

HRM Practices and their impact on Employee Retention: A study of Telecom Industry.

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Abstract

Employees play an important role in an organization's success. An organization needs to develop effective strategies to retain its skilled workforce. Retention of an efficient workforce gives an opportunity for the organization to stand and survive in this competitive marketing environment. The objective of this study is to know the impact of HRM practices on employee retention with special reference to the telecom industry. Two dimensions of HRM practices that had been examined in this study are Compensation and Career development. Primary data has been collected through a well designed structured questionnaire. The study concluded that there exists a significant impact of compensation and benefits and career development on employee retention.

Keywords: HRM Practices, Retention, Workforce, Compensation, Career development

1.1 Introduction.

Employees are precious assets to every organization. The success of an organization to a great extent depends upon how productive the employees have. (Muceke, Iravo, & Namusonge, 2012, Rashidi and Rahman, 2013). Nowadays retention of the efficient workforce has become essential as it is very difficult to get the skills of productive employees (Irshad & Afridi, 2010). The high rate of employee turnover is one of the main reasons behind increasing the overall cost of the company because management incurs a huge amount of money and time in recruiting and training a new employee. In simple terms, Retention may be defined as a process adopted by an organization for retaining and motivating efficient employees so that it can increase its profit level. Retention of efficient employees is important both for the organization as well as for its employees (Akila, 2012, Kavitha, 2013, Laddha, Singh, Gabbard, & Gidwani, 2012). Hence, it is the responsibility of the organization to retain its key employees because there are plenty of opportunities available for skilled employees outside the organization, as soon as they get opportunities better than their previous employer then they can quit from the organization. (Kavitha, 2013)

1.2 Literature Review

Human Resource Management Practices

Intense competition in the market has made retention of employees as one of the biggest challenges for any organization. An organization, capable of meeting the needs of its employees by providing them with satisfactory compensation packages and dynamic work environment can retain its workforce. Therefore, it is essential to implement effective HRM practices since it has a direct as well as a positive impact on employee retention (Haider et al., 2015). It is the Human resources only who can either make or destroy organization goodwill. Therefore, retention of skilled employees can increase the goodwill of the company, which is a difficult task for the HR managers. (Das and Baruah, 2013). An organization cannot retain all of its efficient

employees, but it can make every possible effort to reduce the high rate of attrition existing among the employees. The duty of the HR Manager does not end up by the hiring of efficient staff, but it also comprises of making them happy and enthusiastic, so that they can be motivated to stay longer in the organization. (Mehta et al., 2014)

1.2.1 Employee Retention

Singh and Dixit, (2011), stated that employees cannot become motivated and committed to the organization just by being promoted in their jobs.,because they will quit the organization as soon as they get some good opportunities from the other firms. In recent times, retention of skilled employees has become very challenging. Efforts are done at all levels of management Management to stop high rate of attrition. There are many reasons for the employees leaving the organization. (Mitchell, Holtom, & Lee, 2001).Some of them are plenty of good opportunities available outside the firm, job becoming monotonous , poor communication with colleagues, mismatch between training provided and skills needed for the job, and a high level of stress at the workforce which results in decreasing the productivity of the employees and can also affect their performance at the workplace. (Tulasi and Garlapati 2014).

1.2.2 Compensation and Employee Retention

Compensation is one of the most important determinants which contributes a lot in letting an employee stay in the organization. However, it is not always necessary that only effective pay packages can make employee committed to the organization. (Zingheim et al.,2009, Haider et .al., 2015) There are various other factors which play an important role in retaining the employees. Therefore, it is important to consider those factors, along with compensation.(Haider et .al 2015).Retention of employees can be improved by appreciating the work of an employee based on his or her individual performance. (Collins and Clark, 2003) Compensation increases the employee's self-esteem and motivates the employees to give their best shot (Döckel, Basson and Coetzee, 2006). An Organization can grow and develop with the support of its employees. (Kumar and Wei, 2012) .The aim of their study was to know the impact of compensation, work-life balance, organizational commitment, career opportunities and supervisor support on employee's intention to stay. They concluded in their study that HR practices such as compensation, work-life balance, organizational commitment, career opportunities, and supervisor support play a positive in employee retention. The study further stated that among these HR practices, only Compensation has a great impact on employee retention. Therefore, by providing adequate compensation, an organization can retain its employees. Therefore, it is advisable for the organization to adopt proactive action rather than taking a reactive action, to prevent an organization from any kind of financial as well as manpower loss.

