

**Chapter 3**  
**Employee Retention and Job**  
**Satisfaction**

### **3.1. Introduction**

In simplest words retention means the existence of an ongoing employment relationship. It can also be stated as the ability of an organization to retain its employees. It is a process where the employees encourage their employees to remain with the organization for the maximum period of time. Chaminade (2007) stated that retention is a voluntary move by an organization in which they create such an environment which engages employees for a long period.

The global economic environment is changing drastically. Developments such as globalization, technological innovation and growing competition place pressure on business as well as other organizations to emphasize their need to maintain their competitive edge, at least by maintaining the skills of the employees. Due to continuous changes and newer developments in the economic environment, it becomes necessary on the part of the organization to retain its employees through continuous learning and development. In a study by McKinsey in the year 1997, researchers surveyed around 6900 managers at 56 medium sized and large US companies. The research revealed that 89% of those surveyed found it very difficult to attract talented people, and 90% found it difficult to retain them (Wata 01, journals). In a study by Hiltrop (1999) it has been stated that acquiring and retaining skilled employees is important for an organization as employees' knowledge and skills have become the key for an organization to be economically competitive. Arnold (2005), Bernsen et.al, (2009), Herman (2005) were of the view that employers should give employees the opportunity to develop and learn so that the employees maintain their capacities as effective and efficient employees, resist redundancy and are retained by the organizations.

The demand for the best employees is increasing day by day with increasing competition, as such it has become essential for the organizations to ensure that their employees keep on working with them and maintain a competitive edge. However a large number of employees now-a-days do not want a traditional career within one organization. Now a day's most of the employees are less loyal and more opportunistic than that of the past.

Employee retention is not only beneficial for the employer but also for the employee. Today with the fast changing economic environment, the needs and demands of the employees are also changing very rapidly. Today's employees are not the ones who don't have good opportunities in hand. As soon as they are dissatisfied with the current employer or job, they switch over to the next job. It is the responsibility of the employer to retain them. Effective employee retention is a systematic effort by the employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices that address their diverse needs.

Herman (1999) has rightly stated that, *"When you have hired good people, trained them, built them into high performing teams; you don't want to lose them."*

Employee retention is a complex concept and there is no single way to keep them with the organization. Zineldin (2000), *"retention is an obligation to continue to do business or exchange with a particular company on an ongoing basis."* Johnson (2000) has defined retention as, *"the ability to hold onto those employees you want to keep, for longer than your competitors"*. American Management Association (2001) said that a number of studies conducted on employee turnover have found

that managing turnover is a challenge for organizations, as different organizations using different approaches to retain employees.

### **3.2. Importance of Employee Retention**

Ramlall (2003) and Henricks (2006) have concluded that the total cost of voluntary turnover varies between 150% to 250% respectively. This cost also includes recruitment and training costs, public perception of the company, employee morale and productivity and many other factors. Losing even one key employee may have dangerous consequences and may badly affect the efforts of the organizations to attain its objectives. With the changing economic, social and political environment, the needs, desires and expectations of the human resources are also changing gradually. Organizations need to hold their employees tightly because they can make as well as break an organization. Employee retention is crucial for organizations and the main reasons attributed for it are stated below.

#### **3.2.1. Reduces Cost of Employee Turnover**

Ramlall (2003) and Henricks (2006) suggested that the total cost of voluntary employee turnover varies between 150% and 250% respectively of the employees' annual salary. This cost includes not only recruitment and training costs but also company image in front of the public, employee morale and productivity and many other factors. It is true to say that the more talent a person brings to the company, the more expensive that person is to replace. Thus, proper retention initiatives are essential as it helps in reducing turnover cost and many other related costs.

### **3.2.2. Employee Retention Increases and Strengthens the Customer Base of the Organization**

Reichheld (1996) asserted that one important factor in retaining customers is retaining employees. In a study by Kirchner (1998) it has been proposed that organizations with an employee turnover rate of 10% or less have a customer retention rate advantage of 10% to that of a firm with an employee turnover of 15% or more. Thus from the above it may be concluded that high employee retention rate results into higher customer retention rate which leads to higher profits and higher net income for the organization.

### **3.2.3. Reduces the Loss to the Company/ Organization**

When an employee leaves an organization, he takes away with him, not only his knowledge and skills but also knowledge about the company, customers, current projects and past history. The organization invests resources such as time and money on the employee with the expectation of some future return. The investment does not get realized, once the employee leaves the job. As such employee retention helps in reducing both direct and indirect cost associated with turnover and thus, helps in reducing loss to the company as well as the organization.

### **3.2.4. Increases Employee or Organizational Commitment**

Proper employee retention initiatives by the organization help in increasing employee commitment towards their work as well as towards the organization. It not only helps in motivating its employees to work hard but also encourages its employees to stay with the organization. Porter *et. al.*, (1974) and (1976) and Bhat and Maheshwari (2005) has stated the meaning of organizational or employee commitment as an employee's willingness and loyalty to exert effort on behalf of

and towards the achievement of goals and values of the organization and a desire of the employee to maintain long- term membership with the organization. Shapiro and Kessler (2000) and Rhodes and Eisenberger (2002) were of the view that employees who think that the organization value their input, always shows positive attitude towards the organization by enhancing their commitment, organizational citizenship behaviours and performance.

### **3.2.5. High Performance**

Proper employee retention initiatives by the organization will motivate the employees to put maximum efforts for achieving organizational goals. Better performance will directly lead to higher productivity. Rise in productivity will help to reduce the cost of production. Tsui *et. al.*, (1995) and Rogers (2001) have expressed that employees who are loyal and engaged in their jobs always have the tendency to generate high performance business outcomes such as increased sales, improved productivity, profitability and enhanced employee retention.

### **3.2.6. Builds Employer- Employee Relationship**

In every organization, the employees always concentrate their activities in fulfilling the objectives of the organization and carry out the plans and policies as directed by the employers. If employers initiate retention policies for the employees, then both the parties are benefitted by such actions. This will not only motivate the employees but will also build a good bond and relations between the employer and the employees.

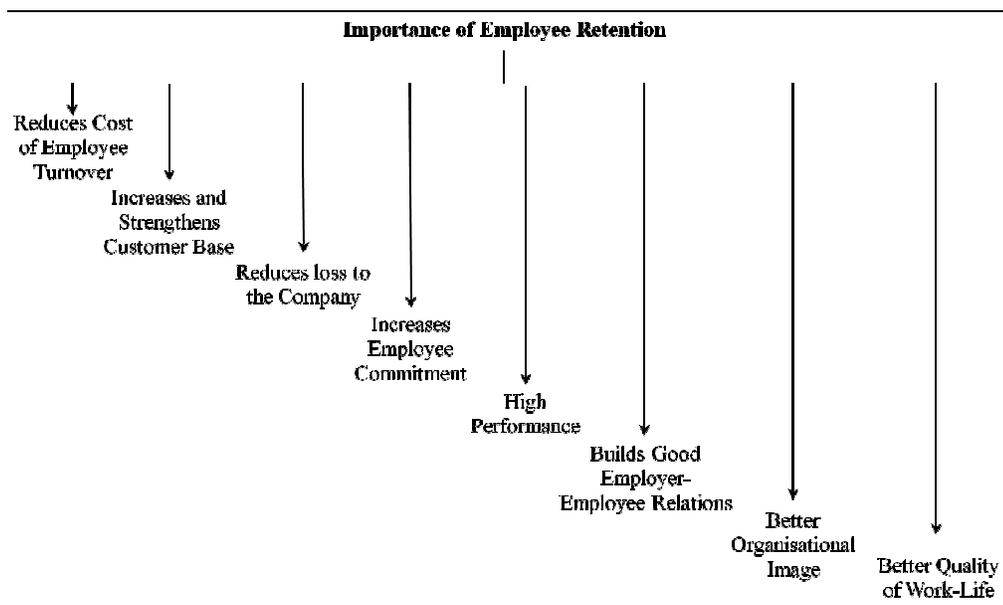
### **3.2.7. Better Organizational Image**

Those enterprises which offer better retention policies or initiatives to their employees always have a better image in the market. Such organizations are

successful in attracting better qualified and experienced persons. This organization also does not face the problem of employee turnover and absenteeism.

### 3.2.8. Better Quality of Work-Life

Quality of work-life means the favourableness or unfavourableness of the job environment of an organization for its employees. Proper retention initiatives by the organization give stresses on various factors which ultimately lead to better quality of work life. Employee retention always aims at changing the entire organizational climate by humanizing the work, individualizing the organization and changing the structural and managerial systems.



