

# A Literature Review on Employee Retention with Focus on Recent Trends

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## ABSTRACT

Employees are the most important, valuable and productive asset of an organization and retaining them is one of the toughest challenges for the managers. As the replacement cost of key employees involves huge turnover, there is a need to develop a fully integrative retention policy to tackle such type of problems. The objective of this study is to critically analyze the various works done in the field of employee retention and highlight factors responsible for employee departure and retention initiatives followed to retain them. As the study is descriptive in nature, a number of secondary sources are explored to synthesize the fragmented knowledge and present the literature review in a concise format. As the ever-changing technology, stiff competition, and globalization has brought human resources at the forefront in organizational roles, no organization wants to lose their talented employees. The literature review will present traditional retention techniques followed as well as contemporary techniques used to retain the employees. Also, more emphasis will be put on the factors such as leadership style of superiors, ability to exercise control with respect to decision-making and problem-solving, desire for career advancement and skills development, flexible working and ever increasing aspiration on retention of key employees.

**Keywords :** Employees, Retention, Literature Review, Recent Trends

## I. INTRODUCTION

“Human Capital will go where it is wanted and it will stay where it is well treated. It cannot be driven, it can only be attracted.” Walter Wriston, Former chairman Citibank.

This is no hidden fact that employee plays an extremely crucial role in the sustainability and development of an organization. In organizations, competitive advantage is determined and driven by human resources. It is employees who innovate and innovation ultimately leads to survival and profitability of a company. When an employee leaves

an organization, he takes the knowledge, experience, culture and value system away with him, which might be tapped and used against the organization. A high rate of attrition is also not good for the image of the company as it might send wrong signals to prospective employees and customers.

## II. WHAT IS EMPLOYEE RETENTION?

Though the term employee retention is defined in numerous ways, it basically denotes that various measures taken by organizations to encourage its employee so that they remain with it for a longer duration of time. The primary reason for retention of

employees is to prevent its talented employees from leaving (James & Mathew, 2012).

### III. OBJECTIVES OF THE STUDY

This study on a literature review on employee retention has the following objectives:

- A. Critically analyse various works done in the field of employee retention.
- B. To highlight the reasons for employee departure and various retention strategies followed.
- C. To highlight the recent trends followed to retain the employees.

### IV. METHODOLOGY

The study is descriptive in nature and is mostly based on secondary data. The secondary data consists of books, reports, newspaper articles, and various research journals.

### V. REASONS FOR EMPLOYEE DEPARTURE

When an Employee leaves an organization, the reasons are influenced by a variety of factors, some of the reason of leaving the organization could be better-paying job outside, a bad relationship with supervisor/boss, pursuing higher studies/ vocation, relocating due to family reasons, fired form organization. So basically there are two types of turnover one is decided by the employee and that is why it is called voluntary turnover, the other type of turnover is decided by the company and that is why it is called involuntary turnover. Involuntary turnover generally happens when either there is restructuring in the company, or the performance of the employee is not up to the expectations (Allen, Bryant, & Vardaman, 2010). Employee also leaves organization due to job dissatisfaction, job security, compensation not as per expectation, lack of job autonomy, poor relationship with team members,

poor working conditions, lack of opportunity for career development etc. (James & Mathew, 2012).

### VI. CHALLENGES OF EMPLOYEE RETENTION

In their study (Eldridge & Nisar, 2011; Terera & Ngirande, 2014), the author talks about three types of challenges that companies face in the retention of employees. They are (1) stiff competition from rivals, (2) brain drain i.e. migration of skill labour form own country to another country which offers better opportunities, and rewards. and (3) companies are unable to predict the future requirements of employees and thus unable to take corrective action. A similar view is expressed in another work also where the authors talk about the shortage of talent due to increased global talent (Scott, McMullen, & Royal, 2012). Companies also feel that proportional rise in the number of ageing population will escalate the demand for skilled employees(Kyndt, Dochy, Michielsen, & Moeyaert, 2009).

### VII. RETENTION STRATEGIES

Turnover is a great problem and that is the reason that a lot of effort is put for the retention of employees. When an employee leaves an organization, he takes the culture, values, skillset with him which can be tapped by the competitors and that is something no company likes to happen with them. As the cost of replacement for an employee is huge, it is always better to keep the existing employees in the flock. Retention is also necessary for the growth and stability of an organization. Das (1996) in their studies identified six critical factors of employee retention; Compensation, Learning Opportunity, benefits and security, work autonomy, merit orientation, and accelerated vertical growth. Cloutier, Felusiak, Hill, & Pemberton-Jones (2015) in their studies suggest the development of four strategies for retention of employees: (1) effective communication (2) workforce diversity (3)

hiring of skilled worker and (4) training and development plan to employees. Studies also show that making existing employee stay costs less than hiring new employees (Sinha & Sinha, 2012). They also emphasize the role of organizational culture, compensation, flexible working, career development, and communication on the retention of employees. James & Mathew (2012) in their studies on employee retention in IT sector emphasizes on following retention strategies: reward and recognition, Training and development opportunities, career planning, flexible work time, performance appraisal, financial support, mentoring and coaching sessions etc. Kumar & Arora (2012) in their studies found that the rate of attrition among young professionals (20-25 years) are very high with following reasons: slow rate of career growth, poor relationship with colleagues/seniors/supervisors, work-life imbalance, taking up higher studies etc. Given below some of the retention strategies which can be helpful in solving employee turnover problems.

#### **A. Employee Voice And Retention**

Daniel G. in his study suggested that the organizations which give more opportunity to its employee to voice their dissatisfaction related to workplace conditions are more likely to retain their employees i.e. there are more chances that employees will remain with such an organization (Spencer, 1986) as they feel that the organization is equipped with better grievance handling system. (Spencer, 1986)

#### **B. Communication And Retention**

Efficient communication process helps the organization to retain its employees (Cloutier et al., 2015). They also suggest that in order to maintain a healthy work culture, leadership should be able to operate in an interpersonal, group, organizational and intercultural communication effectively. According to Sinha & Sinha (2012), effective communication not only improves the identity the employee associated with the company but also creates an environment of

openness and trust. James & Mathew (2012) in their studies found out that effective communication plays a greater role to generate an amicable environment at the workplace. Attridge (2009) in his studies found that better communication from company executives helps better employee engagement.

#### **C. Compensation And Retention**

Compensation in organizations can be defined as something (typically money in the form salary, wage, benefits, injury etc) that the employee receives from the employer. It is true that the trend is changing but still research shows that compensation plays a greater role in the retention of employees. Das (1996) talks about flexible compensation package and is not in favour of standardization of compensation. He further tells that different age group of employees have different choices and thus the thing desired by youth may not be for any use to a middle age employee. A study by Hong, Hao, Kumar, Ramendran, & Kadiresan (2012) shows that a company with no compensation planning results in a poor working environment. Kumar & Arora (2012) states that 27 percent of employees, compensation was the primary reason for leaving the company.

#### **D. Leadership And Retention**

The role of leadership is very critical in employee retention. According to Doh, Stumpf, & Tymon (2011), responsible leadership has three components (1) stakeholder culture where ethical and social behaviour is of paramount importance (2) Fair and inclusive HR practices (2) Full managerial support for employee development. Cloutier et al. (2015) in their studies talks positive working condition which improves when an employee is having a good relationship with the boss and if given a leadership role, their sense of belongingness with company become very strong.

#### **E. Career Development and Retention**

Indian companies do not have a well-defined career development plan and so chances are very rare that a

person who joins a company as a management trainee will become CEO (H. Das, 1996). This is a kind of trap for a loyal employee. On the other hand, a study by Mehta, Kurbetti, & Dhankhar (2014) shows that if career opportunities are at the place, the employee stays for a longer time and also they tend to be more loyal for that company.

