EMPLOYEE RETENTION STRATEGIES - A CASE STUDY ON GARMENT INDUSTRIES IN TIRUPUR

J. Satish Kumar * & J. John Benitto**

*Asst. Engineering Manager (Civil), L&T Construction, Chennai
**Asst. Manager (SAP), L&T Construction, Chennai.

ABSTRACT

Effective 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. A strong retention strategy, therefore, becomes a powerful recruitment tool. Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining the best employees ensures customer satisfaction, satisfied colleagues and reporting staff, effective succession planning, and deeply embedded organizational knowledge and learning. This study tries to determine the various strategies adopted by garment industries to retain their employees. The research finding shows that salary is the main reason to stay in the company. Job Security is the second highest ranked factor for retention of employees in their present organization.

1. Introduction

Today we are living in a dynamic world. Advancement of information technology has brought to centre stage the importance of human resource, more than ever before. In a competitive scenario, effective utilization of human resource has become necessary and the primary task of organizations is to identify, recruit, and channel competent human resources into their business operations for improving productivity and functional efficiency. Qualified, motivated, and experienced human resources are also essential in economic liberalization and globalization era.

Human resource management is the most exciting area in the field of management. The responsibility of recruiting and selecting the right person for the organization is the major work of HRM department. Since people constitute the cornerstone of any organization, assumes nerve centre in most organizations. This is the science of managing employee/workforces in an organization. It ensures right person at right place at right time. It also provides training and development opportunities for their efficient performance. HRM develops practices which foster teamwork and flexibility and makes the employees feel that they are valued and their contribution is essential for the development and growth of organization.

Employee Retention is an important aspect of human resource management (HRM). Improvement in employee retention is essential to reduce HRM practices cost and overall growth of the organization.

Organizations invest a lot of resources for employees to make them able or corporate ready. High employee turnover ratio or flyaway of talent employee is the greater loss of the organization. It can be a
problem because of increased recruiting, selection, and training costs and work disruptions. Employee turnover can have several negative effects on an organization. They include:

- **Separation costs** (exist interview time, separation pay, unemployment tax increase)
- **Training costs** for few new employees (both orientation and skill development instruction; both formal and informal learning experiences)
- **Vacancy costs** (temporary help or overtime pay; productivity loss and service disruption)
- **Placement costs** (attracting, screening, and relocating new hires)
- **Morale effects** (loss of friendship, concerns about personal job loss during downsizing).

Poor compensation and benefits, negative work environment, frustration, constant friction with their superiors or other members, unfair treatment, lack of recognition; challenging job; job security; motivation; and opportunity for career development are the main causes of leaving or quitting job by employees. Thus, organization should address these things in time to retain their key employees.

This study examines the employee retention strategies followed by five garment manufactures in Tirupur.

### 2. Statement of the problem

Retention of best, talent, and most desirable employees is a key challenge to garment industries in Tirupur. HRM department should take a deep concern in their employee turnover rate because it incurs direct and indirect expenses. Costs of employee turnover seriously have impact on garment industry performance and growth.

In order to attain corporate goals, garment industry has to retain their key employees. Thus, issues relating to these have been drawing the attention, like - Do garment industries in Tirupur apply fair HR practices to retain their key employees? Is there any problem of high employee turnover in garment industry? Do the garment industry are practicing motivational efforts to retain their talents? Are employees satisfied with their present job? What are the employee retention strategies followed by them?

In general, at present, not only in India, around the world, the organizations have been facing retention as a big challenge. With this objective this research work has proposed to see the reality in the garment industry of Tirupur.

### 3. Review of Literature:

There may be various reasons for leaving organizations. McCann (2004) finds out some low salary, poor benefits, poor communication, negative work environment, lack of recognition, unfair treatment, lack of challenging job, lack of job security and life conflicts.

Howard and et al. (2007) conducted a research and they identify the following reasons for employee turnover: “Lack of growth opportunities, better career opportunity elsewhere, insufficient compensation, did not find work interesting, insufficient rewards/ recognition, did not feel efforts where appreciated, job was not what was expected, poor fit with the organizational culture, external factors, job left too little time for personal life, skills/abilities not a good match for the job, felt unfairly treated/discriminated against, job changed focus or scope overtime, poor relationship with the manager, the economy changed, making a move people, and poor relationship with co-workers”.

Trulson (2007) suggests following five methods: “maintaining staffing levels, implementing team management, updating recruitment/screening process, addressing compensation issues, and professional development programs”. Gberevbie (2010) suggests ten strategies of employee retention. They are as follows: “Payment of monthly salaries to employees, relatively good monthly salary and allowances, provision of car, housing and furniture loan facilities, health insurance scheme, job security, regular promotion, health care services to employees’ families, maternity leave with full pay for female employees and regular training of employees”.

www.apjor.com
Vos and Meganck (2009) indicated that career development plan for the employees play an important role in the retention of employees. Chapman (2009) states that it is the responsibility of senior employees to help new employees to familiarize and socialize with the environment of the organisation and make them best fit in the organization. Cascio(2003) and Heneman and Judge (2003) have agreed that an organization’s inability to formulate and implement strategies capable of recruiting competent employees and retaining them, is the major reason for organisation’s under performance. Hozler and Wissoker (2001), state that turnover appears to reflect significant workplace problems, rather than opportunities for advancement into better jobs. Cappelli (2000) states that career opportunities, work environment, work life balance, organizational justice, leave policy and organization image are the factors which have direct impact on retention. Hytter (2007) found that the personal premises of loyalty, trust, commitment and identification and attachment with the organization have direct influence on employee retention. Certain factors such as rewards, leadership styles, training and development skills, physical working conditions have an indirect influence. Researchers such as Taplin et al. (2003), Amadasu (2003) and Gberevbie (2008) have stated that if appropriate employee retention strategies are adopted and implemented by organizations, employees will surely remain and work for the successful achievement of the organization goals.

4. Objective of the study:

➢ To study the factors that influences the employees to remain in the present organisation.
➢ To study the HR practices followed to promote the employee retention in an organization.
➢ To find out the strategies which have been applied by Garment industry to retain their employees.

5. Research Methodology:

- Research Design
  The study was descriptive in nature and survey is used as a method to complete the study.

- Sampling Design
  A total of five garment manufactures were chosen. The Questionnaire was distributed to 100 employees. The techniques of sampling unit in this study are convenience sampling. The questionnaire was distributed to both managers and their subordinates to know the viewpoints of both the parties on the employee retention.

- Questionnaire

  The questionnaire was framed after extensive review of literature, keeping in mind the objectives of research. The view points of people concerned with the study were also taken into consideration. The Questionnaire has three parts. Part one: Demographic data. Part Two: Reasons for employee leaving the organization, Part Three: The factors that affect employee retention. The factors included were employee salary and compensation, employee communication. Career development opportunities, employee recognition and rewards, manager/ supervisor support, flexi time, organizational justice, employee work environment. These factors were selected after proper study of literature, available on employee retention practices.

- Statistical tools used:
  A. Simple percentage analysis
  B. Cronbach’s Alpha Values for Reliability
  C. Chi-square Analysis
6. Analysis:
   a) Demographic profile of the respondents:

<table>
<thead>
<tr>
<th>Variable</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td>51</td>
</tr>
<tr>
<td>30-40</td>
<td>24</td>
</tr>
<tr>
<td>40 and above</td>
<td>25</td>
</tr>
</tbody>
</table>

The sample size was 100 and out of this, it can be observed that around 50 percent of the employees belong to the age group of 21 to 30 years and 25 percent of the employees belong to the age group of above 40 years and 24 percent of the employees belong to the age group of 30-40 years.