**Fig: 3.1 Importance of Employee Retention**

### 3.3. Strategies of Employee Retention

The competitive work environment has increasingly made the task of retaining the valuable staff members difficult. The biggest challenge facing human resource management today is employee retention. Today the focus of every organization

whether it is a profit making or non- profit making organization, the focus has shifted from ‘numbers’ to ‘quality’ and from ‘recruitment’ to ‘retention’. Lockwood (2006) has identified that an organization’s competitive advantage gets diminished if the organization loses its top talent to its competitors. Thus, those who have the responsibility for talent management must understand, what is important to its employees.

### **3.3.1. Recruitment For Retention**

Experts say that retention always begins with recruitment. An effective hiring process helps in determining whether the best people are attracted towards the organization. It has been said by many experts that an organization should never look for the best and the brightest applicant available in the market. It is most likely that they may not always bring in the kind of admiration that the organization expects and the cost of hiring those. An organizations recruitment and orientation in the first days on the job is crucial in keeping its employees over a longer term. Smith (2001) found that 60% of undesirable turnover in organizations takes place due to undesirable hiring on the part of the employer. Philipp (1998) and Meglino, Ravlin and DeNisi (2000) forwarded the view that job information disseminated during the recruitment and selection process is directly linked with positive work performance, job satisfaction and low employee turnover.

### **3.3.2. Regular Training and Development of Employees**

Training is the regular up gradation of skills and knowledge of the employees. Training and development can be termed as a key retention strategy for employees of any age. United States Labour Department (2009) has statistically proved that job training is a critical factor for personal and professional development of an

employee. Eisen (2005) stated that 70% increase in employee retention rates correlates with training programmes available to the employees. It has been widely supported and argued that employees access to regular training programs helps in the growth, prosperity and retention of employees

### **3.3.3. Proper Leadership and Supervision to the Employees**

Leadership is the process of influencing the behaviour, attitudes, activities and efforts of the individual and the group for the attainment of the common goal. Leadership infuses a will in the man to do best and channelizes human energy. Good leadership helps an organization to motivate its employees and retaining them. Taylor (1998) has affirmed that leadership style positively influences employees' commitment and intention to leave. Gwavuya (2011) observed that poor employee performance, high stress among employees, low job commitment, low job satisfaction and intention to leave can be a result of poor and incompetent leadership.

Supervision refers to the task of assuring that work is being done in accordance with the plans and instructions. Greenhaus (1994) asserted that good supervisory support along with employees can help in reducing the turnover intention of the employees. It has been proved by many researchers that employees are always inclined towards trustful supervisors who understand and support them. Abusive supervisors discourage and de-motivates employees attitude for job, life and organization.

### **3.3.4. Providing Creative and Challenging Work Environment**

Talented employees always like challenging work environment where they can show their creativity through the unique skills which they have posses through

theoretical as well as practical experience in their career. Challenging work gives an opportunity to the employees to differentiate themselves from their colleagues as well as it creates interest and motivates them to work. In a study by Mckinsey's "War of Talent 2000 survey", managers have been asked to rate the factors which they felt important for them to stay with their organization. It has been found that 59% of the respondents rated 'interesting and challenging work environment' as a critical factor for them to stay with the organization. Another study conducted by Blessing- White a US based Global Consulting firm in partnership with HR Anexi, a Mumbai based leading consulting firm in their survey in 2008 between January and March in India found 20.09% of the respondents rated 'challenging work' as an important factor which motivates people to stay with the organization.

### **3.3.5. Promoting a Good Work-Life Balance**

An individual's ability to meet their work and family commitments as well as other non-work responsibilities and activities can be termed as work-life balance. Greenhaus (1994) forwarded the meaning of work-life balance as the satisfaction and functioning at work and at home with a minimum of role conflict. Again Felstead, Jauson, Phizacklea and Walters (2002) defined the work-life balance (WLB) strategies as those strategies which increase the independence of employees in coordinating with work and non work aspects of their lives. Balancing between the rising demands of work and family domains is a major source of high stress among many employees. In a study by Anderson, Morgan and Wilson (2002) it has been found that University employees reported higher dissatisfaction with the work- family life than corporate employees which lead to stress and psychological well- being of the employees.

Gaan (2008) has concluded in the research that existence of family support (such as alternative schedules, flex- time, work- family culture and family benefits etc.) within the organization helps a lot in the retention of talented employee. Pasewark and Viator (2006) were of the view that flexible work arrangement is a very important part of work family support that plays important role in the retention of employees.

