs of the employees and satisfying them is a hard task that the organisations are facing today. Besides this there is no dearth of good opportunities in the market which again adds to the problem of retention of employees. The present study is significant because it attempts to find out the various factors which influence the retention of employees among some selected services sector in the city of Guwahati. It has also tried to find out the perception of employees towards the various factors and the satisfaction level of employees working with the organisation. The study helps in knowing the current situation that organisations are facing in managing its human resources. It has also tried to provide or identify those areas which the sectors and the organisations within the various sectors need to improve or modify to retain the existing talents that they have employed so that they can provide there valuable services to the society and the public uninterruptedly. The research study is also vital as it opens up scope for

future reserchers to do a more indepth investigation in this area and find out the

unexplored areas which are not covered in the present study.

# 1.4.    Objectives

The study has been carried out to fulfil the following important objectives.

1.    To identify the various retention initiatives taken by the service sector organizations in the city of Guwahati.

2.    To study the major factors or determinants of retention initiatives.

3.    To study the impact or effect of the retention initiatives on employee satisfaction.

4.    To make a comparison between the public and private sector service organizations with regard to various retention measures.

5.    To make a critical and comparative analysis between the public and private sector service organizations with regard to employee satisfaction.

## 1.5.  Hypotheses

The following hypotheses have been framed in the research investigation.

**H1:** Compensation has a significant positive impact on employee retention.

**H2:** Reward and Recognition has a significant positive impact on employee retention.

**H3:** Promotion or opportunity for growth or career progression has a positive impact employee retention.

**H4:** Participation in decision- making has a positive and significant impact on employee retention.

**H5:** Increased Work-life balance has a positive impact on employee retention.

**H6:** Healthy work environment has a positive impact on employee retention.

**H7**: Proper training and development has a positive and significant impact on employee retention.

**H8:** Good leadership and supervision results into higher employee retention.

**H9:** Job security has a positive impact on employee retention.

**H10:** The retention factors has a positive and significant impact on employee satisfaction.

**H11**: There is no significant difference between the retention initiatives of public sector and private sector service organizations.

**H12**: No significant difference exist between the public sector and private sector service organizations with respect to the job satisfaction level of the employees.

## 1.6.   Methodology

### 1.6.1.   Research Design

The study adopts a descriptive research design. Descriptive research design is that in which general or specific behaviours or attributes are observed and measured without respect to each other. It is concerned with conditions, practices, differences or relationships that exist, opinions and attitudes held by the respondents in the environment. Brink and Wood (1983) opined that descriptive study helps to provide a detailed description of the phenomenon under investigation which helps to answer research questions. In the present study the researcher has attempted to study the various job related factors and the behaviour of the employees towards those factors. It has tried to describe the present state of the job situation among employees in the service sector organizations in Guwahati city. In the study an attempt has been made to find out the various retention initiatives taken up by the service sector organizations and its impact on the employees. Besides the study has also tried to make a comparison between the retention initiatives taken up by the public as well as private sector organizations and an attempt has been made to make a comparative analysis between the attitudes towards the various job related variables in the public and private sector employees.

### 1.6.2.   Sources of Data

The data relevant for the study have been planned and collected from the following three sources.

    (i)   Basic literature survey.

    (ii)   Primary source.

    (iii) Secondary source.

**Primary data**- Primary data has been collected by administering a self structured questionnaire to the respondent units. Personal interactions have also been made with some of the respondents to know about their views towards their jobs and towards the organisation.

**Secondary data**- Secondary data for the study have been collected from books, journals, magazines, newspapers, previous research works, internet and company/ organisation's literature.

## 1.6.3. Sampling Technique

Stratified random sampling technique has been adopted in the study. The whole service sector have been divided into four strata, viz., health, education, banking and insurance. Again these strata have been further divided into public and private sectors. Random sampling technique has been adopted for selecting elements from every stratum. The above stratums have been selected from the service sector taking into account its importance and services to the society. Each stratum are mutually exclusive of each other.

## 1.6.4. Sample Size

The total sample size for the study is 518.

The above sample size have been divided into the following categories.

**Table 1.1: Division of Service Sector Organizations**

| Service Sector Organisations | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Hospitals N=106 | | Schools N=111 | | Colleges N=116 | | Banking N=104 | | Life Insurance N=81 | |
| Private N=51 | Public N=55 | Private N=50 | Public N=61 | Private N=54 | Public N=62 | Private N=51 | Public N=53 | Private N=41 | Public N=40 |

### 1.6.5.  Sampling Criteria

For selecting the sample units the following criterions  have been adopted.

- Only those sample units have been selected in the studies who are currently working in the selected organizations.

- Contractual employees have not been considered in the sampling units.

