Chapter 8

Influence of Retention Policies on Employee Efficiency and Organization Productivity

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ABSTRACT

In the continuously developing economy, organizations should be able to anticipate the technological innovations and compete with other organizations worldwide. This need makes an organization’s ability to evolve through its employees’ learning and continuous development. In this context employee retention has become a most critical issue for all the organizations as a result of the shortage of skilled labor, economic growth and employee turnover. Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. The employees are the real assets of any organization, so the management should exert some effort to determine the non-monetary interests and preferences of its key employees, and then attempt to meet these preferences in action. This study is an attempt to identify the various retention policies practiced in different public and private organisations, and evaluate the effectiveness of these policies on employees’ efficiency and its influence on the overall productivity of an organisation.

INTRODUCTION

The concept of ‘Employee Retention’ first began to appear with regularity on the business scene in the 1970s and in early ‘80s. Employee retention refers to the ability of an employer to retain his employees’ in the organisation. It is a process in which the employees are encouraged to remain with the organization for the maximum period of time or the efforts by the employers to retain current employees in their workforce. Retention activities may be defined as a sum of all those activities aimed at increasing organizational commitment of employees, giving them an overall ambitious and myriad of opportunities where they can grow by outperforming others (Bogdanowicz & Bailey, 2002).
Every organization has to spend some time and invest money to groom a new joiner, make him corporate ready and bring them at par with the existing employees. The organization has to suffer complete loss when the employees leave their job once they are fully trained. Employee retention takes into account the various policies that can be enforced, so that an individual stays in an organization for the long period without any dis-satisfaction. Due to globalization the demand for talent in a country like India has rapidly increased. This has changed not only the business world but also the minds of the individuals. Every organization is interested to grab the talented individuals from such a competitive environment. The retention of human resources has been shown to be momentous to the development and accomplishment of the organization’s goals and objectives. Increased emphasis has been laid on retention especially with the onset of revolution of information technology which is human sensitive.

Employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. Employee retention must be an ongoing process and not as a program. The employee retention processes must focus on what the employee gets out of the job. The process must be a benefits-based approach for both the employee and the employer. The best way to retain the employees is to treat them like customers and trust their efficiency as there is a service link between employee retention and higher levels of customer satisfaction. From a managerial perspective, the attraction and retention of high-quality employees is more important today than ever before. A number of trends (e.g., globalization, increase in knowledge work, accelerating rate of technological advancement) make it vital that firms acquire and retain human capital. While there are important differences across countries, analysis of the costs of turnover as well as labor shortages in critical industries across the globe have emphasized the importance of retaining key employees for organizational success (Hinkin & Tracey, 2000).

Employee Retention strategies can be broadly classified into two categories i.e. monetary and non-monetary strategies. Majority of the organizations are employing the monetary strategies like performance linked incentives, rewards, increment or hike in salary, compensations, recognizing the efforts of individuals, but a good number of innovative non-monetary practices are also being implemented to retain the human resource. These practices include job rotation, job enrichment, exit interviews, participation in management decisions, public recognition of achievements, and like. Recruiting and retaining the talented and efficient employees have become the chief concerns of nearly every organization. The organisations who can understand what their employees want and need in the workplace and make strategic decisions to proactively fulfill those needs will become the dominant players in their respective markets.

Hence, employee retention is a very important issue that every organization must tackle smoothly in order to increase the organizational efficiency. Looking carefully into many organizations, the retention strategies are very competitive and the management’s should try to provide their best to retain the employees of their competitors.

**OBJECTIVES OF THE CHAPTER**

The purpose is to know the various employee needs to retain in an organisation and to spotlight the areas that the management needs to focus to retain the workforce and increase organisation productivity. The objective of the chapter is: