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## Review of literature on employee retention in private sector

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### Abstract

In the recent competitive and changing business environment, employee retention has become a matter of utmost concern in all private sector due to economic growth, shortage of skilled workforce and employee turnover. Since employees are the assets of any organisation, this competition has increased the responsibilities to implement effective strategies by organisations to retain their employees. The study examines the factors that promote employee retention through reviewing of past studies with the aim to analyse and

identify various strategies that can help private sector organisations retain their best employees and motivate them to stay in the organisation. The study applied descriptive study technique and secondary sources have been used to collect the data from various research articles and journals. Recommendations are made for effective retention of valuable talents for private sectors that can enhance and promote employee's intention to remain with the organisation in this era of talent hunt.

**Keywords:** Employee retention, retention strategy, employee turnover, private sectors

### Introduction

Employee retention is globally considered immensely critical for any organisation and has been the centre of organisational success or failure. In the current competitive era, private sectors are required to maintain their highly talented and well trained employees for effective sustainability and productivity in the market (Patro, 2014) <sup>[24]</sup>. Dhanpat *et al*, (2018) <sup>[11]</sup> further emphasized that for an organisation to prosper in the evolving world of work, there is a need to appeal, develop and maintain talent with the right skills and knowledge that will improve organisational effectiveness and productivity. However, turnover rate affects how the organisation performs and most organisations are judged on the basis of their turnover rate. Employee turnover has proven to be expensive to organisations. When there is high employee turnover the cost in resources, recruiting and time of replacing vacant positions increases. These increased costs incurred through new staff recruitment include advertising and administrative expenses, time and resources for recruiting and training, loss of productivity and overlapping of salary; hence making it hard to maintain positive employee culture and morale. Moreover, high employee turnover leads to missed opportunities of achieving the set production matrices and budgets within the department, adding extra costs to the organisation (Cloutier *et al*, 2015) <sup>[9]</sup>. Whereas, low turnover makes certain that the organisation retains competent employees by giving them conducive environment that increases employee's performances (Hassan *et al*, 2013) <sup>[15]</sup>. In order to confront employee turnover, most attention is given to retention as it helps with reducing turnover rates as well as retaining talented employees from getting poached by other organisations. Additionally, retention strategies make a friendly working environment that encourages employees to be productive and helps maintain good relations. Therefore, the objective of this study is to analyse different factors that enhances the period of the employees in private sector organisations.

### Literature Review

Employee retention is a continuous and planned effort by organisations to keep their knowledgeable, skilled and competent employees (Shakeel & but, 2015) <sup>[30]</sup>. Employees are considered to be an essential part of organisations because of the services they offer, therefore when the employee stay longer in the organisation without changing quickly, it becomes beneficial to the organisation. Furthermore, employee retention is important as organisational issues like the time taken in training and investment, lost knowledge, insecure employees and a pricey candidate search are involved. Hence, when organisation fail to retain their key employee's it becomes a costly proposition for them (Sahni & Mishra, 2018) <sup>[27]</sup>. Therefore, it is important for organisations to retain their employees and this requires them to know how to retain them.

Employee retention strategies are primary element of an organisation's vision, mission, values and polices (Cloutier *et al*, 2015) <sup>[9]</sup>.

An employee's decision to remain in the organisation is caused by a number of factors relying on a variety of elements (Haider *et al.*, 2015) <sup>[14]</sup>. According to different studies, employee turnover is because of employee's demographic, personal and external characteristics, job satisfaction, work environment, motivation etc. (Shukla, 2014) <sup>[31]</sup>. The factors that directly affect employee decision to remain in the organisation are career opportunities, work environment, reward, growth and development and work life balance (Hassan *et al.*, 2013) <sup>[15]</sup>. Furthermore, organisations has to take into consideration factors like compensation and rewards, job security, training and developments, supervisor support culture, work environment and organisation justice etc. (Deshwal, 2015) <sup>[10]</sup>. According to Alkandari & Hammad (2009) on their study on employee's retention in private sector, they concluded that retention factors such as salary and compensation are considered as crucial to the private sector employees, followed by benefits such as leave and differed compensation. Benefits like good retirement plan and employee retention schemes are considered crucial for private sector retention. Organisations that experience employee turnover, may not encounter only monetary costs, the remaining employees may experience an increase in the overall workload of those who left hence have a negative impact on their motivation (Haider *et al.*, 2015) <sup>[14]</sup>. A successful employee retention does not depend on a single strategy there are several factors that are considered important.

