

Determinants of Employee Retention in today's workplaces

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Abstract

Employees are valuable assets in an organization. Without them, the company's objectives cannot be reached. One of the key problems that organizations encounter is to keep employees satisfied for a long period of time. During the COVID-19 pandemic, employee retention has become even more difficult for organizations, as there are so many uncertainties at the workplace. In this context, this paper aims to identify the key determinants of employee retention in today's workplaces. The study was carried out among the employees of the IT sector in the southern part of India. A survey questionnaire was created and distributed among employees for primary data collection. A sample of 110 responses was collected. The study found a correlation between the dependent variable (Employee Retention) and the independent variables (Job security, Health, and safety, Leadership, Compensation benefits, Social Recognition, Work-Life balance, and Career development). For organizations in the IT sector to be successful, they should mainly focus on creating a dynamic work culture for employees. Leadership policies in organizations should be robust. Organizations should support employees by ensuring job security and recognizing them by providing rewards consistently. They should provide optimal compensation packages for employees, frequent training programs for career development, arrange a flexible working environment, and effective wellness programs. Employee retention would be at ease if organizations deployed the above suggestions promptly

Keywords: Employee Retention, Job Security, Employee Engagement

1. Introduction

The current speed of economic transformation, due to the emergence of newer technologies, has reshaped how people interact with organizations. This, in effect, has relaxed our organized opportunities for work, leading to the 'gig economy' growth. It seems farfetched to retain employees in a company in this setting. Employee retention applies to satisfied staff, resulting in loyal clients. Employees are known as internal customers because they expect the same degree of satisfaction as the client of corporate services or corporate services provided against their services rendered for the company.

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Employee retention is not a simple job but involves a robust management framework for employee relations to leverage employee skills that eventually contribute to improved organizational efficiency and sustained progress. Any organization's success or failure is decided by its workers because they are more important assets that combine other resources such as accounting, technology, information, and manufacturing networks to achieve the competitive advantage of the company. To achieve this, employees should work together and maintain good ties with their employers. The management of employee relationships plays a key role in achieving organizational objectives. Considering this fact, it is important to build positive relationships between employees and managers in companies, as it contributes to higher productivity, encouragement, and efficiency, retaining employees for the long term. A review of the literature yielded many studies that examined the determinants of employee retention. Previous research studies have identified certain determinants that can have a great influence on employee retention in today's workplaces. The determinants are organizations providing Career Development programs for employees; Compensation benefits; Effective Leadership; Social Recognition; Job Security and Flexibility at the workplace (Work-Life balance), Health and safety programs. The workplace has undergone a lot of changes due to the gig economy and the prevailing pandemic. The pandemic has brought in the remote working option that had an impact on workforces around the globe. In this context, there is a dearth of studies that examined the determinants of employee retention in the IT sector. This study addresses this gap through a well-defined research framework.

2. Literature Review

Akhtar and Tan (1994) specified that successful companies provide employees with effective welfare measures and social recognition that induce "affective commitment". It helps to retain employees in organizations. Hasen and Salman (2016) stated that employee performance will be great if trust is established between the organization and employees. It helps to create synergy among employees in organizations and makes them stay for a long period.

Sanchez and Brock (1996) identified that employees prefer to work with responsibilities for job satisfaction and commitment. The higher the salary, the higher the satisfaction level of employees. Schlager et al. (2011) evidenced those economic benefits like rewards & recognitions, compensations, and high job security have a substantial relationship with employees' satisfaction, which leads to employee retention. Chaudhry (2013) states that participatory leadership helps to collect various suggestions from subordinates while making critical decisions in a project. It enhances employee performance, as employees feel valued. Leadership plays a key role in making employees feel a part of the organization and helps in employee retention. Christeen (2014) spotted the important eight factors for employee retention. It includes a conducive environment, management (leadership), autonomy, compensation, social support, and work-life balance.

Leadership

Bernard Muhangi Wakabi (2016) stated that the Leadership styles exhibited by Managers in Organizations have a great influence on employees to either stay or leave their Organizations. He

urges companies to embrace the leadership style that motivates employees. Nwokocha and Iheriohanma (2015) proposed that managers deploying leadership styles that create a high level of employee engagement pave the way for employee retention. Walid Al Salman and Zubair Hassan (2016) stated that employee performance increases with effective leadership practices in an organization. Further, it helps with employee retention.

Work-Life Balance

João Carvalho and Alvaro Lopes Dias (2019) expressed that employees have a flexible and balanced work-life perform well in organizations, and stay for a long period at the workplace. Leena James and Lissy Mathew (2012) performed research on the factors that influence employee retention in companies in the IT industry. They found out that flexible work arrangements had an impact on employees being happy in organizations and influenced them to stay there.

Social Recognition

Komal Khalid and Samina Nawab (2018) identified that employee participation (Consultative/Delegative type) had a strong influence on retaining employees in the organization. Balaji Mathimaran & Ananda Kumar (2017) stated that Rewards, Social Recognition, and Respect have a direct impact on employee retention in companies.

Career Development

Lavanya Latha (2013) has reported that lack of growth opportunities and salary are the critical reasons for employees leaving the organization. To reduce attrition and increase retention rates, organizations should provide career development opportunities by adopting new technologies at the workplace and providing effective training programs for employees. W. Hassan, A. Razi, Rida Qamar, Rida Jaffir, S. Suhail (2013) state that providing “On-Job Training” for employees motivates them to perform better. It creates a robust culture and makes employees stay for long periods.

Compensation Benefits

T. Harika and N. Hima Bindu (2020) opined that rewarding employees periodically and providing adequate compensation would help organizations retain employees and attract new talents. Bhavik Swadia (2017) mentions that compensation benefits are a critical factor in retaining employees in Startup Organizations in the IT Sector.

Job Security

Michael Samuel and Crispen Chipunza (2009) specified that Job Security is one of the key intrinsic motivation factors for employees to remain in an organization for a stretched period. Gholamreza Jandaghi, Ali Mokhles, and Hamid Bahrami (2011) stated that employees are both committed and satisfied in their jobs if organizations ensure job security.

Health and Safety

Pavani and Jacquelynn (2020) state that employee burnout can be reduced during current and even post-COVID-19 pandemic situations if organizations offer effective wellness programs to employees. A healthy and safe environment at the workplace would increase employee engagement and further induce employee retention.

3. Theoretical Framework

The review of the literature yielded many determinants of employee retention. This study chose career development, compensation benefits, leadership, social recognition, health and safety, job security, and work-life balance as the determinants of employee retention for the IT sector and arrived at the framework shown in Figure 1:

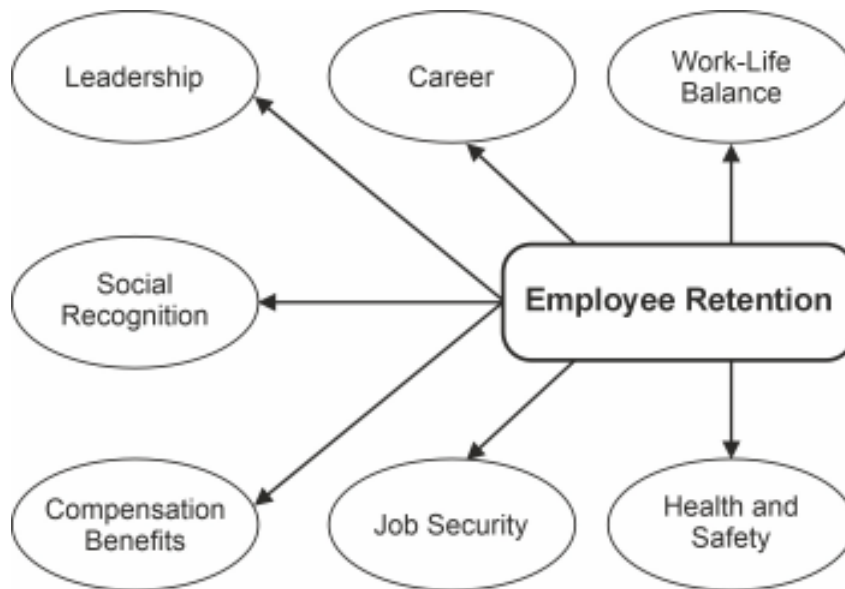


Fig. 1 Research Framework

Based on the theoretical framework, the study aims to examine the following associations.

- Influence of Health and Safety programs on Employee Retention in Organizations during and post-COVID-19 situations.
- Influence of Job Security, Work-life balance on Employee satisfaction and retention during and post Covid-19 situations.
- Relationships between Leadership styles in Organizations and Employee retention.
- Influence of Social recognition, Compensation benefits, and Career development programs on Employee engagement and retention.

