

EMPLOYEES RETENTION -BIGGEST CHALLENGE FOR INDUSTRIES

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ABSTRACT

The impact of employee turnover has received considerable attention by Top level management, human resources management, and industrial consultants. It has proven to be one of the most costly and apparently inflexible human resource challenges confronting organizations. The purpose of this paper is to identify why employees are leaving the departments and to propose ways to improve employee retention. This paper provides a summary of information, on the costs of employee turnover, factors contributing to its amount in organizations, and proposed remedies.

It concludes that there are methods of avoiding employee turnover which are briefly touched upon within the scope of this present research. The writer further concludes that there are methods that hold promise for the organization in the reduction of employee turnover and the costs in terms of finance and productivity that the organization suffers due to employee turnover. Employee retention can Influence the profitability of companies. It is important to look at the existing models that show a certain relationship between employee satisfaction and the profitability.

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INTRODUCTION

Turnover in industries refers to the rate at which an employer both gains and losses employees. Research shows that the expenses that are concerned for recruitment and hiring costs such as administrative time and screening and interviewing time, lost productivity in the forms of time during replacement, training time of new hires, and time away from their own jobs by other employees in helping a new hire get up to speed, unemployment expenses, and other sometimes hidden cost.

In business, turnover is one of the top HR challenges; creating a drain on revenue across all industries. The direct costs to a business's bottom line of employee turnover can cripple the business. Think of what it costs to recruit, train, and to get a new employee up to speed. In the current job market, with an overwhelming number of job seekers currently out looking for and applying to jobs, companies with high turnover are having an even more difficult time filling their open positions with qualified candidates who will not just leave or be fired in the future.

The areas, which affect the retention of employees, are distinct and change according to people, for example for me work-culture can be a factor to continue with the company and for someone else compensation can be a factor for discontinuation with the company. As being HR personnel's we need to understand our employees so that we can provide them with satisfaction. In order to retain employees who fall under "critical people" to the organization, HR can prepare a list of factors, which can affect their retention and can work on them. Once completed successfully on "critical people" this exercise can be implemented on rest of the employees as well.

It is not about managing retention, it is about managing people. The glue is quality work, responsibilities, recognition, respect, growth, opportunities, compensation, support and friendly supervision. If an organization manages its people well, employee retention will be taken well care of. Organization should force on managing the work environment to make better use of their human assets.

Main Reasons of Employees Turnover

There are a number of factors that contribute to employee turnover. We explore some of these factors in more detail below.

- In exit interviews one of the most common reasons given for leaving is the availability higher packages jobs.
- An organization perceived to be in economic difficulty increase the fear of layoffs of among employees. Workers believe that it is rational to seek other employment.
- Much has been written about organizational culture. It is sufficient to note here that the reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.
- Some jobs are essentially more attractive than others. A job's attractiveness will be affect by many features, including its monotony, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment.
- Another factor is the idealistic expectations and lack of knowledge that many job applicants have about the job at the time that they receive an offer. When these expectations are not fulfilling, the worker becomes disappointed and decides to quit.
- Experiential studies have demonstrated that turnover is associated in particular situations with demographic characteristics of workers. But to use lifestyle factors (e.g. smoking) or past employment history (e.g. many job changes) as an explicit basis for screening applicants, it is important for legality and fairness to job applicants to verify such bio data empirically.
- Except factors listed above there are also factors specific to the individual that also influence turnover rates. These include both personal and trait-based factors.. Some traits can be measured and used in employee screening to identify individuals showing lower probability of turnover.

It is important to note that the factors I've listed above can be classified as being within or beyond the control of the employing organization. In order to actively participate in reducing costs associated with turnover, organizations need to identify those factors over which they do have some control and initiate necessary changes to reduce turnover attributable to these "controllable" factors..