### 1.6.6.  Sample Design

The target population for the study constitutes the employees working in the above five service sector organisations. The target population consist of both male and female employees of the selected organisations. A detailed break-up of the sample selected is given below.

    Hospitals: Nurses

    Schools: Teachers

    Colleges: Teachers

    Banks: Executives and Non-executives

    Life Insurance: Executives and Non-executives

    Geographical Coverage: Guwahati city, Assam

    Time period: 2011- 2014

### 1.6.7.  Data Collection Instruments

A survey has been conducted to collect the relevant information from the respondents. Surveys are considered as a very good means of collecting information regarding feelings, desires and attitudes of people. Questionnaire method has been used for collection of primary data. Paneerselvam (2007) stated that questionnaire contains well-formulated questions to probe and obtain responses from respondents. The questionnaire for the study has been constructed

taking into account the research objectives. It consists of both close ended as well as open-ended questions. The researcher tried to keep the number of questions limited and the questions have been framed on the principles of simplicity and understanding ability. A total of 650 questionnaires have been distributed among the respondent units out of which 518 completed questionnaires are received by the researcher. The questionnaire has been divided into four different sections from A to D.

**Section**                                                  **Contents**

A  : Demographic and other job related information of the respondents.

B  : Perception of the respondents towards the various retention variables adopted by the organizations.

C  : Level of satisafction or dissatisfaction of the respondents towards the various retention variables.

D  : Perception and views of the respondents towards the human resource practices of the organization.


**Section A** of the questionnaire consist of seven questions pertaining to some demographic as well as job related details of the respondents. This part consist of information pertaining to gender, age, job experience, hours of work in the office, sector in which the respondents belong to.

**Section B** of the questionnaire consist of questions relating to the perception of the respondents towards the various retention variables. A total of 34 variables have been covered in this part of the questionnaire. Respondents have been asked to indicate the level of agreement or disagreement which these variables play in retaining the employees. The respondents have been asked to indicate the response

in a measurement scale of 1 to 5, with 1 indicating 'Disagree completely' to 5 indicating 'Agree completely' in the measurement scale.

**Section C** again examines the level of satisfaction as well as dissatisfaction of the employees towards the 34 retention variables initiated by their respective organizations. Here again the responses have been measured in a scale of 1 to 5, with 1 indicating 'Extremely dissatisfied' to 5 indicating 'Extremely satisfied'.

**Section D** of the questionnaire consist of some multiple choice questions relating to some human resource practices and some open ended questions to know the view of the respondents towrds the employee retention practices of their respective organizations.

## 1.6.8. Measure

All the questions relevant to the study have been measured at 5-point Likert Scale. Waddington (2000) was of the view that Likert Scale helps in assessing a person's feelings about something. The variables for the study have been divided into two categories, dependent, as well as independent variable. The independent variables consist of all the variables pertaining to retention initiatives and employee satisfaction. The dependent variable consist of performance rating given to the employee retention effort and job satisfaction. The list of independent variables are shown in the following table.

**Table 1.2: List of Independent Variables**

| Independent Variables |
|---|
| The organization is deemed as a good place to work |
| Atmosphere of team work prevails in the organization |
| Organization clearly conveys its mission, goals and objectives |
| Satisfied with the Infrastructure and equipments provided |
| I have good relationship with my colleagues |
| Two way communication exist between the employees and the HOD/Manager |
| Base pay provided by the organization |
| Happy with the annual raise provided by the organization |
| Happy with the bonus provided by the organization |
| Happy with the allowances |
| Supervisor actively listens to your suggestions |
| Supervisor promotes an atmosphere of team work |
| Good guidance is provided by the supervisor |
| Relationship with your Principal/HOD/Manager is good |
| Receive the right amont of recognition for the work done |
| Suggestions are respected by the organization |
| Organization values teacher's/employees contribution |
| Job gives you the opportunity to learn |
| Your organization considers training as a part of organizational strategy |
| Enough practice is given to employees during training session |
| The training sessions are useful |
| Happy with the training and development opportunities are provided to me |
| Happy with the career progression with the organization so far |
| Good possibilities of career progression with the organization |
| Happy with the process used to determine promotions |
| Employee suggestion program important |
| Suggestions are valued by the organization |
| Dept provides autonomy to take decisions independently |
| Happy with the amount of time spend at work |
| Miss quality time with your family or friends because of pressure of work |
| Flexible working hours are provided to us |
| I am totally secured in my job |
| The organization is worried about my future |
| The organization is a steady place to work |

### 1.6.9. Reliability and Validity Index

A reliability test has been conducted to find the internal consistency, accuracy and predictability of the scales of the questionnaire and the reliability index was ascertained with the help of Cronbach's Alpha. Hair *et. al*. (1998) stated that a scale can be considered internally consistent if a value of 0.70 or higher is found in Cronbach's Alpha. The reliability scales in the questionnaire have been found to be Cronbach's Alpha = .913 and the Guttman Split-Half Coefficient = 0.823. Babbie and Mouton (2003); Polit and Hungler (1999) regards validity as the indication of what is intended to be measured is measured by the instrument. Regarding validity test, three different types of validity have been considered: (a) Content validity, (b) Criterion related validity, and (c) Construct validity. Brink (1999); Creswell (1998) referred content validity as the ability of the items in the instrument to measure the entire phenomena of interest. The researcher subjectively tried to judge the content validity. The selection of the items in the present research has been based on extensive review of literature and thus, considered to have content validity. In this study, the criterion related validity of the variables of employee retention have been evaluated by examining the multiple correlation coefficient computed for these measures. High value of multiple correlation coefficients indicates high degree of criterion-related validity. Babbie and Mouton (2003); Polit and Hungler (1992) opined that construct validity is based on relationship among the variables in the research instrument to measure the construct. The construct validity of each factor measure has been evaluated by factor analyzing the measurement items. This has been followed by identification of the major factors, having key importance in terms of employee retention, by means of multiple regression analysis with all the variables.

### 1.6.10.  Data Analysis Technique

SPSS software (Version 16.0) has been used for analysing the collected data. Tools like correlation, ANOVA, t-test, regression and factor analysis have been used to analyze and interpret the data.

First of all considering all the 34 variables under cosideration ,a factor analysis has been conducted to find out the most important and crucial factors for retaining employees in an organization. Correlation analysis has  also been carried out with the major factors to find out if any relationship exist with the dependent variable i.e., the performance rating given to the employee retention effort. Multiple regression analysis has been carried out to find out the impact of the major factors with the employee retntion effort put by the organizations. Similarly correlation analysis has also been used to find out the relation of the identified  factors with the job satisfaction level of the employees. The impact or effect of the  factors on job satisfaction has been analysed with the help of regression.

Secondly, analysis regarding comparison of retention practices between public and private sector service organizations operating in Guwahati city, the mean scores of both the sectors with respect to all the identified constructs have been computed and t-test have been conducted in order to compare the level of practices.

A comparison between various service sectors under investigation have been conducted with respect to various identified factors . Factor mean values of all the service sector organizations have been estimated. F tests under ANOVA has been conducted to test the hypothesis if any significant difference exist  between the various service sector organizations with regard to major factors of employee retention.

## 1.7. Chapter Planning

For convenience, the whole research investigation has been divided into the following chapters.

**Chapter One**, the introductory chapter gives a brief introduction to the study and throws light on the objectives, statement of problem, hypotheses, methodology adopted and limitations confronted during the study.

**Chapter Two** is on literature review. It highlights the various research works already done in this area of study.

**Chapter Three** focuses on retention and job satisfaction. It discusses in detail the meaning, definition, importance and various determinants of employee retention and job satisfaction.

**Chapter Four** analyses and interprets various data collected from various primary and secondary sources.

**Chapter Five** makes a genuine attempt to make an inter industry comparison between the various selected services sector with respect to the various identifed factors of employee retention.

**Chapter Six** presents the findings of the study and the recommendations forwarded by the researcher.

**Chapter Seven** is the last chapter of the thesis and it gives a brief conclusion and the scope for future research work in the present field.

## 1.8. Limitations

The researcher confronted a number of hurdles while carrying out the study. Due to those hurdles or difficulties some limitations are there in the present study. Some of the major limitations of the present research work are stated below.

1. Employee Retention is a very vast concept and it is affected by many job related variables. Studying, understanding and analysing all the variables related to retention is not an easy task. As such only few variables or determinants were selected for the purpose of the study.

2. The service sector is divided into many sub sectors. But only four types of service sector organizations are selected for the purpose of the study. As such the findings of the present study cannot be generalized as it may not be applicable to service sectors not covered in the study.

3. Most of the information relevant for the resesarch has been collected with the help of field survey method where a questionnaire has been framed and distributed among the respondent units. Lack of interest on the part of the respondents in understsnding the relevance of the study and filling up the questionnaires was a major difficulty.

4. The respondents were very busy with their work schedules due to which the resesrcher had to approach them continuously. Thus sometimes the respondents fill up the questionnaires very haphazardly, sometimes they lost it and often they don't complete the questionnaire.

5. Most of the analysis in the study have been done on the basis of the data collected from the actual field. Responses are based on the perception of the existing employees towards their work and human

perception keeps on changing with the changing time. Thus the results in the present study cannot be generalized and may not give the actual position of the work place.

6.  The study is limited to the city of Guwahati only.

7.  Time is a major constraint in the present research. Research is a never ending process and every research work has a lot of room for further work and improvement. The same is also applicable in the present study and the time factor has acted as a major limitation in the present study.