### **3.3.6. Compensation Strategy**

One key decision that the executives or the administrators need to make in any organization is the development of a compensation strategy. Development of a good compensation strategy is highly critical, as it could potentially impact employee recruitment, retention, motivation and performance. Williams and Sunderland (1999) reported that in AON Consulting survey of 1800 U.S. employees in 1998, it was found that money or compensation is one of the most important factors in retention of employees. Moncraz, Zhao and Kay (2009) concluded in their study that although compensation cannot be regarded as one of the top factors in non-management turnover but it can be regarded as a critical factor in reducing managerial turnover and increasing belongingness and retention. Willis (2000) was of the view that compensation is considered the most vital factor for attracting and retaining the talent. Williams and Dreher (1992) also concluded in their research that wage is indeed the most important factor in employees' attraction and retention and play an important role in the recruitment process.

### **3.3.7. Offering Reward and Recognition**

Reward is something that is offered by the organization to its employees for their performance and contributions towards the organization. It may also be defined as

pay, benefits or equivalents that the employee receives in return for the services. Silbert (2005) has forwarded the view that reward is very important as it has a long lasting impression on employees and also support the perception of employees. Researchers such as Weston (1998), Tower Perrine (2003) found a linkage between rewards and employee retention.

Employee achievements or performance improvements is a vital part of performance management. Sincere and honest praise by the employees lets employees know that their efforts are appreciated. An employee who feels that his or her best efforts are valued by their employer, are likely to continue efforts. The Gale Group (2006) concluded in their research that personal recognition has priceless contributions towards the organization. They also stated that statistics support the effect of verbal praise towards enhanced company loyalty, motivation and perseverance, Rddington (2007) indicated that fulfilling employees' need of acceptance and recognition by acknowledging their work accomplishments prolongs employment of employees.

### **3.3.8. Providing Job Security**

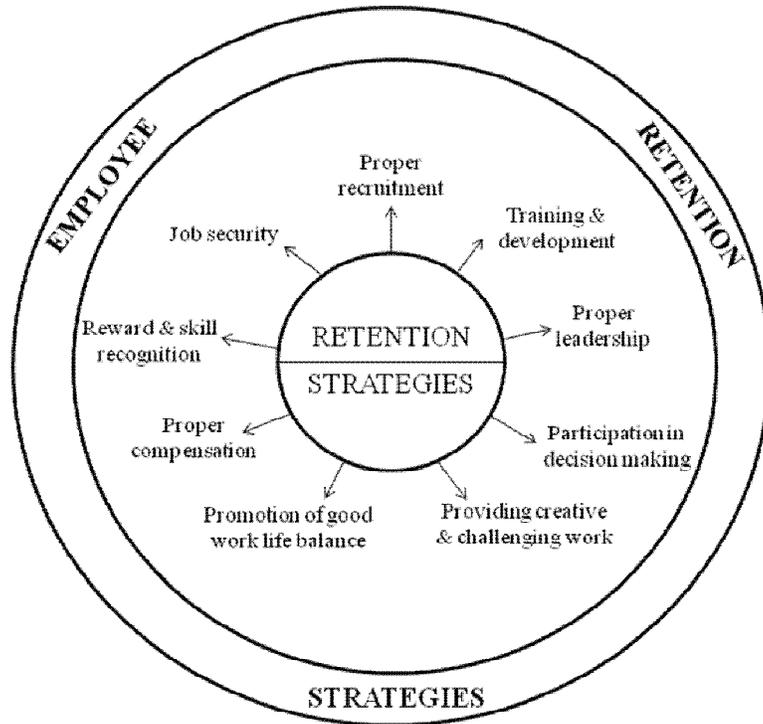
Employees' assurance or confidence that they will keep their current job can be termed as job security. Job security can be defined as the assurance given in an employee's job continuity due to general economic conditions in the country. It has been confirmed by many researchers that job security has become one of the most important and influencing factor in employee and organization preference list, particularly due to economic reasons. In a study by Towers Watson (2010) which is a leading global professional services company that helps organizations improve performance through people, risk and financial management, it was found that 75%

of the respondents preferred to keep their jobs i.e., that valued job security compared to other important factors in their list of preferences. Clarke (2008) has defined job security as the ability of to look for jobs and being able to stay in the job which is relevant in the labour market. Ashford et.al, (1989) revealed that job security is directly related with job satisfaction whereas job insecurity is related with job dissatisfaction. MacNeil (1994) forwarded the view that job security is an important factor that affects job satisfaction among workers.