<table>
<thead>
<tr>
<th>Variable</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>70</td>
</tr>
<tr>
<td>Female</td>
<td>30</td>
</tr>
</tbody>
</table>

Among the selected sample for the study, 70 percent of respondents were males and 30 percent were females.

b) Reliability of scales:

The reliability for each of the scales was assessed by computing the coefficient of alpha (a). All coefficient of alpha (a) were found to be greater than 0.5 and therefore, were considered reliable and accepted.

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasons for employee leaving</td>
<td>0.725</td>
</tr>
<tr>
<td>Influence of job and the factors</td>
<td>0.784</td>
</tr>
</tbody>
</table>

c) Factors influencing employees to remain in the present Organization:

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Gender</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Mode</td>
<td>Female</td>
</tr>
<tr>
<td>Salary</td>
<td>1.92</td>
<td>1</td>
<td>1.94</td>
</tr>
<tr>
<td>Retirement benefit</td>
<td>6.69</td>
<td>10</td>
<td>7.47</td>
</tr>
<tr>
<td>Career Development</td>
<td>3.68</td>
<td>2</td>
<td>3.72</td>
</tr>
<tr>
<td>Working conditions</td>
<td>6.15</td>
<td>5</td>
<td>6.01</td>
</tr>
<tr>
<td>Supervision/Management</td>
<td>6.34</td>
<td>8</td>
<td>6.58</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>6.58</td>
<td>7</td>
<td>7.12</td>
</tr>
<tr>
<td>Recognition and reward</td>
<td>6.54</td>
<td>8</td>
<td>6.52</td>
</tr>
<tr>
<td>Job security</td>
<td>3.62</td>
<td>2</td>
<td>3.58</td>
</tr>
<tr>
<td>Loyalty towards the company</td>
<td>6.93</td>
<td>9</td>
<td>6.45</td>
</tr>
<tr>
<td>Company Image in the society</td>
<td>6.42</td>
<td>10</td>
<td>6.37</td>
</tr>
</tbody>
</table>
The above table clearly shows that most of the employees ranked salary as the main reason to stay in the company. Job Security is the second highest ranked factor for retention of employees in their present organization. Retirement benefit is the least preferred factor by the employees. This indicates that employees are more focused towards their monetary benefits and career development as the key factor so the organization has chosen the best retention tactics to retain its employees.

d) Chi-Square Analysis:

Table showing significant relationship between Age and Employee Retention in the Garment Industry

<table>
<thead>
<tr>
<th>S. No</th>
<th>Particular</th>
<th>Value</th>
<th>Degree of Freedom</th>
<th>Chi-Square Value</th>
<th>Inference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Age and Employee retention</td>
<td>36.944</td>
<td>3</td>
<td>7.815</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

H₀: there is no significant relationship between age and retention problem

H₁: there is a significant relationship between age and retention problem

Chi square:

Calculated value = 36.944
Degree of freedom = 3
Table value = 7.815
Significant level = significant level of 5%

The above table shows that the calculated value of chi square is greater than the table value. Hence the null hypothesis is rejected, so there is a significant relationship between age and employee retention.

7. Findings:

From the above analysis it can be inferred that

- 50 percent of the employees belong to the age group of 21 to 30 years.
- The employees ranked salary as the main reason to stay in the company. Job Security is the second highest ranked factor for retention of employees in their present organization. Retirement benefit is the least preferred factor by the employees. This indicates that employees are more focused towards their monetary benefits and career development as the key factor so the organization has chosen the best retention tactics to retain its employees.
- Chi square is greater than the table value. Hence the null hypothesis is rejected, so there is a significant relationship between age and employee retention.

8. Conclusion:

Hence, it can be concluded from the above research that developing effective employee retention policies and practices will increase employee commitment level, loyalty and engagement. Employee commitment and involvement have impact on employee productivity and retention. Organizational culture and compensation have a significant impact on employee retention. Organization has aim to design integrated approach to employee retention which includes best retention strategies like conducive organizational culture, adequate competitive pay package, non-monetary motivation and effective employee development programs for attaining competitive advantage in business environment.
9. Reference:


