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Author’s contribution

The sole author designed, analyzed and interpreted and prepared the manuscript.

ABSTRACT

Human Resources (HR) are the most valuable asset in any organisation. Even though organisations advanced with technology, they need HR to run the technology. With this advancement in the industries completion among the organisations are very high. This opens many pathways and opportunities in the hands of the HR. The major challenge by most of the organisation today is not only managing their workforce but also retaining them. Therefore, securing and retention of skilled workforce plays a vital role for any organisation due to knowledge and skills of the employees are central to the institution’s ability to be economically competitive for growth and sustainability. Additionally, employee satisfaction is another HR issue faced by the employers today. When taken to account the importance and sensitivity of the issue retention to any organisation, this study is aimed to identify the relationship between HRM practices and employee retention based on the literature review.

Keywords: HRM practices; job satisfaction; employee retention.
1. INTRODUCTION

Turnover of skillful employees is a major concern of managers and administrators in today’s business world due to the costs incurred to replace and lost productivity of them. Employees leave their jobs due to many reasons, but research has shown the following as primary reasons; conflict or dislike of boss or supervisor, not fitting into the organizational culture, or being attracted to another employer who meets the expectations of employees [1]. Therefore, reducing employee turnover by means of effective retention practices is the most important area of interest to any organisation with highly skilled labour force.

Turnover can be either voluntary or involuntary. Voluntary turnover is a decision by an employee to break the relationship with his or her organisation. This happens when the employee chooses to leave the organisation. In such a circumstance, the organisation loses a valuable employee and his skills and talent need to be replaced. Involuntary turnover means an employee being terminated by the organisation. It happens due to many reasons such as decline in revenue of the company, retirement, resizing, restructuring, etc. In every case, an employee leaving either voluntary or involuntary is not due to a negative relationship with the organisation. In addition, involuntary turnover is unavoidable, where it is a part of business cost and life [1].

The current workforce combines with four distinct generations which include the traditionalist, the baby boomers, the Generation Xers and the Millennials or Generation Yers [2]. Each generation has its own distinct features which describe the characteristics of the people and societal changes that shaped them [3]. Their needs vary according to their generation. For instance, the concept of work-life balance is one of the major concerns in the workplace by Generations Xers and Yers compared to the traditionalists and baby boomers. For the first two generations, work is the most important aspect of their life, while life is the most important reigns for the Generation Xers and Yers. It is also clear that Xers and Yers highly value their personal time over company time [4].

Having said so, generational differences can be either an obstacle or a means to improve organisational performance. Managers and organisations need to develop and utilize multimodal human resource management (HRM) strategies to get the maximum benefits out of their employees. Organisations have to find ways to best utilise their people such as using the work ethics and expertise of baby boomers to train and educate the younger employees. Meanwhile, to earn the trust of the Xers organisations can encourage their participation in organisational growth and to lead the business into meeting future targets. At the same time, organisations must develop the Yers too by providing continuous guidance and encouraging them to take part in non-virtual teams [4]. This will help to establish well-organised and highly motivated teams within the organisations, leading to lower turnover.

The prime goal of a successful employer should be the acceptance and use of generational differences in their business growth and development through creating an effective workplace, which leads to reduced turnover.

1.1 Objectives of the Study

This study on review of literature on retention initiatives undertakes the following objectives:

1) To find out the various research works that have been done in the area of HRM practices and employee retention.
2) To highlight the various factors which affect retention initiatives in an organisation.
3) To explore the relation between HRM practices with job satisfaction leading to employee retention.

2. METHODOLOGY

The study is descriptive in nature and only secondary data have been used in it. The secondary data consists of the books and various research journals.

3. EMPLOYEE RETENTION

Employee retention refers to the hierarchical arrangements and practices utilised as a part of the organisation to keep key workers from leaving the association. Employee retention is the exertion by a business to keep attractive labourers with a specific end goal to meet business targets (Frank et al., 2004 cited in Natalie et al., 2011) [5]. Employee retention is keeping the capable well-performing employees in the organisation for a longer period to achieve competitive advantage. As per Berry and Morris ([6], p. 2) retention is a continuation of the employment of the workers, particularly high-
calibre and productive workers. Employee retention in an organisation relies upon the way the organization maintains its HRM practices to discuss the issues and requests of its employees. However, retention is multi-dimensional factor of an organisation’s human resource policies which begins with recruiting the right people in the organisation and to stick them with the organisation’s business portfolio (Freyer, 2014 cited in Madiha et al., 2009 cited in Fatima, 2011) [5] (p. 9). In addition, the authors discussed a range of retention strategies, including bonuses, promotions, and personal communication from top managers. They also discussed whether retention bonuses should be tied to performance and offer suggestions for implementing performance-based rewards [5] (p. 11).

The idea of employee retention begun during 1970’s and mid 1980’s while people and organisations are unaware of the importance keeping the potential employees and its advantages to the organisation. Before that, as usual people join the organisation to earn to meet their daily needs; they stay longer time in the organisation and even for their work life. However, job mobility and voluntary job changes made an evolution in many industries as the employees found themselves with the problem of employee turnover. So, the management of the organisations critically evaluated and developed employee retention as a management tool to retain the potential employees in the organisation (Mckeown, 2004, cited in [7], p. 297-298). However, the fundamental reason for employee retention is to prevent the capable workers from leaving the organisation as this could effect on the services offered by the organisation (Chibo, 2009, cited in [8], p. 83).

Staff turnover is vital for any organisation. It has a direct impact on the smooth running, productivity, performance and long-term sustainability of the organisation. As such, employee retention should be the primary focus of the organization to maintain a strategic distance from the unpredictability and high cost of selecting an expert and qualified workforce to the organisation. Addition to this, when competent employees leave the organisation, there are movements of the customers towards those employees who are loyal to those employees, this result to the organisation loss of both employees and the customers. In addition, high turnover has an impact directly and indirectly to the reputation, image, productivity and sustainability of the organisation [9]. On a few occasions, subordinates who are loyal to the leaving employee may leave the organisation as well. Therefore, employee retention needs to be considered more important than hiring a new employee [5] (p. 10).

According to Sunderji [10] it is the presence of de-motivators (job dissatisfaction) and the absence of motivators (no job satisfaction) that cause employees to jump from the ship. He derived his conclusion based on Fredrick Herzberg’s (1968) two factor theory. Herzberg identified two factors, i.e.; the motivating factors and satisfying factors. The main conclusion he made with the application of this theory to employee turnover is that if the employees are motivated and satisfied with their jobs, they have no intention or no reason to jump into another ship. Sunderji [10] further suggested the following as reasons for employees leaving their jobs: (1) The top two motivators leading to job satisfaction were a sense of achievement, and recognition for the achievement; (2) The top two de-motivators leading to job dissatisfaction were bureaucratic and unfair company policies and administration, and poor supervision; and (3) Salary is an extrinsic factor; therefore, an average or generous salary did not lead to job satisfaction; rather, it leads to no job dissatisfaction.

4. RELATIONSHIP BETWEEN HRM PRACTICES AND EMPLOYEE RETENTION

There are enough sources of evidence to justify the positive relationship between HRM practices and employee retention. Irshad [11] carries out a literature study on factors affecting employee retention. He summarized the findings of many researchers and highlighted their suggestions in terms of the management practices that can be helpful to improve absenteeism, employee retention and better quality of work. HRM practices include in the study are compensation & rewards, job security, training and development, supervisor support culture, work environment, and organisation justice (Meyer & Allen, 1991; Solomon, 1992; Snell & Dean, 1992; Arthur, 1994; Snell & Youndt, 1995; MacDuffie, 1995; Delaney & Huselid, 1996; Ichniovski, Shaw & Prennushi, 1997, cited in [11] & [12]). Cappelli (2000, cited in [11]) uses the similar factors whilst Cole (2000, cited in [11]) suggests that employees are the loyal with organisations when they see value, sense of pride and thus work to their fullest
Retention and turnover are two sides of a coin. The factors leading to employee retention are the opposite of the factors on turnover. This demonstrates the importance of employee retention and turnover in an organisation. If an employee happy about their organisation his or her tendency to stay is more, allowing the organisation to achieve competitive advantage. According to Moore (2002, cited in [13]) lack of job satisfaction might be the cause of employee turnover and Boundrias et al. (2009, cited in [13]) suggested that the causative factor for employee turnover might be the low-level of empowerment. Hatton and Emerson (1998, cited in [13]) mention that low-level of support of superior might lead to employee turnover as founded by Salman, Igbal and Chandran (2010, cited in [13]).

A study conducted by Sheikh, Ul-Qamar and Iqbal [14] on the impact of HRM practices on employee retention. The HRM practices (career development opportunities, supervisor support, working environment, rewards and work-life policies) are the variables of the study. Based on the data collected from 101 respondents, the study concludes with a positive relationship between the above mentioned HRM practices and employee retention. They recommended that if the organisations wish to improve employee retention, management should focus on improving the HRM practices.

Hong and his colleagues concluded their study in Malaysia, justifying that HRM practices such as training, compensation and appraisal systems have a significant relationship between employee retention in the university Y lecturer's retention [9] (p. 75). However, the fourth HR factor (employee empowerment) has lesser contribute to retaining the lectures in the university. They also conclude that empowerment could be the attributed to the Asian culture or conformity to higher authority (p. 60). This indicates to retain employees in higher education institutions need to consider HRM practices which are aligned to employee retention.

A study conducted in Thailand’s manufacturing industry on the effects HRM practices on employee retention concluded with positive relationships between HRM practices and employee retention. Compensation & benefits management and reward system, training and development and employee empowerment are the HRM practices used in this study. The study also revealed that the employees stay longer in the organisation if they are attached with attractive compensation and reward system. The study also found that training can play a role in increase staff retention accompanied with compensation and reward system [15] (p. 164).

From the early US models of HRM emerged the concept of best practices where the adoption of certain HR practices would result in improved organisational performance. This can be happened by retaining the potential employees longer period in the organisation. According to Stavrou-Costea (2005, cited in [9], p. 61) the main factor for the success of an organisation is the effectiveness of HRM practices. This can be visible in the organisations that own good HR practices to retain the employee’s base longer period. Therefore, both HRM practices and employee retention have a significant relationship directly and indirectly.

4.1 Leadership

Leadership is one of the key practices to determining whether the employees stay or leave the organisation. Leadership styles directly and indirectly influence employees to decide whether to leave the organisation or to stay with the organisation. Because employees do not leave the organisation they leave their managers. Izdo & Iheriohana [16] mention that employee retention and performance are achieved through adopting an appropriate leadership style that would align with business strategies with employee motivation and morale (p. 185). Similarly, Wakabi [17] found positive influence on leadership style and staff retention in the organisation, his discussions based on the leadership styles, employee turnover/retention and role of leadership and staff retention.

4.2 The Reward

The Reward is also one of the key leading HRM practices as established by many authors [18,19,20,21,22]. If the employees are attached to attractive reward system their stay in the organisation will be longer. Similarly, if the employees are rewarded according to their performance, they tend to be stick to their organisation (Sutherland, 2004; Shoaib et al., 2009, cited in [20]).

4.3 Salary

Salary is also another key leading practice that influences on employee retention. According to
Grace [23] employees are working for money. If the organisations are able to provide good pay in terms of salary and other incentives to its employees, they will feel their work is much appreciated by the organisations. Thus employees intention to stay in the organisations will be higher [24].

4.4 Compensation

Compensation is also one of the key leading HRM practices [5,13,18,19,25,26,27]. Hong et al [9] found that compensation has a positive relationship with retention of employees. Similarly, Mittar, Saini and Agarwal [5] and Williams et al. (2007, cited in [28]) conclude that an effective compensation system has a positive effect on employee retention.

4.5 Training and Development

Training and development is investing in employees to build and develop their skills. It is another key HRM practice that influences on employee retention at any age [5,13,19,26,27,28,29,30]. Huselid (1995 cited in [13]) as supported by Bamberger (2009, cited in [13]) suggests that training is an important determinant of employee retention.

4.6 Career Development

Career development is also a key HRM practice [19,21,25]. Allen, Shore and Griffeth (2003, cited in [14]) have mentioned that the employee’s intention to leave organizations are reduced based on the opportunities provided by the organisations for employee development; lack of training and promotional opportunities are the main reasons for high-performers to leave the organisation.

4.7 Employee Recognition

Employee Recognition is acknowledging performance of an individual employee. Yazinski (2009, cited in [30]) states that recognition of skills related to individual job accomplishments is an effective retention strategy for employee at any age. In addition, there are studies indicated positive impact on employees long stay in the organisation by acknowledging individual work accomplishment related to the job and the organisation (Redington, 2007, cited in [30]).

Therefore, based on the findings from the literature the following HRM practices are used to develop study model; (1) Leadership, (2) Reward, (3) Salary, (4) Compensation, (5) Training and development, (6) Career development, (7) Recognition, (8) Commitment, (9) Employee empowerment. It is a combination of most of the prominent HRM practices used by most of the researcher. They have used combination 4 or 5 or sometimes more.

5. THE HRM PRACTICES, JOB SATISFACTION AND EMPLOYEE RETENTION MODEL

The biggest challenge in the organisations today is to retain their talented employees. The rapid growth in the industries with high competition among the competitors, every organisation tries to withhold their employees to get the competitive advantages. As we all know employees are the most valuable asset of the organisation, the success and failure depends upon how much they are satisfied with their work and organisation. Satisfying individual worker is the most difficult task facing most of the organisation today. Also, there are numerous opportunities available for qualified human resources in the industry, making the employers to satisfy and retain them. However, there is no single strategy or retention policy which may satisfy each and every employee in the organisation due to different personalities, demands and expectations of the employees.

The concept of employee satisfaction was pioneered by Hoppock in 1935 and defined as the “subjective reaction or satisfaction of employees with physical and psychological aspects of their work environment” Hoppock (1935, cited in [24], p. 10719). Chang (2005, cited in [24], p. 10719) has a similar definition, “it is the feeling or attitude of employees toward their work environment”. Wang (2005 cited in [24], p. 10719) mention both “employee satisfaction” and “job satisfaction” as the same. As Hoppock mentioned, if the employees are satisfied with their job, their stay in the organisation is most likely higher. This aligns with Herzberg’s two factor theory (1968) and Maslow’s Hierarchy of needs (1943). Both the theories reflect on employees motivation and motivational factors. Therefore, to achieve employee job satisfaction, organisations have to invest in training and development to improve their knowledge and skills. In addition, management has to allocate a reasonable pay or bonus based on employee performance to maintain their job satisfaction (Kehinde et al., 2012, cited in [5], p. 10).
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Herzberg’s (1987, cited in [31], p. 3) address the following condition to create job satisfaction among the employees by the managers; providing opportunities for achievement; recognizing workers contributions; creating work that is rewarding and that matches the skills and abilities of the employee; giving as much responsibility to each team member as possible; providing opportunities to advance in the company through internal promotions; offering training and development opportunities so that people can pursue the positions they want within the company.

The above model clearly illustrates the direct relationship between HRM practices and job satisfaction leading employee retention. If the HRM practices are well managed and organized in addressing the needs and demands of both the employees and organisation, it will lead employees’ satisfaction towards the job, the organisation and reduces employee turnover. Thus the job satisfaction and turnover negatively correlated to one another. The model also clearly defines the HRM factors exist in the organisation will not only help to attract new employees, but will lead to retain the existing employees in the organisation. Satisfied with the job always results retain on the job or organisation [20,22] and job satisfaction is the pleasure that the individual employee feels about his job or his work [6] (p. 3).

6. CONCLUSION

An employee base of an organisation is complex and difficult to know it. Employees are the main asset for whom the organisation depends. Retaining them will help the organisational growth in the long run and will also add their goodwill. But the most challenging task for most of the organisations today is employee retention and their satisfaction. Although this paper tried to explore the area of HRM practices and employee retention by the various researchers, still much scope remaining for more exploration in the field of HRM practices and employee retention. However, by taking into consideration the factors like leadership, rewards, salary, compensation, training & development, career development, recognition, employee engagement, appraisal system, superior support, etc. Needless to say that these factors should be conducted by the HR professionals in order to understand the level and extend of the issue among the human resource of the organisations.

COMPETING INTERESTS

Author has declared that no competing interests exist.

REFERENCES


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