Methodology

The research study was conducted among the employees in the IT sector in the southern part of India. Using a stratified random sampling method, a sample size of 110 was obtained. The variables in the study were captured through questions that were designed based on a review of previous literature. The results of the study were validated using PSPP. The primary data for the research study were collected through a structured questionnaire (Google Forms) from employees working in the IT sector in the southern part of India. The questionnaire was prepared in such a way that it has taken into consideration all possible ways to get maximum information. Secondary data has also been tapped from sources such as journals and the internet. The demographics of the sample are presented in Table 1.

Table 1. Demographic details of the sample

Demographic Factors	Frequency	Percentage
Age	Total Responses - 110	
21-24	55	50%
25-35	45	41%
36-40	8	7%
Above 40	2	2%
Education Qualification	Total Responses - 110	
Bachelor's	68	62%
Master's	41	37%
Doctorate	1	1%
Gender	Total Responses - 110	
Male	78	71%
Female	32	29%
Work Experience (In Years)	Total Responses - 110	
0-3	58	53%
4-7	33	30%
8-10	16	14%
Above 10	3	3%
Tenure in Current Company (Years)	Total Responses - 110	

0-3	84	76%
4-7	23	21%
8-10	2	2%
Above 10	1	1%
Designation	Total Responses - 110	
Software Engineer	44	40%
Senior Software Engineer	31	28%
Team Lead	19	17%
Manager	12	11%
Associate Vice President	3	3%
Vice President	1	1%

Analysis and Discussion

The data was analyzed in line with the objectives. The overall association between the variables is presented in Table 2.

Table 2. Association between the variables

Independent Variables	Employee Tenure	
	P value	Correlation Coefficient
Health and Safety	0.131	-0.145
Job Security	0.708	-0.036
Work-Life Balance	0.924	0.009
Leadership	0.001	0.320
Social Recognition	0.939	0.007
Compensation Benefits	0.754	0.03
Career Development	0.623	0.047

It is evident from Table 2 that leadership has a significant association with the tenure of employees. This is in line with the common saying “People do not leave organizations; rather, they leave their bosses”. This also states the importance of effective leaders in organizations.

The respondents were also asked to list the primary determinant of employee retention and the results are presented in Figure 2.

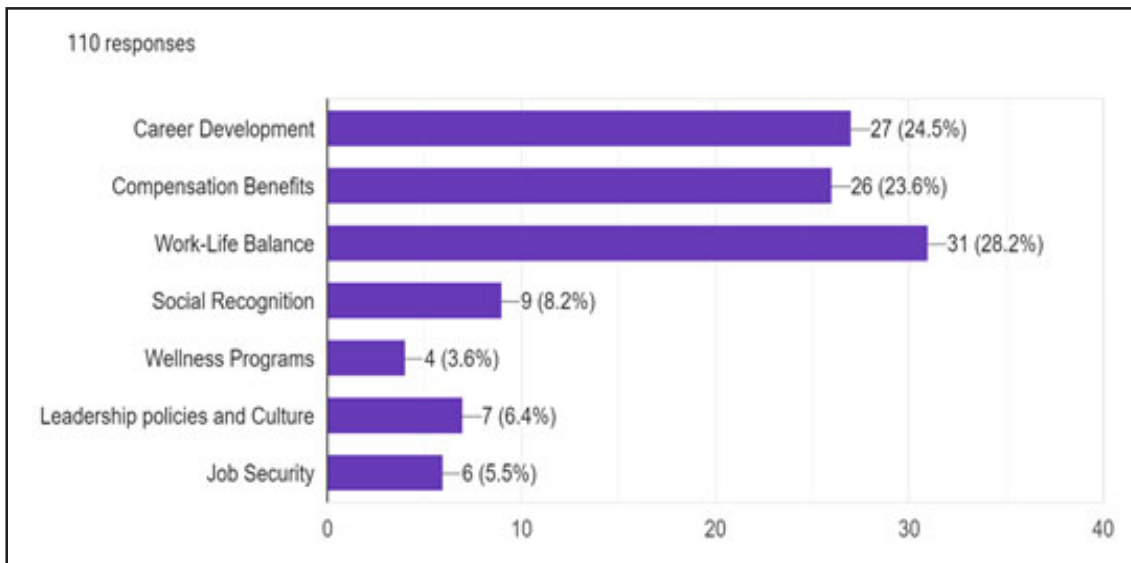


Figure 2: Primary determinant for Employee Retention in today's Workplaces

Employees in the IT sector consider work-life balance to be a primary determinant of employee retention. The pandemic has shown the importance of health and a balanced life. Hence, there is a change in the perception of the employees and they consider work-life balance to be the primary factor that motivates them to stay in an organization. Career development and compensation also feature among the determinants.