Prevention by identifying bad employees- Before they're hired

The costs of hiring the wrong employee are steep. In addition to days or even weeks dedicated to training that goes nowhere, payroll costs can reach hundreds or even thousands of dollars. The Society for Human Resource Management estimates that it costs \$3,500 to replace one \$8-per-hour employee.

"I should have seen this coming" is a common refrain among business owners who have made painful hiring mistakes. But it's not always that easy to tell who's going to be a nightmare employee just from brief interviews and reference checks. "The worst of bad employees are hard to spot because they are expert at hiding their issues," says Donna Flagg, president and founder of The Krysalis Group, a human resources and management consulting firm in New York City. "That said, there are a few mechanisms you can put into place to ensure you reduce your chances of making a bad hire." Start with these four:

1. It's your business, so it's only natural to think you know best when it comes to hiring employee. But unfortunately, when relying on a single viewpoint -- even your own -- it's all too easy to make snap decisions or even overlook hints of something wrong, which may be clearly obvious to someone else.
2. Every employer should keep in mind whenever you are going to hire an employee his past record or reference should be properly check then so many things employer can get to know about that employee or can make right decision that he/she will be suitable for his organization or not.
3. Twitter, LinkedIn, Face book, social networking sites and even industry articles can reveal interesting details about a person that you'd never be able to find out in even the best

interview. This kind of research can also help you reveal discrepancies in the candidate's résumé.

4. At the time of interview employers ask technical, Analytical questions but with these types of question employers should also ask personal question, so that employer can Identify background, values & desires of the employee which will be helpful to find out the characteristics about that person and can easily take decision about hiring that employee.

Three Rs for Retaining Employees:

1. **Respect** is regard, or particular consideration given to people. Respect is the base for retaining your employees Recognition and rewards will have less effect if you don't respect employees.
2. **Recognition** is defined as "special attention" and "the act of perceiving clearly." Many problems with retention come because management do not pay attention to people's requirement and actions.
3. **Rewards** are the extra perks & benefits that offer beyond the other two Rs that make it worth for employees to work hard, to care, to go beyond the call of duty.

The Importance of Retaining Employees

The challenge of keeping employees: Its changing face has stumped managers and business owners alike. How do you manage this challenge? How do you build a workplace that employees want to remain with ... and outsiders want to be hired into? Successful managers and business owners ask themselves these and other questions because employee retention matters:

- High turnover often leaves customers and employees in the list; departing employees take a great deal of knowledge with them. This lack of stability makes it hard to meet your organization's goals and serve customers well.
- Replacing employees cost money. The cost of replacing an employee is estimated as up to twice the individual's annual salary, and this doesn't even include the cost of lost knowledge.

- Recruiting employees consumes a great deal of time and effort, much of it is useless. You're not the only one out there vying for qualified employees, and job searchers make decisions based on more than the sum of salary and benefits.
- Bringing employees up to speed takes even more time. And when you're short-staffed, you often need to put in extra time to get the work done.

Calculation of Employee Turnover

FACTORS INVOLVED IN CALCULATING "EMPLOYEE TURNOVER":-

1. **Advertising** : For the position of Sales executive The details of Advertising Expenses for a Financial Year are:-

Sr .No.	Date	Particulars	Amt
1.	12/01/2011	Newspaper 1	19,909/-
2.	25/01/2011	Newspaper 2	1806/-
Total			Rs.21,715/-

The amount taken is rounded i.e.Rs.22,000/- for posts of suppose 5 sales executive requirement. Therefore, $22000/5 = \text{Rs.}4,400$.

2. **Other Direct Costs:** It will include Uniform Expenses i.e. Rs.260/- Name Tag Rs. 20/- per head. Hence the cost against one employee comes out to be:-

$$= 260 * 2 + 20 = \text{Rs.} 540/- \text{ (approximate Rs.600/- is taken on sheet).}$$

3. **Interviewing** (costs of current employees at all levels of interviewing, from Initial phone call through final interviews)

The cost of HR Manager is taken as she is involved in the recruitment process. Her salary is Rs.8000/- per month for 10 hrs duty. The interview timing is from 11 to 1 and 4 to 7 i.e. 5 hrs each day. The Walk-ins are for 3 continuous days. Hence, the calculation comes out to be;

= $8000/26 = 308$ per day for 10 hrs (i.e. for 5 hrs) = $308*5/10=Rs.154/-$ per day. =
 $Rs.154*3$ days = $Rs. 462/-$ per day = $462 / 10*60 = 0.77$ Rs. per min *15 = 11.55 Rs
 (approximate Rs. 12 is taken on sheet).

4. **Checking reference:** Approximate Rs. 10 is taken on sheet (Phone call charges and the time spent against it).
5. **Lost Revenue:** It includes cost of time spent from actual jobs. Hence it includes the same cost as point no.4.
6. **Miscellaneous indirect cost:** it includes the cost incurred on phone call, Xerox, Fax) : Approximate Rs.10 is taken.
7. **Time spent by person/people directly responsible for training new hire to do job =** $Rs.8000/26 = Rs.308/-$ per day for 10 hrs job. Hence for 1 hr contribution towards training sales executive = $308*1/10 = Rs.31$ each day. = $31*26$ days = $Rs.806$ per month. Hence for six months, the amount comes out to be = $806*6 = Rs.4836$ (i.e. approximate Rs.5000 is taken on sheet).
8. **Cost per participant of general training programs, training materials, seminars for new hires =** $Rs. 3000/-$ (three modules of training MASTERING PRODUCT, CUSTOMER CONNECT & RACING AHEAD) i.e. $Rs.1000/-$ per training.
9. **On-the-job training costs before employee becomes fully productive:** It will include the six months salary of that sale executive. $Rs.4000$ times 6 months = $Rs.24000/-$.

Employee Turnover Calculator

Position: Sales Executive		Salary Level: Rs.4000/-
Hiring Costs	Rs.	
<i>Direct Costs to hire 1 new employee</i>		
Advertising	4,400	
Average fee to employment agencies, placement firm	-	
Sign-on-bonus	-	
Referral bonuses to other employees	-	
Travel and Expenses (include yours and money you reimburse to perspective candidate)	-	

Other Direct Costs (Uniform Expenses, Name Tag)	600
Total Direct Costs to Hire	5000
<i>Indirect Costs to hire 1 new employee</i>	
Interviewing (costs of current employees at all levels of interviewing, from initial phone call through final interviews)	12
Checking References	10
Lost Revenue (include costs of time spent away from actual jobs)	12
Miscellaneous indirect Costs (phone, copy, fax)	10
Total Indirect Costs to Hire	44

Training Costs	
<i>Direct Costs to train 1 new employee</i>	
Time spent by person/people directly responsible for training new hire to do job. (i.e. Cost per hour times number of hours)	5000
Cost per participant of general training programs, training materials, seminars for new hires	3000
Travel and expenses per participant for above	-
Other direct costs	-
Total Direct Costs to train	8000
<i>Indirect costs to train 1 new employee</i>	
General training in Company	-
On-the-job training costs before employee becomes fully productive	24000
Total indirect costs to train	24000
Estimated Revenue Lost by Vacant Position	225000
TOTAL COSTS: SINGLE EMPLOYEE	37044
Annual Cost of Employee Turnover	
To Calculate the annual cost of employee turnover, multiply the cost of replacing 1 employee times the number of replacements each year.	
i.e. $37044 \times 4 = \text{Rs. } 1,48,176 \text{ /-}$ (the amount represents total cost against 4 replacements in a year)	

So now we reach on the conclusion that for the recruitments of a single employee an organization spends a lot, so if employees leave a company and have to be replaced, that's called turnover. A certain amount of turnover is unavoidable, but too much can ruin a company. So it is necessary that employee should retain long term in the organization to avoid the expense of money & time.