#### **F. Training, Development and Retention**

Job-related training improves the ability of employees in problem-solving, making them confident and motivated and committed to their job and thus they are more likely to remain with the organization (Hong et al., 2012). Mehta et al. (2014) suggest that it is better to retain a well-trained employee rather than wasting the training cost and starting the induction process once again. Cloutier et al. (2015) in their studies gives a similar view that Das (1996) has given that training and development are a kind of motivational tool for employee retention by raising the commitment of employees towards the company.

#### **G. Work/Job Flexibility and Retention**

According to Jeffrey Hill et al. (2008), work flexibility can be defined as "the ability of workers to make choices influencing when, where and how long they engage in the work-related task". If employees are given with the option of workplace flexibility, they will find options to balance their work and life. Also, employees will be more than happy and benefit if they are provided with options to adjust their working time (Eldridge & Nisar, 2011). Flexible working not only results in less absenteeism it also helps in employee retention. It allows employees to improve their knowledge which again can be helpful for the company as the employee can bring in new ideas and innovations (Idris, 2014).

#### **H. Job Satisfaction and Retention**

According to a study conducted by Hausknecht, Rodda, & Howard (2009), they found that job satisfaction was the primary reason for retention of

employees (51 percent of employees choose job satisfaction over other factors like extrinsic rewards, organizational commitment, lack of alternative etc. According to B. L. Das & Baruah (2013) job satisfaction is achieved when the expectation of employees which he brings with him at the time of joining the organization matches with the reality. In another study conducted by Terera & Ngirande (2014), it is found that there is a strong relationship between job satisfaction and retention of employees giving the organization a clue to keep their employee satisfied.

#### **I. Performance Appraisal and Retention**

Performance appraisal is the assessment of individual performance to the overall contribution of the organization. It serves as an interface between management and employee. An effective performance appraisal will result in a satisfied, motivated and committed employee Hong et al. (2012). According to Mehta et al. (2014), good performance appraisal not only help companies to keep a track on its employees it also helps individuals to improve their performance in their weak areas. A good performance appraisal results in a better employee-supervisor relationship resulting in a great place to work for.

### **VIII. EMPLOYEE RETENTION: RECENT TRENDS**

Whether it is a buyer market or a seller market, the demand for skilled employees remains forever. According to Roger E.Herman, the shortfall of skilled labour could go up to ten million by the end of this decade. Companies are putting a lot of effort to emerge as a brand which is sustainable and all-inclusive. Organizations have understood the importance of employee retention, and that is how they are now talking about a full-time employee retention specialist who will guide them to make progress and reduce turnover. A number of companies are paying their attention to corporate

social initiatives and a tool for employee retention and focussing their attention to a number of social initiatives which the new generation are finding more attractive. Further, now a great deal of effort is made by companies to understand the generational preferences and to use it as a tool to attract and retain talent. Many companies are experimenting with their employees by treating them as their customer and building a strong relationship with them in order to retain them. Some studies also indicate that employees too follow a life cycle and their aspirations are different at a different stage, thus understanding their expectation and fulfilling them will make them retain their employees. Finally, there is a new concept of a gig economy where companies are paying attention to short contracts and independent work.

#### **A. Sustainable HRM**

In a highly competitive world, companies are facing an acute shortage of talented employees. They also face problems on the front of how to manage their present workforce which might include an ageing workforce, people from a different cultural background, more men or women employees at the place, both working couples etc. Employees also face a number of problems like work-life imbalance, increasing stress level, performance related issues. (App, Merk, & Buettgen, 2012) in their work talks about sustainable HRM as a tool to achieve a competitive advantage and a chance to emerge as an attractive employer brand by addressing the issues mentioned above.

#### **B. Employee Retention Specialist**

A buyer market is different from a seller market in the sense that in the former it the employer who is in the driver seat and control the terms of employment and takes the hiring decisions whereas in the later it is the worker who is in the driver seat and there are abundant jobs for them to choose from. However many studies have shown that there is no dearth of

demand for skilled workers. According to Roger E. Herman “employee retention is not an HR issue, it is a management issue” (Herman, 2005) and that is why the role of an employee retention specialist becomes very important. He is a person who is educated and trained to help management in improving the performance of employees and reduce turnover cost.

#### **C. Corporate Social Initiative and Retention**

As a human being, we have different aspirations from the job. Traditionally, financial benefits tend to play a major role in the retention of employees, however with the passage of time the preferences of employees are changing. Some employees are preferring less payment over participating in corporate social initiatives (Bode, Singh, & Rogan, 2015), they also highlight the fact that there is a positive relationship between employee participation in the corporate social initiative and their level of motivation and further their identification with the company. This helps them to stay with the company for a longer time.

#### **D. Understanding Generational Preferences**

When we talk about generations at the workplace, they are a Silent generation (1925-45), Baby boomers(1946-64), Generation X (1965-81), Generation Y (1982-1999). Where Generation X prefers autonomy, are tech-savvy, places less value for employer loyalty; Generation Y workers put more emphasis on Corporate social responsibility, training and career development, more individualistic in nature (Festing & Schäfer, 2014). It is obvious that a better understanding of generational preferences will help organizations to prepare better retention strategies to keep this workforce with them.

#### **E. Employee as A Customer**

It is based on employee equity model (Cardy & Lengnick-Hall, 2011). This model uses its employee as its internal customer and tries to maximize the value of association with them. It predicts that the more the organization spends on its customer to build

a relationship, and socialization, the employees feel more identified with the vision and mission of the company and less likely to leave.

#### F. Employee Lifecycle

We all know about product lifecycle – the concept mostly used in marketing management. Like a product, employees too progresses in their career and follow different phases like the introduction phase, growth phase, maturity and decline phase (App et al., 2012). The need and expectations of employees are not constant at these stages and keep on changing. Organizations need to put a lot of effort to understand at which stage of the life cycle an employee is and tries to meet their expectations so that they can remain with the company forever. (App et al., 2012) also talks about pre and post-employment phase other than these four phases. At post-employment phase, an employee work as a brand ambassador of the company and thus helps in building an employer brand.

#### G. Gig Economy and Employee Retention

Lloyd Mathias, a business and marketing strategist, in a newspaper article published in Times of India on 15 Dec 2018 (Mathias, 2018) talks about a new trend for millennials- where he talks about the key skill set required to live in "gig economy" is to be ready to work across industries and roles. He defines "gig economy" as a market based on temporary short-term contractual work or independent "freelance" work rather than the traditional full-time job. Gig economy is gaining momentum because of the tremendous rise in digital technology where companies are giving more preference to final outcomes or results rather than the physical presence of teams. This new trend is going to transform the way employees are treated and retained in organizations.

#### IX. CONCLUSION

Employees are the most important asset for any organization. Their contribution is immense in the

profitability and growth of the company. They bring innovation and paves the way for sustainable development for the organization. This study was focussed on a literature review on employee retention. However, the abundant material makes my task very tough to assimilate and synthesize the study in a concise format. I have tried to cover the relevant aspect of employee retention and also attention is paid on the new trends that are started making their presence felt in the market.

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**Cite this article as :**

Diwakar Singh, "A Literature Review on Employee Retention with Focus on Recent Trends", *International Journal of Scientific Research in Science and Technology (IJSRST)*, Online ISSN : 2395-602X, Print ISSN : 2395-6011, Volume 6 Issue 1, pp. 425-431, January-February 2019. Available at doi : <https://doi.org/10.32628/IJSRST195463>  
Journal URL : <http://ijsrst.com/IJSRST195463>