

# Importance of employee retention



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Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial both for the organization as well as for the employee. Employees today are different. They are demanding, articulate and moreover have opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees. Employee retention would require a lot of efforts, energy, and resources but the results are worth in it. Successful organizations realize that an effective employee retention plan will help them sustain their leadership and growth in the marketplace. Good organizations make employee retention a core element of their talent management strategy and organizational development process. Those that fail to make employee retention a priority are at risk of losing their top talented people to the competition.

## FACTORS CONTRIBUTE TO EMPLOYEE RETENTION PROCESS

### COMPENSATION

Compensation package is the key and the most important contributor to employee retention process. The employees always have high expectations regarding their compensation packages. Compensation packages vary from industry to industry. So an attractive compensation package commensurate with industry average plays very critical role in retaining the employees.

Compensation includes salary and wages, bonuses, benefits, prerequisites, stock options, bonuses, vacations, etc. While setting up the packages, the following components should be given careful attention.

**Salary and monthly wage-** It is the biggest component of the compensation package as well as the most common factor of comparison among employees and generally includes Basic wage, House rent allowance, Dearness allowance, City compensatory allowance etc. Salary and wages is the snapshot that represent the level of skill and experience an individual has. Time to time enhancement of salaries and wages of employees should be done basing upon the employee's performance and his contribution to the organization.

**Bonus-** Bonuses are usually given to the employees at the end of the year or on a festival.

**Economic benefits-** It includes paid holidays, leave travel concession, etc.

**Long-term incentives-** Long term incentives include stock options (ESOP) or stock purchase (ESPP). These incentives basically help retain employees in the organization's start-up stage.

**Health insurance-** Health insurance is a great benefit to the employees. It saves employees money as well as gives them peace as the employees feel that the organization cares them and their family.

**Retirement benefit-** It includes payments that an employee gets after he retires like EPF (Employee Provident Fund) etc.

Miscellaneous compensation– It may include employee assistance programs like psychological counselling, legal assistance, discounts on company products, and use of company cars.

## ORGANIZATION ENVIRONMENT

It is not about managing retention. It is about managing people. If an organization manages people well, employee retention will take care of itself. Organizations should focus on managing the work environment to make better use of the available human assets. People want to work for an organization which provides

Due appreciation for the work done

Ample opportunities to explore and grow

A friendly and cooperative environment

A feeling of belongingness

Trusting culture and values

Company reputation and brand images

Quality of people in the organization

Employee development and career growth

Leading technologies and risk taking capability

Work environment–It includes efficient managers, supportive co-workers, challenging work, involvement in decision-making, clarity of work and responsibilities, and recognition.

Support environment–Organization can provide support in the form of work-life balance. Work life balance includes, flexible hours, telecommuting, dependent care, alternate work schedules, vacations and wellness.

Learning environment– It includes continuous learning and improvement of the individual, certifications and provision for higher studies, etc.

Lack or absence of such environment pushes employees to look for new opportunities. The environment should be such that the employees feel connected to the organization in every respect.

## **GROWTH AND CAREER**

Growth and career development are the integral part of every individual's career. If an employee can not foresee his path of career development in his current organization, there are very fare chances that he'll leave the organization as soon as he gets an opportunity. The important factors in employee growth that an employee looks for himself are:

Work profile– The work profile on which the employee is working should best fit with his capabilities. The profile should not be too low or too high.

Personal growth and dreams– Employees responsibilities in the organization should help him achieve his own need, hope, aspirations, expectations and personal goals along with organisational goal. Organizations cannot keep aside the individual goals of employees and foster organizations goals since

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both are interrelated and integrated with each other. If an individual is not satisfied with his growth, he will not be able to contribute in organization growth.

Training and development– Employees should be trained and given chance to improve and enhance their skills. These trainings can be given to improve variety of skills. Need assessment of such type of training can be recognized from individual performance reviews, individual meetings, employee satisfaction surveys and by being in constant touch with the employees.

## **SUPPORT**

Lack of support from management can sometimes serve as a very good reason for employee attrition. Supervisor should support his subordinates in a way so that each one of them is a success. Management should try to focus on its employees and support them not only in their difficult times at work but also through the times of personal crisis. Management can support employees by providing them recognition and appreciation. Employers can also provide valuable feedback to employees and make them feel valued to the organization.

The feedback from supervisor helps the employee to feel more responsible, confident and empowered. Top management can also support its employees in their personal crisis by providing personal loans during emergencies, childcare services, employee assistance programs, counselling services and so on. Employers can also support their employees by creating an environment of trust and inculcating the organizational values into employees.

## **Importance of retention**

Now that so much is being done by organizations to retain its employees. It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. By managing retention the following benefits can be reaped—

**Loss of Company Knowledge:** -When an employee leaves, he takes with him valuable information, knowledge about the company, customers, current projects and past history and sometimes to competitors too. Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

**Interruption of Customer Service:** — Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

**Turnover leads to more turnovers:** -When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.

**Goodwill of the company:** -The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

Regaining efficiency: -If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure us of the same efficiency from the new employee.

### **Employee retention strategy –**

The basic practices which should be kept in mind in the employee retention strategies are:

Hire the right people in the first place.

Empower the employees by providing appropriate the authority

Make employees realize that they are the most valuable asset of the organization.

Have faith in them, trust them and respect them.

Provide them information and knowledge.

Keep providing them feedback on their performance.

Recognize and appreciate their achievements.

Keep their morale high.

Create an environment where the employees want to work and have fun

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## **Exit Interview**

Exit interview is final formal meeting between the management and an employee leaving the firm. An exit interview is an interview conducted by an employer of a departing employee. They are generally conducted by a relatively neutral party, such as a human resources staff member, so that the employee will be more inclined to be candid enough in providing information. In human resource terms, an exit interview is a survey that is conducted with an employee when he or she leaves the company. The information from each survey is used to provide feedback on why employees are leaving, what they liked about their employment and what areas of the company need improvement. Exit interviews are most effective when the data is compiled and tracked over time. The purpose of an exit interview in business is to gather employee's feedback on the work experience in order to improve working conditions and retain employees. Other uses for exit interviews for organizations include improving work productivity, providing an early warning about sexual harassment, workplace violence and discrimination issues and measuring the success of diversity initiatives. Such interviews are more valuable when the departing employee has spent long time with the organisation.

## **Objectives of Exit Interviews**

Presence of exit interview system in an organization confirms the open culture of an organization to the existing employees as well as to outsiders.

Exit interview system enriches the organization's HR culture, policies and practices.

Very useful data and information are collected from the exit interviews on various aspects of the organization.

Exit interviews also act as a medium of knowledge transfer from the departing employee to the replacement or the management.

Exit interviews provide a good development process for both who participate in the exit interviews and also for those managers with whom the data and information collected from the exit interviews are shared and discussed.

Exit interviews can provide lots of useful tips and information for improving the employee's retention level in the organization.

In some special cases, an exit interview can even provide a chance to the organization to retain valuable and key employees even after he has resigned.

At times exit interview may be used to pacify a disgruntled employee or to make peace with him, who might otherwise leave the organization with intentions of taking revenge or with a bad taste about the organization.

In few cases the exit interview may be used to solely capture the information particularly from a disgruntled, vengeful employee to avoid future litigation

## **METHODS OF EXIT INTERVIEW**

The exit interview may be conducted through a variety of methods. Some of the methods include in-person, over the telephone, on paper, and through the Internet

## **In-Person Exit Interviews**

With in-person exit interviews an HR representative meets individually with each terminating employee.

### **Pros**

Can provide information regarding benefits and retrieve company property during the interview

Gives a personal touch to each employee

Can probe for more information on each question

### **Cons**

Employees may be afraid to share sensitive or negative information during an in-person interview

For larger companies, it may be too time consuming to interview employees personally

It's difficult to track information received verbally during an interview

## **Telephone Exit Interviews**

Telephone Exit Interviews are conducted over the telephone by an HR Representative or an outside third party consultant.

### **Pros**

Can probe for more information on each question

Can enter data into a tracking system while conducting the interview

Easier to schedule than in-person interviews

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## **Cons**

Time consuming if done in-house by an HR Representative

Expensive if done with an outside consultant

Employees often reluctant to verbally share sensitive or negative information

## **Paper and Pencil Exit Interviews**

Paper and Pencil Exit Interviews are usually conducted by a form that is given to the employee on their last day or mailed to the employee's home.

## **Pros**

Takes less time to provide a form compared with conducting an in person or phone interview

Employees can share information on paper that they may be reluctant to say in person

## **Cons**

Return rates for exit interview forms is maximum

Difficult and time consuming to compile and track the data from paper and pencil forms

## **Online Exit Interview Management Systems**

### **Pros**

Employee self-service so easy for HR to administer

Employees comfortable sharing information by computer so more honest responses

Information automatically compiles and tracked

Reports available at a click of a button

Participation rates for Web Exit customers is more than that for paper and pencil exit interviews

#### SAMPLE QUESTIONS OF EXIT INTERVIEW

What is your primary reason for leaving?

Did anything trigger your decision to leave?

What was most satisfying about your job?

What was least satisfying about your job?

What would you change about your job?

Did your job duties turn out to be as you expected?

Did you receive enough training to do your job effectively?

Did you receive adequate support to do your job?

Did you receive sufficient feedback about your performance between merit reviews?

Were you satisfied with this company's merit review process?

Did this company help you to fulfil your career goals?

Do you have any tips to help us find your replacement?

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What would you improve to make our workplace better?

Were you happy with your pay, benefits and other incentives?

What was the quality of the supervision you received?

What could your immediate supervisor do to improve his or her management style?

Based on your experience with us, what do you think it takes to succeed at this company?

Did any company policies or procedures (or any other obstacles) make your job more difficult?

Would you consider working again for this company in the future?

Would you recommend working for this company to your family and friends?

How do you generally feel about this company?

What did you like most about this company?

What did you like least about this company?

What does your new company offer that this company doesn't?

Can this company do anything to encourage you to stay?

Before deciding to leave, did you investigate a transfer within the company?

Did anyone in this company discriminate against you, harass you or cause hostile working conditions?

Any other comments?