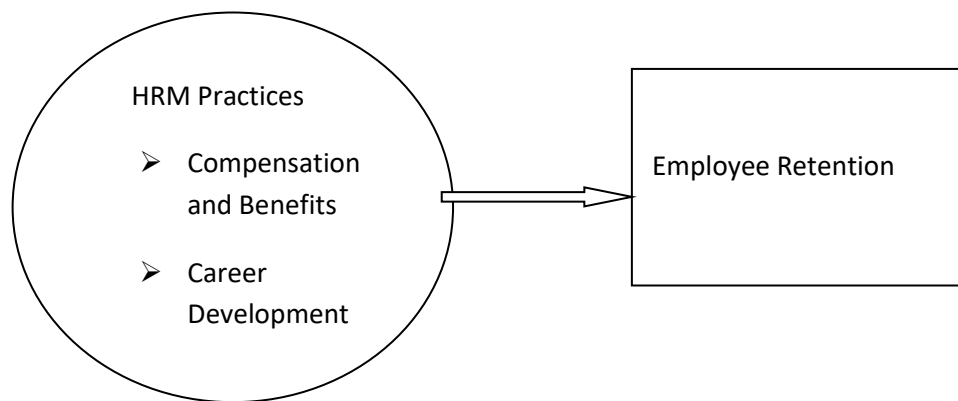
Career development and Employee Retention

There are numerous studies which have shown that the lack of career opportunities can be one of the reasons behind employee leaving the organization. (Stahl et al, 2009). Therefore, it is essential for the organization to maximize its profits by reducing the high rate of employee turnover. Committed employees lay the foundation for organizational success. In order to generate revenue, the organization needs an efficient human resource to achieve its target growth. Therefore the absence of a competent employee can hamper the success of an organization. A good salary and designation were not enough to retain employees. (Shoaib et. Al.,2009).The study concluded that there existed a positive relationship between career development opportunities, supervisor support, work environment, reward, and employee retention. Opportunities for advancement in career play an important role in employee retention. An organization can retain its employees, especially who are in their early and middle stages of a career by giving them opportunities to grow and develop in their career. (Chen and chan,2010)Therefore, career development should be reviewed annually or at a time when a request is made by the employee. Passionate employees look forward to the opportunities for career development with the growth of the organization. (Rashidi and Rahman,2012).

2.1 Objective of the study

The objective of the study is as follows:

- ❖ To know the impact of compensation on employee retention
- ❖ To know the impact of career development on employee retention
- ❖ To study the collective impact of compensation and career development on employee retention



2.2 Conceptual Framework

2.2.1 Hypotheses based on Proposed Model

Ho1.1 There is a significant effect of compensation on employee retention.

Ho1.2 There is a significant effect of career development on employee retention.

2.2.2 Hypotheses based on Demographics

Hypotheses Based on Gender

Ho2.1 Significant differences does not exist in the mean value of compensation between male and female.

Ho2.2 Significant differences do not exist in the mean value of career development between male and female

2.2.3 Hypotheses Based on Marital Status

Ho3.1 significant differences do not exist in the mean value of Compensation between single and married

Ho3.2 Significant differences do not exist in the mean value of career development between single and married

3.1 Research Methodology

The main aim of this study is to know the impact of HRM practices (Compensation and benefits and career development on employee retention.)

Population: The population for this study includes the employees working in the telecom industry in Delhi – NCR. The population was divided into two parts: Lower level of management and middle level of management. Two top telecom service providers, i.e. Bharti Airtel and Vodafone were selected for the present study as per the TRAI annual report 2016-2017

Sample Frame: The sampling frame for this study comprised of employees from the middle and Lower level of management from the telecom industry

3.1.1 Research Instrument

Both primary, as well as secondary data, was used to collect the data. Primary data was collected using a well-designed questionnaire using Likert Five point scale, with options ranging from 1-Strongly disagree to 5- Strongly agree. There were a total of fifteen questions on the survey. Questions on employee retention were adapted using the scale of (Mowday et. al., 1984., & Sitati et.al., 2016). Career Development questions were adopted from the scale of (Delery et.al., 1996., Prebistero et.al., 2015) & Compensation and Benefits dimension were measured using the scale of (Delery et.al., 1996., Rathnaweera, 2010., Singh, 2004., & Qureshi, 2006.) Questionnaires were distributed among the employees working in Airtel and Vodafone. The data were analyzed using the Statistical Package for Social Sciences (SPSS) version 22.0.

3.1.2 Participants

Data were collected through an anonymous survey instrument administered to junior/Lower and middle telecommunication managers from the top two players, i.e. Airtel, and Vodafone as per the market share. Respondents for this study consisted of 202 (150 males and 97 females). Table 1 summarizes the demographic and descriptive statistics of the respondents. Employee experience ranged from less than 3 years to more than 10 years, with a good distribution across management levels 115 (~57 %) junior managers and 87 (43%) middle managers. The same pattern was noticed in marital status with 58.4%

married and 41.6 % unmarried. The sample was almost equally distributed among the top two telecom players as Player A with 50.5% and Player B 49.5%. All employees participated voluntarily in the study.

Table 1: The demographic profile and descriptive statistics of the respondents

Item	Frequency	Percentage
<i>Gender</i>		
Male	105	52
Female	97	48
<i>Length of Service</i>		
Less than 3 Years	62	30.7
3-6 Years	50	24.8
7 -10 Years	48	23.8
More than 10 years	42	20.8
<i>Designation</i>		
Junior Manager	115	56.9
Middle Manager	87	43.1
<i>Marital Status</i>		
Married	118	58.4
Unmarried	84	41.6
<i>Company</i>		
Airtel	102	50.5
Vodafone	100	49.5

3.1.3 Reliability Analysis

Cronbach's alpha was computed to check the internal consistency for each dimension used in this study. Cronbach's alpha value was .908. Therefore, the items are eligible to proceed for further analysis

Results

Table 2 shows the descriptive statistics and correlations among the study variables. As can be seen, Employee retention is significantly related to compensation ($r = .758, p < .01$) and to career development ($r = .699, p < .01$). Career development is also significantly related to compensation ($r = .787, p < .01$). Designation and Company are also significantly related to length of service ($r = -.215, p < .01, r = -.146, p < .05$, respectively).

Table 2. Means, Standard Deviations, and Correlations (n=202)

	Mean	SD	1	2	3	4	5	6	7
1. <i>Compensation</i>	3.75	0.93							

2. Career Development	3.78	0.8	.787**						
3. Employee Retention	3.78	0.83	.758**	.699**					
4. Gender			0.025	0.044	0.042				
5. Length of Service			-0.048	-0.021	-0.049	-0.085			
6. Designation			0.007	0.044	0.001	0.085	-.215**		
7. Marital Status			0.135	0.099	0.107	0.054	-0.028	-0.004	
8. Company			0.114	0.076	0.107	-0.037	-.146*	-0.015	-0.085

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 3. Results of regression analyses predicting Compensation and Career Development (n = 202)

Table 4. Mean Difference (T-Test) & Mean Square (Annova)

	<i>Compensation</i>		<i>Career Development</i>		<i>Employee Retention</i>		
	<i>N</i>	<i>Mean/SD</i>	<i>F/Sig</i>	<i>Mean/SD</i>	<i>F/Sig</i>	<i>Mean/SD</i>	<i>F/Sig</i>
Gender							
<i>Male</i>	105	3.73/.93	.646/0.423	3.75/.84	2.58/0.110	3.75/.84	.775/0.380
<i>Female</i>	97	3.78/.94		3.82/.77		3.82/.83	
Marital Status							
<i>Married</i>	118	3.65/.97	4.85/0.029	3.72/.82	2.44/0.120	3.71/.88	8.87/0.003
<i>Unmarried</i>	84	3.90/.85		3.88/.78		3.89/.76	
<i>Variable</i>	<i>Employee Retention</i>						
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>			
<i>Gender</i>	.038	.024	.012	.018			
<i>Length of Service</i>	-.027	-.009	-.033	-.016			
<i>Designation</i>	-.005	-.007	-.036	-.019			
<i>Marital Status</i>	.114	.006	.042	.008			
<i>Company</i>	.115	.022	.054	.024			
<i>Compensation</i>		.754***		.539***			
<i>Career Development</i>			.691***	.272***			
<i>Adjusted R2</i>	.003	.562	.480	.589			
<i>F</i>	1.107	44.027***	31.894***	42.128***			
<i>Df</i>	5196.000	6195.000	6195.000	7194.000			
<i>ΔR2</i>		.575	.495	.603			
<i>F for ΔR2</i>		44.027***	31.894***	42.128***			

p* < .05; *p* < .01; ****p* < .001

We used regression analysis to test the hypotheses. Supporting Hypothesis 1, Table 3 shows that the compensation is significantly related to employee retention ($\beta = .754, p < .001$), career development ($\beta = .691, p < .001$). Furthermore, when both compensation and career development introduced together they were found significantly related to employee retention in Model 4 ($\beta = .539$ & $.272, p < .001$).

An independent-samples t-test was conducted to compare compensation, career development and employee retention across gender and marital status. There was a An significant difference in the mean values compensation for married (Mean = 3.65, SD = .97) and unmarried (Mean = 3.90, SD = .85) satisfying the

Levene's test for equality of variance ($f = 4.85$, $p = 0.029$). Mean value of employee retention was also found significant for married (Mean = 3.71, SD = .88) and unmarried (Mean = 3.89, SD = .76) condition; $f = 8.87$, $p = 0.003$. No mean difference was noticed among male and female for compensation, career development, and employee retention. Also, there was no significant mean difference for married and unmarried in case of career development.

4.1 Discussion and Conclusion

In this study, we proposed a relationship between compensation and Benefits, career development, and employee retention. The results show that compensation and career development have a significant positive relationship with employee retention. Hence hypothesis HO1.1 and hypotheses, Ho1.2 was supported. The above findings show that compensation and benefits had a significant impact on employee retention. This was supported by a study done by (Kumar and Wei, 2012., & Michael, Prince & Chacko, 2016). who concluded that compensation has a significant impact on employee retention. The hypotheses Ho1.2 was also supported by (Quarles, 1994., & Shoaib et. al., 2009) who concluded that there exists a significant impact of career development opportunities on employee retention. Our findings also confirm that there is a strong correlation between compensation, career development, and employee retention. In addition to that marital status was found significant in determining the level of compensation and employee retention.

Employees intention to stay or quit from an organization to a great extent depends upon the opportunities the employees get to grow and develop in their career and the amount of compensation and benefits provided by their organization. Hence it is essential for the organization to motivate and to retain its efficient workforce by bringing these two HRM practices in their day to day practice.

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