#### **Person- Organisation fit**

Gilmore & Turner (2010) <sup>[13]</sup> specified that recruitment of employees should be done according to person-organisation fit, matching characteristics of individuals to a job and its culture. Gabriel *et al.* (2014) <sup>[12]</sup> examines the relationship between perceived fit and the overall attitude linked with an employee's positive experiences on the job which showed that there is direct correlation between Person- organisation fit and job satisfaction. They further stated that direct evaluation of fit started at recruitment process improves fit as it matches employee skills and values with that of the organisation. Smart hiring is important since the person to be chosen should fit to the job also to the organisation's culture and it is very critical to be mindful of qualification, diligence, attitude, skills and experience needed for the job (Kamalaveni *et al.*, 2019) <sup>[16]</sup>. It is likewise essential that employers evaluate the employees credentials to ensure they are the right fit (Cloutier *et al.*, 2015) <sup>[9]</sup>. Starks (2007) <sup>[32]</sup> emphasized that correspondence with an organisation 'fit' leads to retention.

#### **An organisations standard of communication**

Efficient communication process assist organisations to retain their employees (Cloutier *et al.*, 2015) <sup>[9]</sup>. They further suggested that for an organisation to maintain healthy work culture, they should be operating interpersonal and intercultural communication effectively. For employees to accept the organisation's vision, mission, values and policies is through effective leadership communication. In their book for managerial communication, Bell & Martin (2014) <sup>[5]</sup> gives supportive levels and explain the essence of mastering non-verbal communication, which should guide healthy discussions among employees on all levels. Communication that is not done properly leads to a poor work culture that end up leading to employee turnover. It is important for employees to know how they fit into the overall purpose of

the organisation (Baldoni, 2013) <sup>[4]</sup> and this can be known when the organisation has the standard process of communication that links employees to the right message from the employer.

#### **Employee Diversity**

One of the strategies that increases employee retention in the organisation is diversity (Cloutier *et al.*, 2015) <sup>[9]</sup>. When the organisation supports and integrates cross-generational, culture and gender employees, employees tend to see fewer barriers and more opportunities for growth. For multigenerational workforce, managers need to provide an evolving workplace centred on mutual respect and emphasize skill development (Sujansky, 2004) <sup>[33]</sup>. When the organisation does not support diversity there is high rate of conflicts which leads to high employee turnover. The conflicts normally arise from ignorance, prejudice feelings that creates lack of acceptance in the workplace, that leads to negative dynamics like stereotyping, cultural or gender clashes where other feels superior to others (Nnadi & Chinedu, 2019) <sup>[20]</sup>. Therefore, there is need for organisations to support employee diversity to retain their employees.

#### **Training and development**

Employee training and development inspires employees to stay loyal to the organisation and produce a cohesive workforce. It has a positive psychological effect to employees since they can perceive that they are valued and as a result remain committed to the organisation (Dhanpat *et al.*, 2018) <sup>[11]</sup>. Employees are more motivated to remain in the organisation if employers provide and invest in training them (Cloutier *et al.*, 2015) <sup>[9]</sup>. Providing professional training and career development programs should be a crucial part of the organisation policies and employees encouraged to take part in the training programs (Haider *et al.*, 2015) <sup>[14]</sup>. If employees are not granted opportunities to continually update their skills, they are more prone to leave the organisation. Training equips employees with the skills and knowledge that are needed to perform their work efficiently therefore making employees satisfied with their work since they know what they are doing (Armache, 2014) <sup>[3]</sup>.

