

# Factors Effects on Employee Retention in Manufacturing Firms



Chaya J Swamy, Nagesh P, T S Nanjundeswaraswamy

**Abstract:** *In the competitive business environment retaining of the talented work force is the big challenge to the organization because of the labour market. On the other hand employee retention is affected by so many factors that include internal and external factors. The present study is an attempt to know the parameters affect on the employee retention. For the current study through the well defined questionnaire data was collected. The data were analyzed through different statistical methods like Exploratory Factor analysis, Confirmatory factor analysis. Study reveals following six important dimensions affects on the employee retention such as Employee Development, Organizational Facilities, Supportive Organization Environment, Employee Benefits, Flexible Working Environment and Welfare Schemes. Z test was conducted to test the relationship between the dimensions it reveals all the six dimensions are associated with each other.*

**Key Word:** *Employee Retention, Exploratory Factor analysis, Confirmatory factor analysis, Organizational Facilities*

## I. INTRODUCTION

Success and competitiveness of any organization is mainly depends on the talented, efficient and committed workforce. Retaining of these workforce is depended on how the employer facilitate and fulfills the employees needs by providing compensation, rewards, work environment, effective interpersonal relationship, training related to job content etc. if these factors are not fulfills, the employees will force to quit the job. By implementing different employee retain strategies an organization has to reduce the attrition rate of employees to sustain in the competitive business environment. Employee retention strategy includes actions taken by the organization to encourage employees to stay in the organization for the longer period of time. Recruiting knowledgeable workforce for the particular job is essential for an employer because it reflects on the overall

performance of the organization. On the other hand retaining the recruited workforce is even more important and challenging to the organization. In today's competitive business environment organizations are facing lot of problems in employee retention. Employers should be aware of the reasons for employee turnover and adopt effective strategies for employee retention. For the organization it is loss if employee leaves the organization once they are fully trained. This research is an attempt to know the factors affecting on the employees retention.

## II. LITERATURE REVIEW

James and Mathew (2012) study reveals that Organizational Culture, Personal satisfaction and Welfare Benefits are the main factors that affects on the employee turnover and study also reveals that effective implementation of retention strategies will enhance the retentions through the job satisfaction.

Chiboiva et al. (2010) research explored that high attrition rate negatively impacts on delivery of service and productivity. Sutanto and Kurniawan, (2016) research reveals that effective recruitment program positively effects on employee Quality of work Life and employee commitment finally it leads to higher productivity. Study also explored that the demographical characteristics like gender, age , salary also effects on employee retention.

Cloutier et al., (2015) research explored that for organizational stability will reflect through the level of employee retention. Study also reveals that effective communication, diverse workforce, method of recruitment process, employee's development and training programs effects of the retention rate of the employees in the organization.

Haider et al., (2015) study explored that effective human resource practices reduces the attrition rate of employees at the same time it promote the employee retention within the organization. Study also explored that human resources practices like training and development, compensation and culture are the predominant dimensions that influences the employee retention.

Form the literature survive twelve dimensions were selected based on the frequency of usage of these dimensions from different authors such as Career Opportunities, Work life Balance, Recognition and Reward , Work Environment, Compensation, Organizational Culture, Welfare Measures, Superior Support, Job Satisfaction, Training and Development, Fringe Benefit and Family Welfare Measures.

Revised Manuscript Received on October 30, 2019.

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### III. OBJECTIVES

- To determine the factors influencing the employees retention strategies.
- To verify the relationship between the factors influencing employee retention

### IV. QUESTIONNAIRE DESIGN

To collect the respondents perception about the factors that effects on their retention a questionnaire was designed in the five point Likert scale. The employee retention questionnaire consists of two part, first one contains demographic information's of employees and second part contains questions relating to 12 dimensions of employee retention namely, career opportunities, work-life balance, reward & recognition, work environment, compensation, organization culture, welfare measures, superior support, Job satisfaction, Training and Development, fringe benefit and family welfare measures

### V. HYPOTHESIS

H<sub>1</sub>: There is significance difference between employee development and Organization facilities.

H<sub>2</sub>: There is significance difference between Recognition and rewards and employee retention strategies

H<sub>3</sub>: There is significance difference between employee development and employee benefit.

H<sub>4</sub> : There is significance difference between employee development and flexible working environment.

H<sub>5</sub>: There is significance difference between employee development and welfare schemes.

### VI. VALIDATION OF THE INSTRUMENT

The designed instruments were validated using Exploratory Factor Analysis (EFA) for the purpose of item reduction and to test the Convergent Validity as well as Discriminant Validity of the instrument Composite reliability and Average Variance Explained was measured. To check model fit of the measuring instrument Confirmatory Factor Analysis (CFA) was conducted.

#### A. Exploratory Factor Analysis

To reduce the dimensions and to identify the underlying structure of the collected data exploratory factor analysis was conducted using principal component method using varmax rotation technique. The item loading is shown in the below table 1

**Table 1 Rotated Component Matrix**

	Dimensions					
	1	2	3	4	5	6
Awareness	.800					
Informal recognition	.774					
Reward	.744					
Performance recognition	.724					
Leave facility	.705					
Interpersonal relationship	.702					
Personal growth	.591					
Firefighting methods		.882				
Medical assistance		.822				
Training policy		.779				
Training equipment		.725				
Pleasant environment		.513				
Canteen		.506				
Superior encouragement			.899			
Retirement benefit			.832			
Own decisions			.782			
Safety measures			.767			
Gift				.835		
Maternity salary				.800		
Family involvement				.745		

	Dimensions					
	1	2	3	4	5	6
Uniform quality				.542		
Job execution					.873	
Job security					.754	
Reimbursement					.603	
Personal loans						.919
Insurance scheme						.676
Job opportunities						.629
Educational loans						.624
“Extraction Method: Principal Component Analysis”. “Rotation Method: Varimax with Kaiser Normalization” “a. Rotation converged in 12 iterations”.						

EFA resulted in six factors with 28 items with loadings more than 0.506 and above. The reliability coefficient of Cronbach’s alpha value was 0.90.

**B. Confirmatory Factor Analysis (CFA)**

CFA was carried out after the dimension reduction process using Exploratory Factor Analysis AMOS 20 to know the interrelated relationships between the dimensions and coupled with structural Equation modeling, to validate the measurement model. By using the various model fit indices, the goodness of fit of the measurement models was tested, and the model fit indices were within the acceptable range it is shown in the below Table 2 and measurement model is show in the figure 1.

**Table 2. Goodness-of-Fit Results of the Scale**

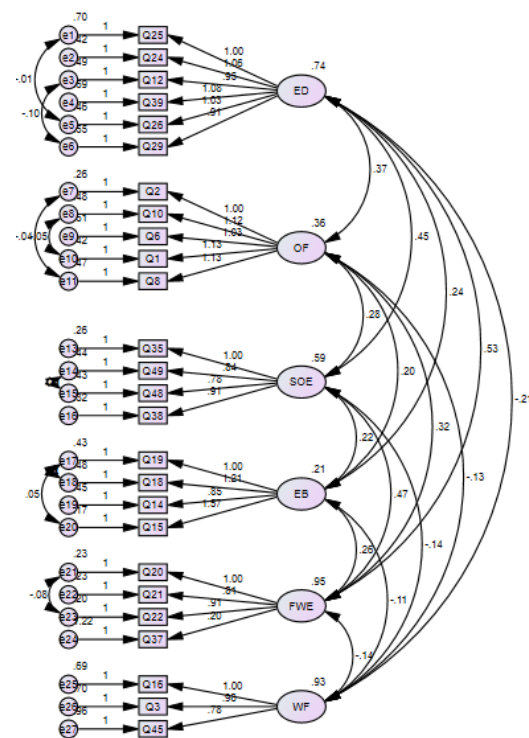
Goodness of fit indices	Goodness of fit indices values
$\chi^2$	599
$\chi^2/df$	2.171
Df	276
GFI	.908
NFI	.901
TLI	.956
AGFI	.899
RMSEA	.065

**C. Convergent Validity**

To confirm the convergent validity of the instrument composite reliability and Average variance extracted was calculated both are above the 0.7, it is clearly indicated that the instrument is acceptable to measure the employee relation. The values of Average Variance Explained (AVE) and Composite Reliability (CR) is shown in the below Table 3.

**D. Discriminate Validity**

To know the discriminant validity of the instrument average variance was measured and square root of average variance is more than the it’s correlation values this indicated that the instrument is acceptable because it satisfies the Discriminant Validity criteria. The values are represented in the below table 4.



**Figure :1 Measurement Model for employee Retention**

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**Table 3: Composite Reliability and Average Variance Explained**

Dimensions	AVE	CR
Employee Development	0.894	0.734
Organizational Facilities	0.858	0.725
Supportive Organization Environment	0.701	0.781
Employee Benefits	0.856	0.790
Flexible Working Environment	0.813	0.728
Welfare Schemes	0.854	0.805

**Table 4 : Discriminant Validity statistics**

	C1	C2	C3	C4	C5	C6
C1	<b>0.945</b>					
C2	0.472	<b>0.926</b>				
C3	0.332	0.639	<b>0.837</b>			
C4	0.510	0.653	0.556	<b>0.925</b>		
C5	0.347	0.295	0.424	0.346	<b>0.901</b>	
C6	0.494	0.610	0.525	0.603	0.540	<b>0.924</b>

### VII. DATA ANALYSIS AND INTERPRETATION

#### A. Demographical profile of respondents

The demographical profile of the responders were analyzed using percentage analysis, among 277 respondents 90% were male employees and 10% were female employees: only 28% were aged between 25-30, 31% were aged between 30-39, 21% were aged between 40-49 and 20% were aged 50 and above: 82% were married and remaining 18% were

unmarried employees: 58% were having SSLC/ITI/Diploma qualification, 41% were graduates and 2% were having post graduation: 2% were having income less than 15000, 61% were having the income between 15001-25000, 26% having the income between 25001- 50,000 salary and 10% having the income more than 50000; 26% having work experience between 0-5 years, 2% having work experience between 5-10 years and 72% were having more than 10 years of experience to fulfill the objectives of the study.

#### B. Association between Employee Development and Organizational Facilities

**Table 5 Z-test statistics for Employee Development and Organizational Facilities**

S.L	Factors	Combined Mean	Combined S.D	Z-test
1	Employee Development * Recognition & Reward * Job Satisfaction * Superior Support	1.012	1.231	<b>-0.833</b>
2	Organizational Facilities * Welfare measures * Training and Development * Superior support	1.175	0.906	

The Z calculated value is equal to -0.833 which is less than 1.96 (95% CL). Hence there is a significant association between Employee Development and Organizational facilities.



**C. Association between Employee Development and Supportive Organization Environment**

**Table 6 Z Statistics for Employee Development and Supportive Organization Environment**

S.L	Factors	Combined Mean	Combined S.D	Z-test
1	Employee Development * Recognition & Reward * Job Satisfaction * Superior Support	1.012	1.231	-0.816
2	Supportive Organization Environment * Superior support * Compensation * Organization Culture * Work Environment	1.156	0.621	

The Z calculated value is equal to -0.816 which is less than 1.96 (95% CL). Hence there is a significant association between Employee Development and Supportive Organization Environment.

**D. Association between Employee Development and Employee Benefits**

**Table 7 Z statistics for Employee Development and Employee Benefits**

S.L	Factors	Combined Mean	Combined S.D	Z-test
1	Employee Development * Recognition & Reward * Job Satisfaction * Superior Support	1.012	1.231	0.133
2	Employee Benefits * Fringe Benefit * Work-life Balance	0.988	0.686	

The Z calculated value is equal to 0.133 which is less than 1.96 (95% CL). Hence there is a significant association between Employee Development and Employee Benefits.

**E. Association between Employee Development and Flexible Working Environment**

**Table 8 Z Statistics for Employee Development and Flexible Working Environment**

S.L	Factors	Combined Mean	Combined S.D	Z-test
1	Employee Development * Recognition & Reward * Job Satisfaction * Superior Support	1.012	1.231	-0.252
2	Flexible Working Environment * Job Satisfaction * Fringe Benefit	1.06	0.831	

The Z calculated value is equal to -0.252 which is less than 1.96 (95% CL). Hence there is a significant association between Employee Development and Flexible Working Environment.

## F. Association between Employee Development and Welfare Schemes

**Table 9 Z Statistics for Employee Development and Welfare Schemes**

S.L	Factors	Combined Mean	Combined S.D	Z-test
1	Employee Development * Recognition & Reward * Job Satisfaction * Superior Support	1.012	1.231	-0.252
2	Welfare Schemes * Family Welfare Measures	0.803	1.137	

The Z calculated value is equal to -0.252 which is less than 1.96 (95% CL). Hence there is a significant

association between Employee Development and welfare Scheme Environment.

## VIII. CONCLUSION AND DISCUSSION

Employee retention is a big challenge for any organization and employee turnover can be reduced through by adopting various retention strategies. Employee retention helps to develop and frame the strategic policies of the organizations related to the human resource management. Further, it helps to evaluate and continuously improve the policies and practices that are framed by the organizations. The companies are spending considerable time, effort and money to train an employee before they put them on job. Therefore efforts are to made to retain them in the organization. Thus, the retention study helps to keep hold of the invested employees and not let go their human capital. The reduced attrition rate will indicate the importance paid by the organization towards the employee management. Maintaining the employees is one of the biggest problem in today's market place. Key employee retention is critical to the long term and success of business. Employee retention is very critical and retaining top talent is essential for organizational success. The study reveals that the retention strategies as a positive impact on its employees. The study reveals that the employees are highly satisfied with their present job and their present organization which is very significant factor, which in retaining their employees.

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**Chaya J Swmay** is Assistant Professor, Department Of Management Studies, at JSS Academy of Technical Education, Bangalore, Karnataka, India. Her area of expertise includes Management Principles and Organization Behavior, Human Resource Management, Workplace Ethics and Value System. She has 7 years of teaching experience.



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