### **3.3.9. Allowing Participation in Decision-Making**

In simplest term participation in decision making can be defined as the mental and emotional engagement of a person both individually as well as in group to share their views in the decision-making process of the organization. Newstorm and Davis (2004) termed participation in decision-making as a social process where a person or employees involves themselves in the organization to run it successfully. An organization cannot think of running itself without involving their employees allowing their participation in the decision-making process. Employees' involvement in decision making motivates them and increases their belongingness towards the organization. They also get to learn many new things in this course when the decision taken by them either gets right or wrong. Participation in decision-making also makes the employees more responsible towards the organization and it also increases their job satisfaction. It is not necessary that participation always leads to a positive impact on employees as well as the organization. In a study by James, Debra and Laurie (2006) it has been revealed that although participation in decision-making at work place have a positive impact on employees attitude towards their job, it may not have an equal impact on job

performance. P.E.Connor (1992) threw light on the view that above doing the normally assigned duties in an organization, when an employee is mentally and emotionally involved in decision-making process they are more motivated and productive.



**Fig: 3.2 Employee Retention Strategies**

### **3.4. Major Challenges in Employee Retention**

In the present changing and growing environment, where competition is at the pick, retaining the valuable and talented employees is one of the biggest challenges faced by the organization. Although there are many strategies for retaining the present employees but a single strategy or a combination of two or more strategies may not always work in the favour of the organization. As such some of the major challenges or problems faced by the organizations retaining its employees are discussed below.

#### **3.4.1. Difficulty in Understanding Humans**

Understanding human beings is one of the biggest problems that any organization faces. Knowing what is going on in their minds is almost impossible to predict. Besides this finding out and satisfying human needs is also very difficult. Thus formulating retention strategy which would satisfy the employees is very difficult.

#### **3.4.2. Human Needs Differ From Individual to Individual**

No two human beings are same as such their wants and needs also differ. One factor that may satisfy an individual may not be satisfying for the other individual. Therefore formulating a retention strategy which can be uniformly applied throughout the organization is another big challenge.

#### **3.4.3. Financial Dissatisfaction**

Every organization has a fixed financial budget for each and every employee which can be raised up to a fixed limit. Employee retention becomes a challenge when an employee demands an exceptionally high amount beyond the budget of the organization. Most of the times employees fail or do not try to understand the

limitation of the management which turns their relationship bitter and create more problems in this direction.

#### **3.4.4. Too Many Opportunities in the Environment**

There is no dearth of good and lucrative job opportunities in the external environment. Organizations always look for the best employees in the environment. They are ready to provide the best packages as well as the best facilities to its employees. Competitors are ready to hire the employees, if they fit into the requirement. At this point of time no counselling of the outgoing employees would help in retaining them.

#### **3.4.5. Too Much Expectation From the Present Job**

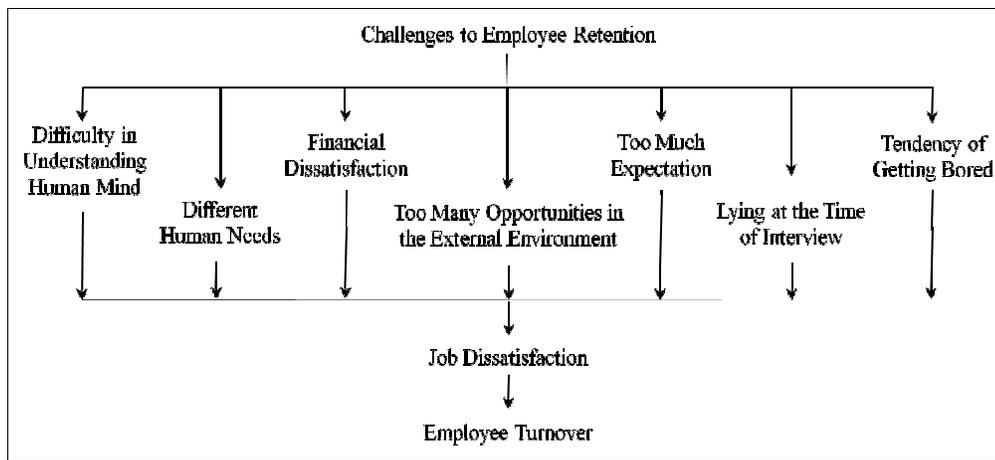
Human beings love to dream. Before joining any new job they expect too many things from it. They want all the comforts in the work place immediately or within a short time. When their expectation does not match with the reality, the problem arises and they start looking for some better opportunities which would match their expectations. At this point of time no retention initiative by the organization would help in stopping the employee.

#### **3.4.6. Lying at the Time of the Interview**

At the time of interview most of the individuals have the tendency of lying and simply say yes to everything to impress the recruiter. After joining when they get the practical exposure and find that the job profile does not match or suit their requirement, they look for a change. Thus the HRD department should be very careful while recruiting personnel.

### 3.4.7. Tendency of Getting Bored Early in the Job

Human beings always strive for a change. As the environment around us keeps on changing, individuals also want that the job contents should be changed frequently as they hate monotonous job. But changing the contents of the job frequently may not be possible for the organization. As such while recruiting, the organization should also not make some unrealistic promises about the job, which otherwise becomes impossible for them to fulfil at the later stage.



**Fig 3.3: Challenges to Employee Retention**

### 3.5. Job Satisfaction

Human resources being the most dynamic and important to an organization need to be properly motivated. This is because motivation leads to job satisfaction which ultimately helps in retention and reducing turnover in an organization. Satisfying the employees is not an easy task for the organization. Identification of the job satisfying factors is crucial and removing job dissatisfying factors are also important. But it can also be said that removing dissatisfying factors from the job will ultimately lead to job satisfaction. Thus providing job satisfaction is a hard task for the organization to do.

The concept of job satisfaction is a much discussed topic as many researchers and experts believe that it directly affects work productivity, employee turnover and employee retention. McNamara (1999) has defined job satisfaction as: “.....one’s feelings or state of mind regarding the nature of their work. Job satisfaction can be influenced by a variety of factors, e.g., the quality of one’s relationship, the quality of the physical environment in which they work, the degree of their work etc.”

Spector (1997) viewed job satisfaction as a person’s feeling towards his/ her job and the different facets of their jobs. Ellickson and Logsdon (2002) forwarded their view on job satisfaction as the extent of liking the work by the employees. Hoppock (1935) considered job satisfaction a mixture of psychological, physiological and environmental situations which makes people happy with their job. Hoppock stressed on the fact that job satisfaction is an internal feeling which arises within a person, where the person concerned feels good with his job, although job satisfaction is highly influenced by many external factors.

Davis *et. al.*, (1985) said that job satisfaction represents the match between employees’ expectation from the job and their real experiences with the job. When there is no discrepancy between expectations and reality, they are satisfied with their jobs. The researcher also highlighted the fact that job satisfaction is an individual’s attitude in the work place. In fact it can be said that it is a blend of positive and negative feelings towards the work. Armstrong (2006) argued that job satisfaction can be viewed as a person’s positive and negative feelings towards their work. Positive feelings lead to job satisfaction whereas negative feeling towards the work lead to job dissatisfaction. Aziri (2008) considered that when human beings are able to meet their material and

psychological needs from their jobs which make them feel happy at the work place, it can be termed as job satisfaction. Cumbey and Alexander (1998) were of the view that Job satisfaction is very subjective and vary according to time.

### **3.6. Major Determinants of Job Satisfaction**

Job satisfaction is a state of being happy and satisfied. It is a state where a person feels fine and secure with what he/ she have. There are a number of factors that can influence a person's level of satisfaction. Some of the major and most common determinants of job satisfaction are stated below.

#### **3.6.1. Salary**

Money helps a person to live and provides a sense of security, status and prestige in the society. Dyer and Therialut (1976) found that there is a correlation between level of payment and job satisfaction. In a study by Sokoya (2000) on managers working in public sector, it has been found that income in monetary terms is one of the major determinants of job satisfaction. In another investigation conducted by Nguyen *et. al.*, (2003) it was concluded that salary or pay has a direct impact on job satisfaction. Calisir *et.al.*, (2010) added that salaries and incentives are major factors in determining job satisfaction.

#### **3.6.2. Participation in Decision-Making**

Participation in decision making helps in motivating employees and in turn brings satisfaction in the job. Participation brings a sense of belongingness among the employees and brings a feeling among them that they are not only the executors but also the decision makers in the organization. In a study by

Lee and Ho (1989) a positive relation was found between participation in decision-making process and employees' job satisfaction. Cambey and Alexander (1998), in a study on nurses argued that participation in decision-making contributes positively towards job satisfaction.

### **3.6.3. Career Growth Opportunity**

Lussier (1990) stated that employees always want to be promoted. Lack of opportunities Lack of opportunities for growth and promotion dissatisfies the employees. Murthy (1996) forwarded a view that a sound and fair promotion policy not only helps to keep the existing employees happy, but it also helps in attracting new employees. Butt *et. al.*, (2007) concluded that satisfied employees put more emphasis on pay and promotion. As stated by Lussier (1990), every employee working in an organization want to be promoted to higher level jobs, if there are no chances of growth and promotion, the employees get dissatisfied and tend to leave the organization.

### **3.6.4. Job Security**

Ashford *et. al.*, (1989) was of the view that job security is directly linked with job satisfaction whereas job insecurity with job dissatisfaction. Reisel *et. al.*, (2007) added that job insecurity leads to uncertainty and threat to the job which ultimately leads to lack of job satisfaction among employees. MacNeil (1994) was of the view that job security is an important factor that directly affects job satisfaction among employees.

Many researchers view that job security is an important element of job satisfaction. Job security is the ability of a person to stay and retain the present job. Job security provides motivation to the employees, which ultimately leads to job satisfaction.

### **3.6.5. Proper Balance Between Personal and Professional Life**

People have to perform many activities in their lives. They not only have to perform their professional activities to make their personal life move smoothly, but they must also be committed towards their personal and social life. Thus a person has to strike a balance between their personal and professional life. Proper balance between the two leads to psychological satisfaction which in turn leads to overall satisfaction of the person concerned. Kossek, Dass and Demarr (1994) revealed that it is expected by the employees that employers should look after the issues of work life conflict. Ciere, Holmes, Abbot and Pelti (2005) argued that there is an urgent need the HR policies of organizations must accommodate the issue of work life need to reduce the conflict between personal and professional role. A study by Kinman (2001) found that work-life conflict is the strongest factor contributing towards job dissatisfaction.

### **3.6.6. Proper Leadership**

Proper guidance and leadership is very important for motivating employees and achieving the organizational objectives. According to Taylor (1998) the relationship between the leader and the employees affects employee satisfaction to a large extent. Research by Lok and Crawford (1999) found that leadership style adopted by the supervisor has a great influence on commitment and job satisfaction of employees. Griffin, Patterson and West (2001) were of the view that supervisory support does not play an important role in satisfaction but it provides a positive impact on satisfaction. However a contradictory result was founded by the famous motivational theorist Herzberg (1968) who was of the opinion that supervision does not play any role in job satisfaction.

### **3.6.7. Reward and Recognition**

Rewards are very essential to keep the employees motivated. Recognition of some achievement and providing reward for it boost up the morale of the employees and keep them continuing with high energy and also helps in keeping their productivity stable and growing. Proper reward and recognition for good work done by the employees should be considered as their right. Therefore it is an important ingredient and determinant of job satisfaction. Deeprose (1994) found that a well planned rewards program can lead to increased productivity which increases the participation level of the employees in organizational activities in a better and efficient way.

Flynn (1998) was of the view that rewards and recognition for the work performed helps in keeping high spirits among employees which helps in creating a linkage between performance and motivation of the employees. Barton (2002) argued that recognition is the most important factor in a reward system that discriminates 'Fortune best companies' from other companies.

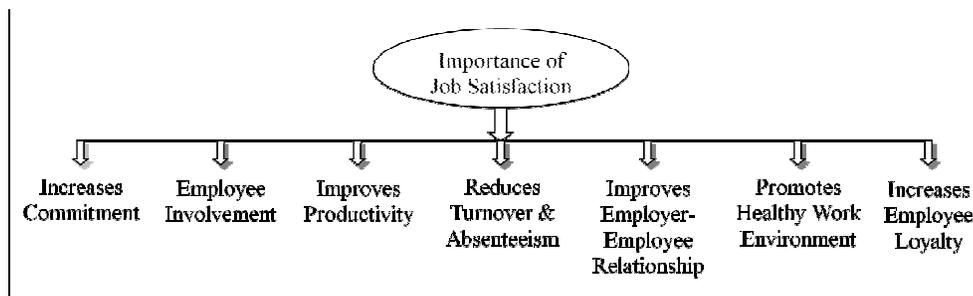
### **3.6.8. Congenial Work Environment**

Good working environment emits positive energy, which influences the people working in the organization. Congenial work environment consist of not only a good physical environment where all the facilities required to do a work is necessary such as proper infrastructure, availability of tools and equipments to perform a work properly etc but it also includes a congenial psychological environment such as cooperation and coordination between employer and the employees and the employees and the employees, team spirit , proper communication between all the levels of management etc which are necessary for

motivating the employees. An environment where team spirit is high, positivity is there among the people directly affects the performance as well as the outcomes. Herzberg (1968) and Spector (2008) found a positive relation between work environment and job satisfaction of employees. Many researchers such as Reiner and Zhao (1999), Carlan (2007), Ellickson and Logsdon (2001) and Forsyth and Copes (1994) concluded that work environment is an important determinant of job satisfaction.

### 3.7. Importance of Job Satisfaction

Satisfaction in job is very important and relevant for the all round development of the employee as well as the organization. Job satisfaction leads to motivation and it boost up the morale of the employees which has a direct impact on their performance and productivity. Satisfied employees not only helps in increasing production and profits but they also help in creating a good congenial working environment in the organization by promoting good inter personnel relationship among those working in the workplace. They also create a spirit to work for the organization, i.e., they imbibe a spirit of belongingness among the employees. Some of the importance or relevance of job satisfaction in an organization are highlighted below.



**Fig 3.4: Importance of Job Satisfaction**

### **3.7.1. Increases Commitment**

Commitment towards one's duties in an organization is directly related to job satisfaction. More satisfied a person is with his job; more committed he will be towards his job. This fact has already been proved by many researchers in this field. Wu and Norman (2005) in their study among nursing students in China found a positive correlation between job satisfaction and organization commitment and concluded that satisfied nursing students were more committed towards the health care services. Similarly Redfern *et. al.*, (2002) also found a strong and positive correlation of ( $r = .60$ ,  $P < .001$ ) between job satisfaction and organizational commitment among the health care staff in the United Kingdom.

### **3.7.2. Increases Employee Involvement**

Employee involvement in work is expected by every organization. Proper involvement helps in performing the work in a smooth manner and also helps in delivering the best services. Velnampy (2008) observed that job satisfaction has a positive influence upon job performance as it enhances job involvement. Job satisfaction and job involvement leads to high levels of performance among the employees.

### **3.7.3. Improves Productivity**

Job satisfaction always has a direct impact on the productivity of the employees. Happy employees try their level best to give best performances in their jobs which helps in increasing their productivity. Gupta and Joshi (2008) were of the view that productivity is a good indicator of job satisfaction and the direct outcome of satisfaction is improved productivity of the employees.

#### **3.7.4. Reduces Turnover and Absenteeism**

Satisfied employees love and respect their work and never think of leaving the organization. Therefore researchers also argue that job satisfaction has a negative correlation with employee turnover intention. Besides these studies by many researchers such as Mobley *et. al.*, 1978; Price and Mueller, (1981); Shore and Martin, (1989); Aryee and Wyatt, 1991; Hellman, 1997; Chan and Morrison (2000); Ghiselli *et. al.*, (2001); McBey and Karakowsky (2001) have found a significant negative relationship between job satisfaction and intention to leave the organization.

#### **3.7.5. Improves Employer- Employee Relationship**

Job satisfaction among employees also helps in building good relationship among the employer and the employees. Satisfaction among the employees indicates that they are happy with the facilities given by their employers. This results into lack of grievances among the employees and builds a strong bond between both the parties.

#### **3.7.6. Promotes Healthy Work Environment**

Job satisfaction always helps in creating a healthy work environment in the organization. When employees are happy with their job, they try to give their best services to the organization, a spirit of team work develops among them, and good employer–employee relationship develops which in turn helps in creating a healthy work environment.

#### **3.7.7. Increases Employee Loyalty**

Employee loyalty is essential for the success of any organization. The more loyal the employees are toward their job, the more the chances of them to remain in their jobs. There is no doubt about the fact that satisfied employees are very much loyal to their organizations. The fact has been proved by a research conducted by Vanderberg and

Lance (1992). In their research study, they conducted a survey among 100 professionals working in information services for a period of five months during which they concluded that a strong relationship exists between job satisfaction and employee loyalty. They were of the view that the more intense the level of job satisfaction among the employees the more the level of employee loyalty.