#### **Compensation and rewards**

An organisational reward system has long been established as a way to manage employee retention and turnover (Chiboiwa *et al.*, 2010) <sup>[8]</sup>. Compensation is largely known to play a critical role in attracting employees; it boosts the employee's organisational commitment and ensures employee retention (Dhanpat *et al.*, 2018) <sup>[11]</sup>. Remuneration levels and satisfaction are considered as modest predictors of an employee's decision to leave the organisation. Compensation comprises of wages and other methods of payments like bonuses, overtime pay and sales commission (Armache, 2014) <sup>[3]</sup>. The remuneration has been noted as a primary factor that shows the commitment and intention of the organisation towards their employees and one of the captivating reasons for an employee to stay. Conversely, it's not sufficient motivation to sustain employees. They might still choose to leave the organisation for better monetary. Therefore, several organisations announce and provide remuneration that is above and over the prevailing market rates. Onyango (2014) <sup>[23]</sup> discovered positive correlation between direct and indirect financial rewards and employee retention. This could be by means of security plans, house

and vehicle allowances, free education to children, stock options and special pay premiums and bonuses, etc.

### Leadership and Retention

Various studies have suggested that a crucial factor of retention is fair treatment of employees by supervisor. Unfortunately, several business leaders add to high turnover due to poor relations among employee and managers (Cloutier *et al.*, 2015) <sup>[9]</sup>. Powell's (2012) argued that employers and business leaders mostly fail to understand why there is high employee turnover. An increase in turnover is because of unbalanced treatment of employees therefore, leaders must question themselves concerning their personal judgements, biases and assumptions when dealing with employees, this eventually leads to high motivations and effectiveness of organisation (Alkhawaja & Arwa, 2017) <sup>[2]</sup>. Several studies have further noted that the way employees are managed and the type of leadership style has direct impact on an organisation's ability to sustaining their workforce (Nor, 2018) <sup>[22]</sup>. Leaders plays a vital role in the success of the organisation because they encourage the sub-ordinate to do well (Munish & Agarwal, 2017) <sup>[19]</sup>. Support from supervisors decreases work-related stress levels and might create sense of belonging that gives employees enough reasons to stay in the organisation (Dhanpa *et al.*, 2018) <sup>[11]</sup>.

### Employee engagement

Employee engagement is among the main contributors to an organisation's competitiveness and also important to its prospective to succeed (Saks & Gruman, 2014) <sup>[28]</sup>. The ability of an organisation to engage its employees has been taken as basic fundamental to success and higher employee retention (Markos & Sridevi, 2010) <sup>[18]</sup>. Employee engagement is beyond productivity, it helps reduce employee absenteeism, safety incidents and quality concerns (Baltoni, 2013) <sup>[4]</sup>. This is because engaged employees are content with their jobs, take pride in their organisations and feel valued by their organisations. What has to be understood about employee retention and the efforts to increase employee engagement, is that employees contribute to the organisation as much as they feel it earns in response to what the company gives them (Shah *et al.*, 2017) <sup>[29]</sup>. Employees become devoted and remain in their organisation for longer when they feel the sense of feeling and pride in the work they do.

### Employee commitment

Commitment is a bond among employee's experiences and their organisation. Employee commitment is essential because high levels of commitment is more advantageous to the organisation and has favorable outcomes (Beloor *et al.*, 2017) <sup>[6]</sup> such as high employee retention. The employees that are committed, normally feel a connection that they fit in the organisation and understand its goals and therefore tend to be more determined in their work with an increase of high productivity (Beloor *et al.*, 2017) <sup>[6]</sup>. In a competitive environment, survival of organisations gets to be exceptionally intense since there's increment in poaching of workers and thus it is profoundly fundamental for retaining committed workers in organisations (Rashmi, 2016) <sup>[26]</sup>. An organisation that seeks to promote commitment strategy would significantly reduce the chances of employees seeking for employment elsewhere (Khan, 2018) <sup>[17]</sup>.

### Job satisfaction

Job satisfaction plays a major role in employee retention because dissatisfied employees sooner or later leave the organisation hence losing the knowledge that the employees had brought in (Alkahtani, 2015) <sup>[1]</sup>. Moreover, job satisfaction is what employees seek and a main part of employee retention which is possibly attained by creating environment that makes employees feel content physically and psychologically (Biaison, 2020) <sup>[7]</sup>. It is noted that when employees are dissatisfied, it becomes hard to retain the knowledgeable employees in the organisation (Kamalaveni *et al.*, 2019). Whereas employees that are satisfied and happy with their work tend to be more dedicated and work for the growth of the organisation (Biaison, 2020) <sup>[7]</sup>. Noltmeyer and Patrick (2014) <sup>[21]</sup> in their study, noted that there are certain duties which accounts for job satisfaction, which are, responsibilities, work, employee recognition and good supervisor.

### Discussion

The study gives insights on how retention strategies helps with retaining employees in private sector organisations. In the recent era, employee retention is crucial especially in private sectors where there is high competition and poaching of highly talented and skilled workers. Employee retention can be accomplished through effective communication, hiring and supporting diverse workforce, hiring suitable and skilled people, offering training and development to employees, finding ways of making employees engaged and committed, good leadership, monetary and non-monetary compensation and rewards and transparency in the work place. It is important for private organisations to offer competitive compensation and rewards, not only monetary but as well as other benefits to retain their workers. Furthermore, training and development opportunities, inspires employees to stay because they feel valued when the organisation invest in them. Private sector organisations need to take into consideration, person- organisational fit during recruitment in order to recruit people with appropriate skills that matches their job scopes. Offering a conducive work environment promotes commitment and engagement from employees, and leads to an increase in productivity and devoted employees. In most private sector organisations, they are normally characterized by short term contracts, which leads to high turnover and less commitment and engagement from employees, therefore in order to enhance commitment and engagement, employees have to be certain about their future with the organisation and remain loyal in the long run. Emphasis is made on good leadership in the workplace, employees that feel treated unfairly by their leaders often leave the organisation and hence increased turnover. Therefore, leaders have to be equipped with strategies of leadership styles and how to not be bias when dealing with their subordinates. Moreover, an organisation that allows employee diversity becomes attractive to employees especially in an evolving environment and hence employees are willing to remain and explore more opportunities of growth with less barriers and discrimination. The transparent and effective channels of communication among the executive leadership, employees and management lead to employees having a sense of belonging and valued due to transparency and therefore chooses to remain in the

organisation. Lastly, when using retention strategies, employees tend to be extremely satisfied and motivated, which promotes high productivity and reduction in employee turnover (Armache, 2014) <sup>[3]</sup>. That is, job satisfaction is crucial and have shown that when employees are content and satisfied with their work, they are more likely to remain in the company for longer.

### Conclusions and Recommendations

Private organisations gain competitive advantage by being proactive by creating innovative strategies to retain their employees. In conclusion, the study has reviewed various existing literature that have been conducted in the area of employee retention and finds that the strategies are positively linked to employee retention. As stated, successful employee retention is vital to an organisation's stability, growth and revenue (Cloutier *et al*, 2015) <sup>[9]</sup>. When strategies are not implemented properly, the organisation may encounter high employee turnover rates. With the consequences of turnover in private sector, it is essential that more research be done in the area of intention to quit. This will help leaders to have an understanding why there is high turnover, then they can formulate a suitable and competent retention strategies. In most private sector organisations, they are normally characterized by short term contracts, which leads to employee's disengagement from the work and reduce commitment, since they are not certain about their future with the organisation, therefore private sectors should look into contracts that are on permanent basis to enhance employee retention.

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