There are many benefits that come to great workplaces. One of the most immediately obvious being financial success. Great workplaces are financially more successful. We've known this for years and have collected empirical information, anecdotal stories, academic research and case studies that confirm this.



Comparative Study of Staff Turnover in India with key Countries

Below is an extract from Radford's Trends Report – Q4 2011 edition. Trends data for 93 countries can be obtained in the full Trends Report available to participating Radford clients.

The chart below shows voluntary and involuntary turnover figures for some key countries.

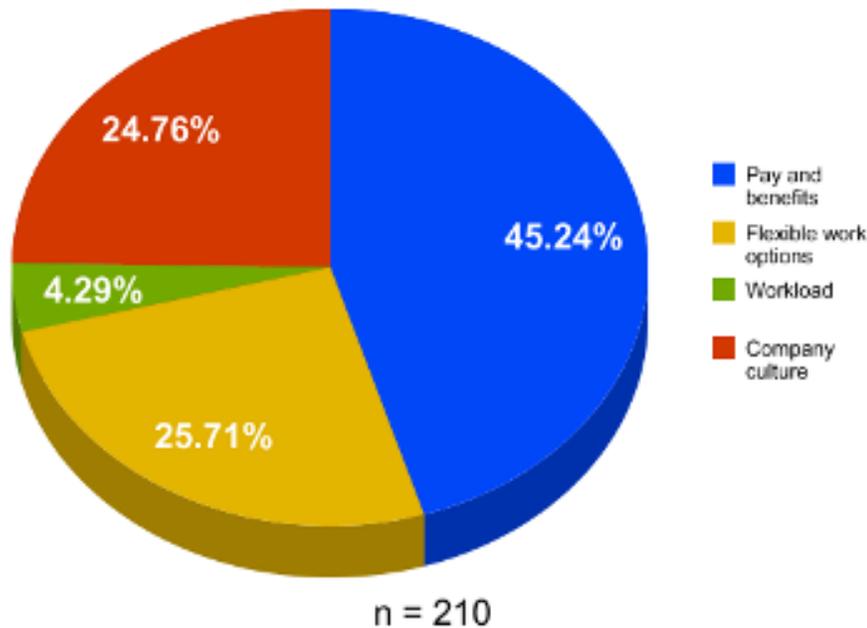


As per this comparison we can easily conclude that India is facing the largest employee turnover in comparison to other countries. So every industry has to focused about the need & requirement of their employees and try to give them maximum satisfaction in the both monetary & non monetary terms.

Employee Attraction and Recruitment: What is Important for Today's Workforce

What aspect would be the most important if you were looking for a new job today? This is the question we posted in our recent poll. Almost half (45%) of the respondents answered that pay and benefits would be most important, followed by flexible work options (26%) and then company culture (25%). compensation has consistently been in first place on employee satisfaction surveys (SHRM, 2007).

If you were looking for a new job today, what aspect would be the most important?



It may be that the economic environment has increased the importance of this factor for job seekers. Nevertheless, it is important to remember that prospective employee's fitness with the organizational culture is an important factor for the new employee success.

Conclusion

As per analysis we can say that employee turnover is highest in India and this is a major obstacle for the financial success of the country. For any company, the workforce is an important asset so it is necessary to save it. A trained and content workforce can lead a company to new heights while an opposite one can hamper it badly.

The top organizations are on the top because they value their employees and they know how to keep them glued to the organization. Employees stay and leave organizations for some reasons. These reasons should be understood by the employer and should be taken care of. The organizations are becoming aware of these reasons and adopting many strategies for employee

retention. Every organization must understand the difference between a valuable employee and an employee who doesn't participate much to the organization. Sincere efforts must be made to motivate the employees so that they stay with pleasure in the current organization and do not look for a change. In order to retain employees and reduce turnover managers must meet the goals of employees without losing sight of the organization's goals, thereby creating a "win-win" situation. Valence and expectancy theories provided some of the earlier guidance for retaining employees.

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