Out of 110 respondents, 87.3% agree that Work-Life balance is essential and induces employee retention. This is in line with the findings of João Carvalho and Alvaro Lopes Dias (2019), who stated that employees who have a flexible and balanced work-life perform well in organizations and stay for a long period at the workplace. The next major determinant is compensation benefits (79.1% of the respondents agreed). The higher the salary, the higher the satisfaction; the opinion of Sanchez and Brock (1996) is hence reinforced. Career development was also agreed upon as a determinant. Providing monetary rewards motivates employees through training programs. Lavanya Latha (2013) specifies that to reduce attrition and increase retention rates, organizations should provide career development opportunities by adopting new technologies at the workplace and providing effective training programs for employees. Social recognition is considered vital by 77.3% of respondents. The research study carried out by Mathimaran and Ananda Kumar (2017) states that Rewards, Social Recognition, and Respect have a direct impact on employee retention in companies. Bernard MuhangiWakabi (2016) stated that the Leadership styles exhibited by Managers in organizations have a great influence on employees to either stay or leave their organizations. In this study, there was a significant association between leadership and the tenure of employees. According to 88.2% of the respondents, leadership plays a significant role in employee retention. The respondents (73.6% of them) believe that companies with more leaders compared to managers are better equipped to retain employees. Jandaghi, Ali Mokhles, and Hamid Bahrami (2011) stated that employees are both

committed and satisfied in their jobs if organizations ensure job security. In this study, 81.8% of the respondents agree that organizations providing Job security to employees would have a great chance of retaining employees for a long period. Amidst the Covid-19 crisis, employee distress is at its peak. Initiating wellness programs would prevent employee burnout and increase employee engagement and retention. In this study, 77.3% of total respondents agree with this notion. Pavani and Jacquelynn (2020) state that employee burnout can be reduced during current and even post-COVID-19 pandemic situations if organizations offer effective wellness programs to employees.

5. Managerial Implications

In this study, the various determinants of employee retention in today's workplaces were discussed. The major three factors that influence employees (in the IT sector in South India) to remain in organizations for a long period include Work-Life balance, Career Development Opportunities, and Compensation benefits. The factors that have the least impact on employee retention are Wellness programs and Job Security. Retaining employees for a long period is a great challenge that Organizations encounter. Frequent disruptions in Technology make it harder for companies to find the best talents in the market and even doing so to make them remain at their workplaces is a herculean task. One of the best practices that organizations can employ for retaining employees is providing proper work-life balance to its employees. Providing mandatory leave for employees during weekends would help this cause. It would increase employee engagement at the workplace. Especially in the gig economy, work-life balance is vital for all employees. Organizations should promote themselves as the best in the category to retain and motivate employees by providing career development opportunities to their employees. Employees feel empowered when their organizations give importance to their careers. Rewarding enterprising employees with a better compensation package would motivate them to stay loyal to the company. Deploying a transparent and effective Performance Management System is vital for the company's growth. Social recognition at the workplace would help to strengthen the employer-employee relationship and help to reduce the attrition rate. Every employee is unique in their way. Recognizing it and giving respect to individuals in the workplace is vital. Stable Leaders in companies induce employees to work towards a common goal. Managers should be more open and compassionate with employees to retain them for a long time. Setting up frequent Leadership programs at the workplace would enable employees to transform into future leaders. Organizations providing job security to employees during the COVID-19 period rather than doing layoffs would ensure long-term success and stability. Employees will feel valued and remain at the workplace for a stretched period. Implementing wellness programs at the workplace would help to prevent employee burnout and increase overall productivity. It helps reduce the employee turnover rate.

6. Conclusion

Organizations find it difficult to retain their best talents in this VUCA world. The findings of the study suggest that there exist specific determinants that influence employees to either stay or leave the Organization. The main factors include Work-Life balance for employees, Career development

opportunities, and Compensation benefits. Deploying robust retention strategies revolving around these factors would help organizations retain their employees for a stretched period. It also induces organizational growth.

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