

**STAFF RETENTION IN MODERN  
ORGANIZATIONS**

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Degree Of Masters of Arts**

*To The*

**National College of Ireland**

**2002**

## **Abstract**

Since we are living in a competitive world in which the level of competition rapidly increased and effected organizations worldwide, the employee turnover issue has become an increasing problem facing most organizations all over the world in general and Ireland in particular.

Despite this, staff turnover is not always negative; it can be a serious problem if there is no strategic plan in place.

Appointing, training and developing an employee's skills is very important, replacing an employee can be more costly and time consuming than changing a piece of equipment.

When an employee leaves, it is not only his/her abilities that are lost, knowledge is also lost and is more important than information or procedures stating what is supposed to be done. It consists of factors such as instinct, good judgment, knowledge and informal networking. That is why organizations need to understand the reasons behind valuable employees leaving.

Employee turnover and the Staff Retention issue has become an increasing problem and one of the biggest challenges for Human Resource Management (HRM) and is one that most employers are interested in tackling.

During the last few decades, HR Personnel's role has been enormously enhanced from the paperwork of hiring and firing

to processing jobs to a multifaceted Occupation. Finding & retaining the right employee can be difficult in the short term, due to the constant increase in demand for multi-skilled employees.

It is vital to consider that the relationship between employer and employee begins not when the employee starts work but at the recruitment and selection phase of the process. Many employees have a positive and/or negative attitude towards their employer from the outset.

The motivation for this study was as a result of my investigation through conversation with friends and colleagues in Ireland that changing jobs, even changing career is commonplace, whereas in Libya my homeland changing occupations is very rare. I investigated many different reasons: more money, the belief that the grass is always greener on the other side, change for change's sake, a new challenge and bad management. I decided to study this tendency, focusing on the Staff Retention issue focusing on Ireland in particular while highlighting an international prospective. I analyzed unemployment & industrial employee turnover rates and Gross Domestic Product (GDP) growth during the period 1995-2000.

This study's objectives are Firstly to document, identify recruitment, selection, employee turnover and its related Staff Retention problem, and other relative subjects, Secondly to investigate the reasons causing this problem in Ireland.

The empirical study consisted of quantitative methods of data collection and analysis. A closed questionnaire was distributed to 40 Personnel Managers or those responsible for personnel (Recruitment, Selection and Retention process).

The data was gathered from a survey of 36 HR Managers, processed and analyzed.

The study concludes that turnover is an increasing problem and very costly.

Retention is a lead indicator that does not show its impact in months but often takes years.

Organizations are more likely to focus on immediate needs instead of the long-term.

Employees have different priorities and young people are less likely to stay longer in one organization than in the past.

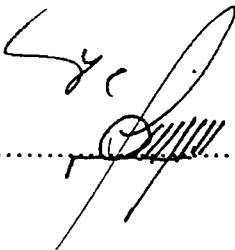
Employees are more concerned with the level of fulfillment they get from their jobs.

Organizations should focus on Selection processes and retention strategies to find and keep the right people, and must enhance employees' skills so that they would be able to accomplish any task that may arise as a result of another employees' absence or leaving. In other words, HRM and HRD should provide the necessary training and career development to make and hold multi-skilled employees.

## Declaration

I certify that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university, and that to the best of my knowledge and belief it does not contain any material previously published or written by another person where due reference is not made in the text.

**Signature**

A handwritten signature in black ink, featuring a large, stylized 'S' and 'C' followed by a series of vertical strokes, is written over a horizontal dotted line.

## Acknowledgements

This part of my work I find the most difficult to write. I would like to take this opportunity to thank those who contributed to this thesis and its completion.

To my supervisor Professor Brendan Devine for, his advice, encouragement and for giving me the confidence to complete my work.

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Many Thanks are due to our close family friend Bashir Elghirani.

Special thanks too must go to my friends MHAB who know who they are; I am lucky to have them.

# Dedication

I dedicate this thesis to my  
father's spirit which has sustained  
me through my work and I am  
forever indebted to him

SMOW

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# **CHAPTER ONE**

## **Introduction to Research**

### **1.1 Introduction**

The thesis aims to carry out research on the area of the Human Resource Management (HRM), focusing on employee turnover and Staff Retention problem in Ireland.

We are living in a competitive world, in which the level of worldwide competition has rapidly increased, employees have become one of the most important assets in modern organizations. Companies are therefore focusing on developing an employee's skills, strategic plans and taking the appropriate actions, so that they can meet present and future demand including change, growth, demand for increasing productivity and tackling the Staff Retention problem.

In relation to the Staff Retention problem, Human Resource Development (HRD) must enhance employees' skills and improve their performance so that they are able to accomplish any tasks that may arise as a result of an

employee's absence or leaving. In other words, HRD should provide the necessary training to have multi-skilled employees.

Over the last few decades the Human Resource/Personnel function has gradually expanded and changed from hiring, and firing paperwork to the much more complicated issues, e.g. Staff Retention problems facing modern organizations.

Employee turnover and Staff Retention issue has become an increasing problem and one of the biggest challenges for HRM. It is an issue that most employers are interested in tackling.

Despite the fact that staff turnover is not always negative; it is very important for an organization to define an acceptable level of turnover.

When an organization selects and hires the right employee for the right job; they will have more contented, more thoughtful, more creative and motivated staff who will build up the necessary skills /abilities to do their job effectively and efficiently.

Although HRM should lead the Retention Program, it is also important for any organization to urgently improve



Manager's skills that they can understand what makes employee stay and/or leave. Ideally HRM and HRD together with top management should be able to implement better practices to increase job satisfaction levels, and thus decrease turnover. HRM, therefore, should be fully integrated into any strategic planning.

### **1.1.1 Research motivation**

My initial interest began while I was in Ireland and sparked by conversation with friends and colleagues that changing jobs had become commonplace here whereas in Libya, my homeland, it is very rare.

As a result I was motivated to investigate the many different reasons behind employee turnover, for instance, more money, change for change's sake, the belief that the grass is always greener on the other side, a new challenge, bad management etc.

I decided to study this tendency focusing on Staff Retention problem in Ireland while highlighting an international prospective.

### **1.1.2 Why is it important?**

Turnover rates are up in recent years and there is a growing concern as the shortage of skilled employees increases.

Employee turnover and its related Staff Retention problem has become one of the most difficult issues facing organizations all over the world.

When an employee leaves an organization it is not only their skills, abilities to complete everyday work procedures that are lost; they take a portion of the organization's knowledge. Interfacing with customers and experience of procedures stating how things should be done are also adversely affected. This results in major costs to the organization over and above the cost of training, and/or recruiting another employee.

In fact, finding the right applicant can be difficult particularly in the short term, due to the constant increase in demand for multi-skilled employees. This may lead to less and less experienced people finding their way into work and the front line of service.

It is important to understand that the relationship between employer and employee begins not when the employee starts work but at the recruitment and selection phase of the process. Many employees will form positive and/or negative attitude towards their employer from the outset.

### **1.1.3 Research aims and objectives**

The main objectives of this Thesis are to investigate the reasons behind increasing employee turnover in Ireland and how HRM can provide the solution.

The research also aims:

- To identify and document Human Resource Management, Human Resource Strategy, Employee Turnover and Staff Retention.
- To document and highlight the importance of Recruitment, Selection, Retention and some other relative issues.
- To present the results together with suggestions that can help tackle the problem.

### **1.1.4 Methodology**

The methodological approach involved various case studies and a survey.

The research also includes a substantial review of the literature on the subject of Staff Retention problem from an international prospective.

An overview of Human Resource Management (HRM), employee turnover (Staff Retention problems) and some other related issues was firstly given. A questionnaire was designed and distributed to 40 personnel managers or those responsible for personnel (Recruitment, Selection and Retention process) in a number of companies in Ireland of whom 36 responded.

Closed questions were used in the questionnaire. Finally the data was processed, analyzed and the results, conclusions and recommendations were presented.

## **1.1.5 Thesis structure**

**Figure 1.1 Thesis structure**

**Chapter One:** Introduction to the research

**Chapter Two:** Literature review

**Chapter Three:** Methodology

**Chapter Four:** Data analysis

**Chapter five:** Conclusion and Recommendations

**Chapter one:**

Outlines the motivation and the background to the research.

**Chapter Two:**

Gives an overview of HRM, Staff Turnover (Retention problem) and related Issues.

**Chapter Three:**

Describes the research methodology used in the study.

**Chapter Four:**

Presents the results obtained from the survey.

**Chapter five:**

Presents the final conclusion and recommendations

## 1.2 Background into Ireland and it's economy

### 1.2.1 Why Ireland?

Ireland's economic revolution was one of the great success stories of the past decade. From 1991 to 2001 its economy was Europe's strongest, growing at an average rate of 7.7 per cent a year. Foreign investment, especially in high-tech manufacturing, was a prime force driving the transformation.

#### Demographics

According to the latest estimates from Ireland's Central Statistics Office, Ireland's population is 3.917 million. 39% of the inhabitants are under the age of 25 years.

**Table 1.1 Population by age group 2001 (000'S) (estimates)**

| Age   | Total   | % of Total |
|-------|---------|------------|
| 00-14 | 862.7   | 22%        |
| 15-24 | 660.7   | 17%        |
| 25-44 | 1,124.5 | 29%        |
| 45+   | 1,232.1 | 32%        |
| Total | 3,880   | 100%       |

Source: Central Statistics Office, August 2001

**Table 1.2 Future availability of workforce percentage  
population under 25 in the year 2010**

| Country        | %    |
|----------------|------|
| Ireland        | 35.5 |
| United Kingdom | 31.0 |
| France         | 30.1 |
| Netherlands    | 28.7 |
| Portugal       | 28.6 |
| Germany        | 24.4 |
| Spain          | 24.3 |
| USA            | 34.2 |
| Japan          | 25.3 |

Source: United Nations

### **Education**

Ireland has one of the most excellent education structure in the world according to the 2001 independent IMD World Competitiveness Report. Almost 1 million people are in full time education. 60% of school leavers go on to third level



education. The greater part of these takes on courses in business, engineering and computer science.

The quality of Ireland's education is exceptionally high. The IMD World Competitiveness Report ranks Ireland as one of the best in Europe for the quality of education that every one receives. Six out of every 10 of Ireland's third level students major in food sciences, engineering/science or business studies subjects.

### **Well educated work force**

"By 2001, four in ten people in Ireland will be under 25 years of age. Ireland has the highest number of students in third level colleges in Europe on a per capita basis. Not only that, but many people returning from abroad after emigrating in the early 80s have brought with them, new ideas skills and experience. This means that Ireland has young, experienced, highly educated and dynamic work force." (Workforce, 2001)

### **Labour costs**

Ireland has a competitive remuneration atmosphere. A sequence of wage accords among employers and employees make certain that wage inflation is short. Legislative add-on costs are one of the lowest in Europe. A fresh study of salary costs in Finance & Administration shows Ireland to

have the lowest expenditure in all job categories of the 5 European locations reviewed.

**Table 1.3 Total hourly compensation costs in (€)**

For production workers in Manufacturing

| Country           | Total |
|-------------------|-------|
| Ireland           | 12.50 |
| United Kingdom    | 15.88 |
| France            | 16.38 |
| Germany (Unified) | 22.99 |
| Netherlands       | 19.08 |
| Spain             | 10.85 |
| USA               | 19.86 |
| Japan             | 22.00 |

Source: US Department of Labour, 2002

Employment legislation in Ireland governs a few crucial and basic areas. Maximum hours of work for industrial workers are set at 48 hours per week plus 12 hours overtime but, in practice, the average is 39 hours per week.

Statutory leave has been increased gradually over the last number of years in Ireland and now the statutory minimum is 4 weeks per annum.

**Table 1.4 Maximum hours of work for industrial workers.**

| country  | Legal Max.<br>working<br>hrs p/w | Actual average<br>working hrs p/w                               | Statutory<br>Holidays  | Typical Holidays |
|----------|----------------------------------|---|------------------------|------------------|
| Ireland  | 48                               | 39  | 20 days                | 20-25 days       |
| UK       | 48                               | 35-40   | 20 days                | 20-30 days       |
| France   | 35-39                            | 35  | 25 days                | 25-30 days       |
| Germany  | 48                               | 35-38 West<br>37-40 East  | 20 days                | 30 days          |
| Neths    | 45                               | 35-38   | 4 x days<br>worked p/w | 23-30 days       |
| Spain    | 40                               | 34-38   | 20 days                | 22-25 days       |
| Portugal | 40                               | 35-40   | 22 days                | 22-25 days       |
| USA      | No<br>limit                      | 30-35 hrs for<br>union members;<br>40 hrs for<br>clerical staff | Nil                    | 10 days          |
| Japan    | 40                               | n/a   | 10-20 days             | n/a              |

Source: Incomes Data Services UK, October 2001

### Economy

The aggregate annual rate of raise in Irish Gross Domestic product (GDP) has been 9.9% over the five year period 1996-2000. With exports equivalent to some 95% of GDP and intensity in the high technology sector, the economy has been hard hit by the worldwide deceleration in demand for information and communication equipment. Though with the world financial system anticipated to recover and underpinned by continuing vigor in spending, growth is likely to speed up to approximately 6.5% in 2003. Price increases are likely to slow, while remaining well above the euro area average.

**Table 1.5 At work by NACE economic sector '000**

| Dec - Feb 2002                        | Total | % of<br>Total |
|---------------------------------------|-------|---------------|
| Agriculture                           | 121.7 | 6.9%          |
| Other Production Industries           | 310.4 | 17.7%         |
| Construction                          | 183.2 | 10.4%         |
| Wholesale and retail trade            | 249.1 | 14.2%         |
| Hotels & Restaurants                  | 116.3 | 6.5%          |
| Transport, Storage and Communications | 112.6 | 6.3%          |

|   |                      |          |
|---|----------------------|----------|
| Financial and other business services   | 230.7                | 12.9%    |
| Public Administration & Defence   | 84.2                 | 4.7%     |
| Education and Health  | 248.1                | 14.0%    |
| Other Services  | 96.9                 | 5.4%     |
| Total   | 1,786.6              | 100%     |
| Source: Central Statistics Office, Quarterly National Household Survey, August 2002 Country | Real GDP Growth 2001 | 2002 (F) |
| Ireland   | 6.8%                 | 3.6%     |
| UK  | 2.3%                 | 1.9%     |
| France  | 2.0%                 | 1.4%     |
| Germany   | 0.7%                 | 0.7%     |
| Neths   | 1.4%                 | 1.4%     |
| Spain   | 2.7%                 | 2.1%     |
| Portugal  | 1.9%                 | 1.7%     |
| USA   | 1.1%                 | 2.5%     |
| Japan   | -0.7%                | -0.7%    |

Source: The World Competitive Yearbook 2001; OECD Economic Outlook June 2002

## **Export/ Import of goods and services**

**Table 1.6 Export /Import of goods and services**

|               | <b>2001</b> | <b>Jan-May 2002</b> |
|---------------|-------------|---------------------|
| Exports       | €92,523m    | €41,258.3m          |
| Imports       | €57,178m    | €25,610.2m          |
| Trade Surplus | €35,346m    | €15,648.1m          |

Source: Central Statistics Office External Trade, August 2002

## **Components of exports 2001**

**Table 1.7 Components of exports 2001**

|                                   |       |
|-----------------------------------|-------|
| Chemicals                         | 34.9% |
| Computer Equipment                | 24.2% |
| Machine, and Various<br>Equipment | 16.8% |
| Food, live animals                | 7.2%  |
| Misc. Manufacturing               | 12.9% |
| Others                            | 4.0%  |

Source: Central Statistics Office, External Trade March 2002

## Destination of export

Table 1.8 Destination of export

| Destination                        | 2001 |
|------------------------------------|------|
| Great Britain and Northern Ireland | 27%  |
| Other EU States                    | 41%  |
| USA and Canada                     | 13%  |
| Rest of World                      | 19%  |

Source: Central Statistics Office, External Trade March 2002

Ireland has been the natural choice for over 100 international food and timber processing groups offering duty free access to over 400 million European consumers.

### Impressive economic growth

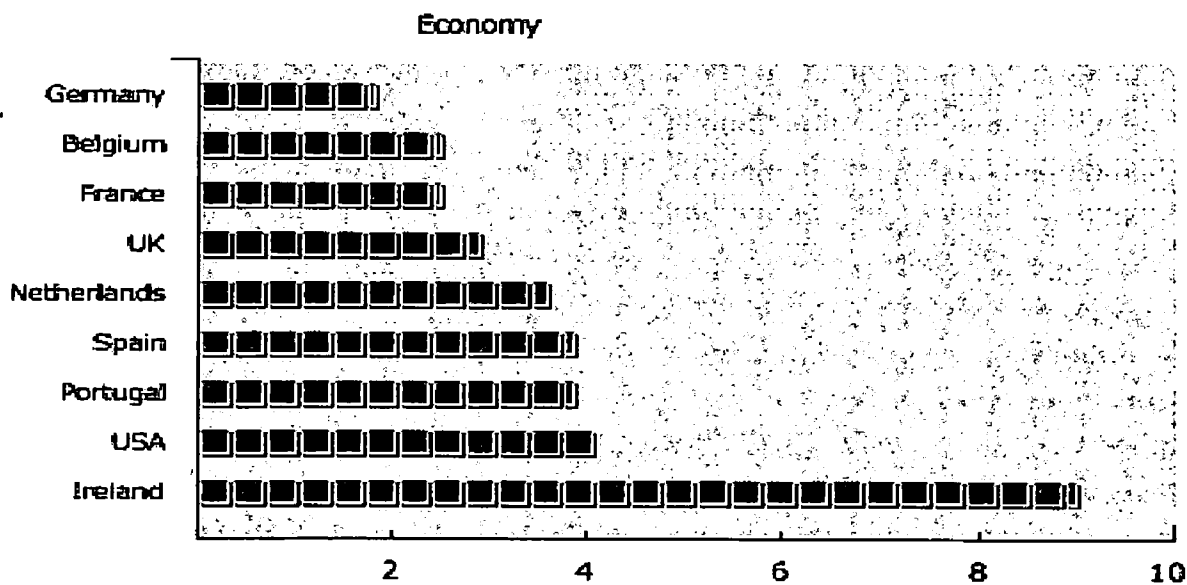
Ireland's impressive economic growth rate over recent years have been continuously amongst the highest of the OECD.

Exports account for three quarters of national output, which is a level unique within Europe.

The Irish Government's economic policies are directed towards the creation of a stable economic environment that is supportive of the needs of business. Ireland's economic growth rates in recent years have consistently been among the highest of the Organization for Economic Cooperation and Development (OECD) countries.

The forces of growth are firmly rooted in Ireland's economy, through favorable demographics, increasing investments in education and a high rate of technology-oriented investments.

Figure 1.2: Economy growth in OECD countries



Source: OECD  
<http://www.idaireland.com/whyireland/economy.asp>



Figure 1.3 Real GDP growth in 2001



Source: OECD Economic Outlook, December 2001

**Corporation tax rates**

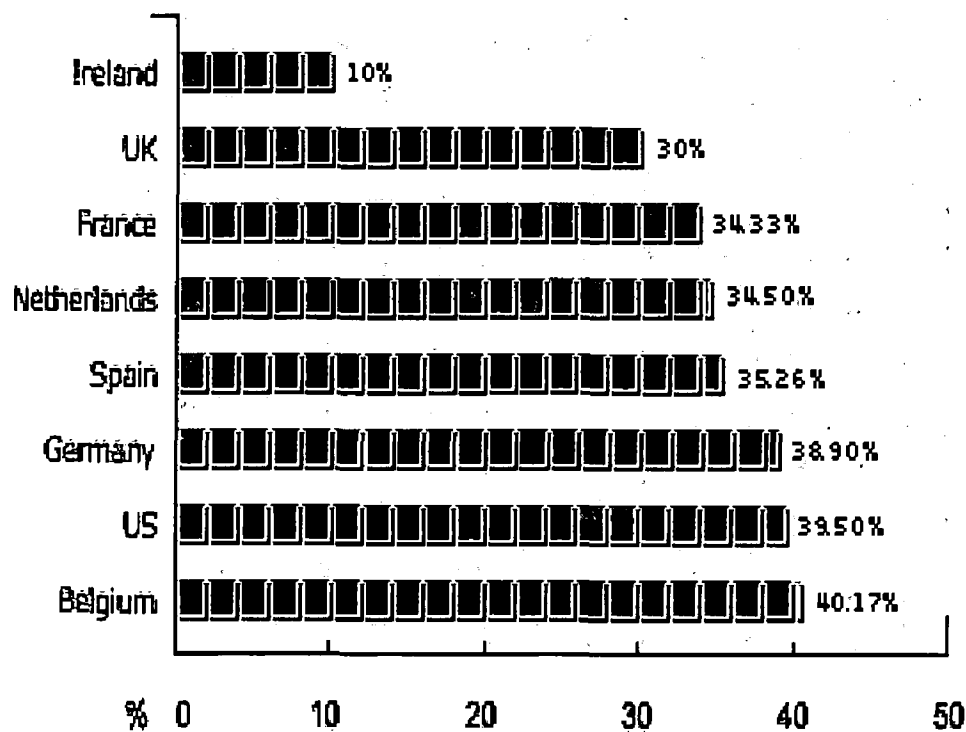
Manufacturing and Qualifying Services.

Ireland offers one of the most beneficial corporate tax environments in the world. Profits derived from eligible manufacturing and qualifying services are subject to a Tax Rate of 10% until 31 December 2002.

From 1 January 2003, a Corporation Tax Rate of 12.5% will apply to trading profits in all sectors, including

manufacturing and international services. The tax position of companies carrying out approved activities prior to 31 July 1998 will remain unchanged.

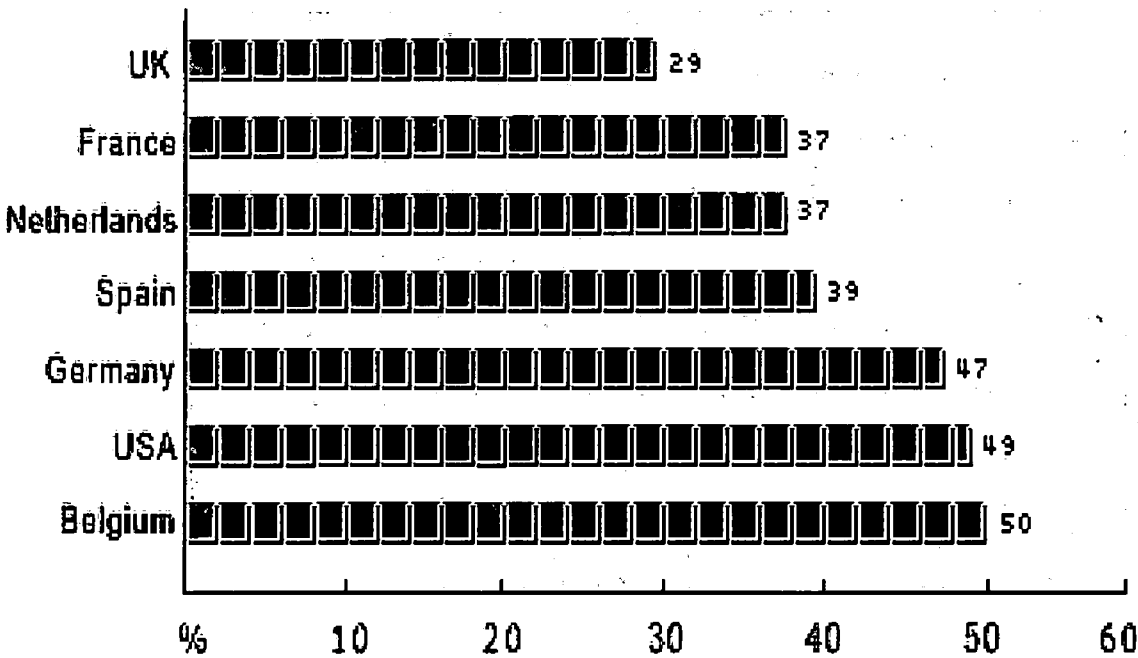
Figure 1.4 Tax rates



Source: Deloitte & Touche 2002

**Figure 1.5 Percentage increase in profit in Ireland**

**Percentage increase in profit required to achieve the same distributable income available in Ireland**



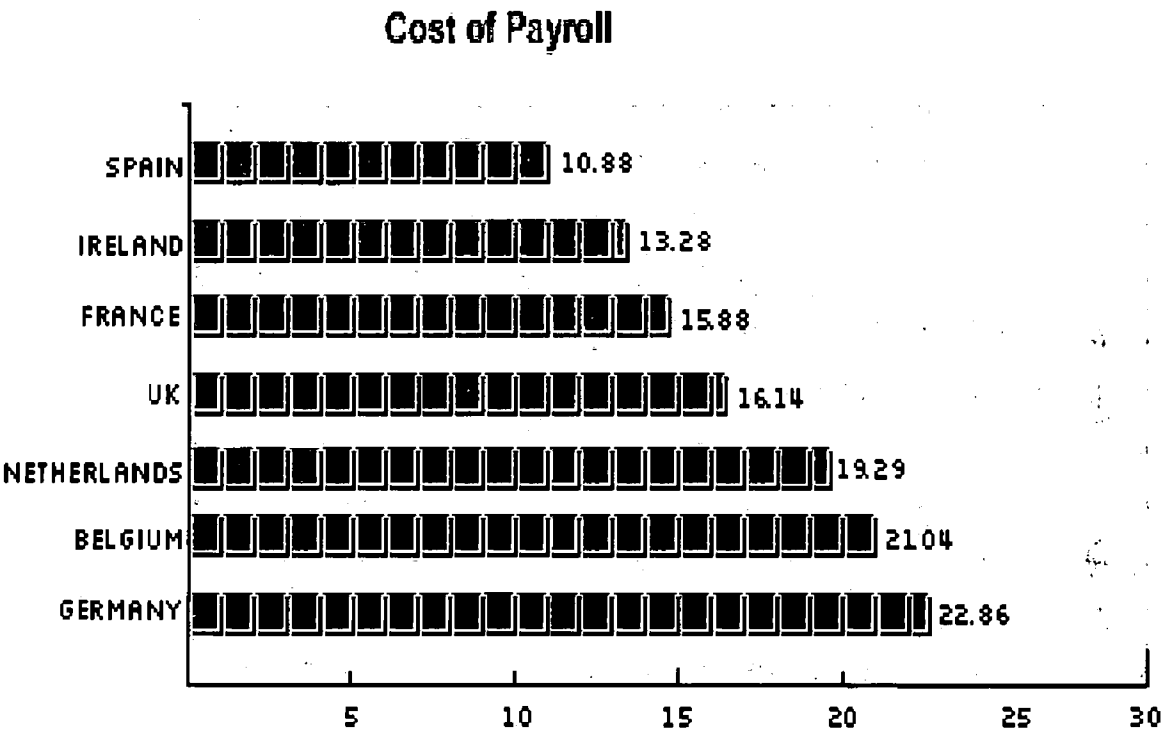
*Source: Deloitte & Touche 2002*

The costs of operating in Ireland, including employment costs, are lower than in most other European countries. This advantage is enhanced by a productive and flexible workforce.

Cost of payroll

(Total hourly compensation costs in US\$ for production workers in manufacturing)

Figure 1.6 Cost of payroll



Source: US Department of labour, 2002

Northern Ireland is currently enjoying a period of economic growth, with output and employment rising and unemployment falling. (Melaugh, 2001)

Gross Domestic Product (GDP) is defined as the sum of all incomes earned from productive activity.

### **Full and fast access to world markets**

Rapid access to world markets is essential for an exporting country such as Ireland. To cater for this, significant investment by the successive Governments has been made in upgrading Irelands transport infrastructure. Now export companies in Ireland can use the road and rail networks, seaports and airports to supply world markets effectively and efficiently.

### **Operate competitively**

Low costs and favorable corporate tax environments are other important elements in business success. A series of national agreements on pay rates and taxes ensures competitiveness of the Irish workforce. Rates for electricity, gas, industrial water, and telecommunications are increasingly competitive.

### **Good returns on investment**

US Department Of Commerce figures confirm that for over a decade US manufacturing companies have achieved after tax returns averaging 25% a year on their investments in Ireland. This remarkable performance reflects a higher return than you could expect elsewhere in the EU.

[Http://www.enterprise-ireland.com/invest-ireland.asp](http://www.enterprise-ireland.com/invest-ireland.asp)

## **1.2.2 National and international overview**

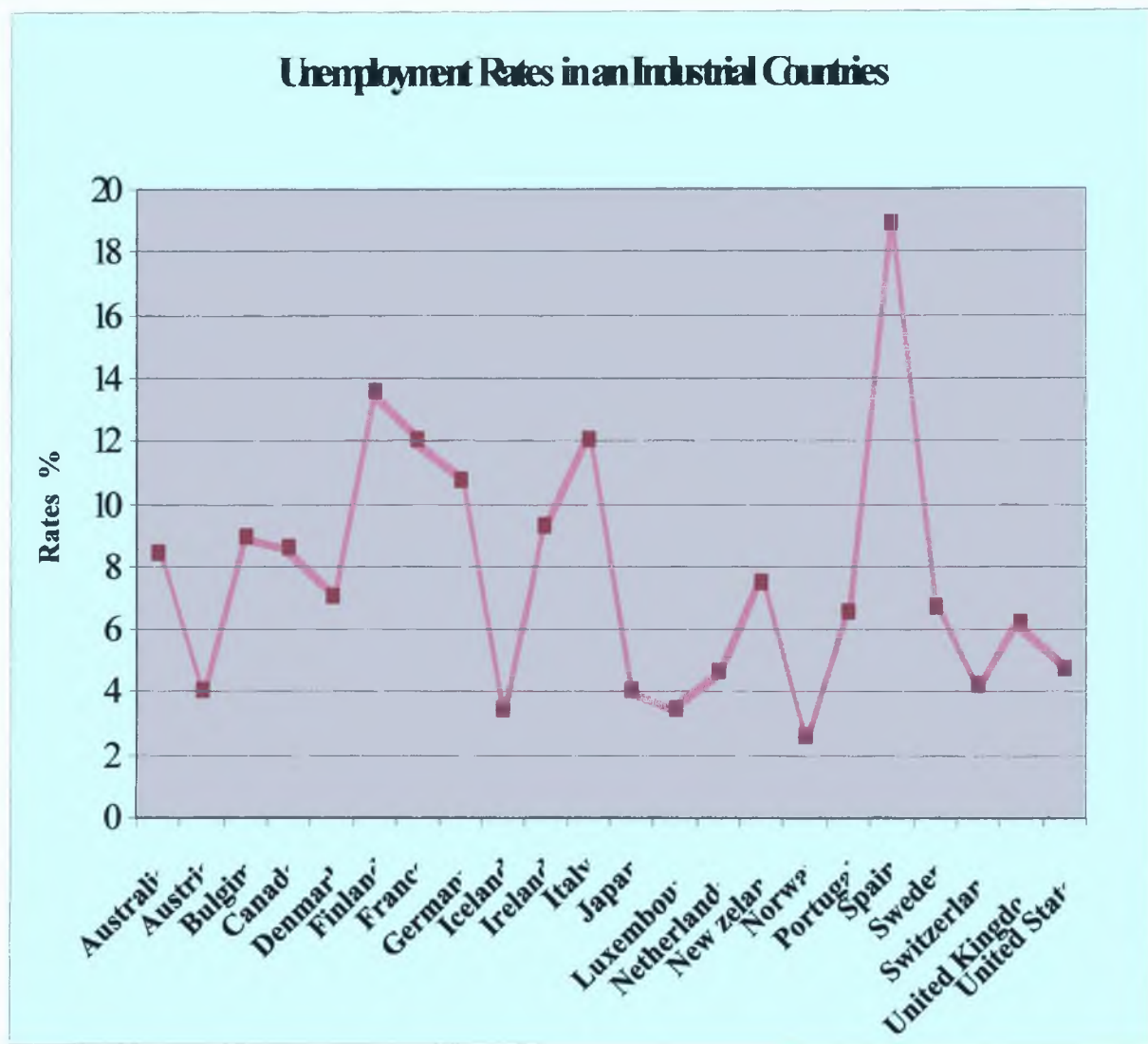
### **1.2.2.1 International overview**

#### **Unemployment Rates in an Industrial Countries**

**Table 1.9 Unemployment rates in industrial countries**

|           | <b>Industrial Countries</b> | <b>1998</b> |
|-----------|-----------------------------|-------------|
| <b>1</b>  | Australia                   | <b>8.4</b>  |
| <b>2</b>  | Austria                     | <b>4</b>    |
| <b>3</b>  | Belgium                     | <b>8.9</b>  |
| <b>4</b>  | Canada                      | <b>8.6</b>  |
| <b>5</b>  | Denmark                     | <b>7</b>    |
| <b>6</b>  | Finland                     | <b>13.6</b> |
| <b>7</b>  | France                      | <b>12</b>   |
| <b>8</b>  | Germany                     | <b>10.7</b> |
| <b>9</b>  | Iceland                     | <b>3.4</b>  |
| <b>10</b> | Ireland                     | <b>9.3</b>  |
| <b>11</b> | Italy                       | <b>12</b>   |
| <b>12</b> | Japan                       | <b>4</b>    |
| <b>13</b> | Luxembourg                  | <b>3.4</b>  |
| <b>14</b> | Netherlands                 | <b>4.6</b>  |
| <b>15</b> | New Zealand                 | <b>7.5</b>  |
| <b>16</b> | Norway                      | <b>2.6</b>  |
| <b>17</b> | Portugal                    | <b>6.5</b>  |
| <b>18</b> | Spain                       | <b>18.9</b> |
| <b>19</b> | Sweden                      | <b>6.7</b>  |
| <b>20</b> | Switzerland                 | <b>4.2</b>  |
| <b>21</b> | United kingdom              | <b>6.2</b>  |
| <b>22</b> | United States               | <b>4.7</b>  |

Figure 1.7 Unemployment rates in industrial countries



### GDP Growth in some countries

**Table 1.10 GDP growth in some countries**

| <b>Country</b>     | <b>1999</b> | <b>2000</b> | <i>Net</i>  |
|--------------------|-------------|-------------|-------------|
| <b>Ireland</b>     | <b>8.7</b>  | <b>11</b>   | <b>2.3</b>  |
| <b>UK</b>          | <b>2.1</b>  | <b>3</b>    | <b>.9</b>   |
| <b>France</b>      | <b>2.9</b>  | <b>3.2</b>  | <b>.3</b>   |
| <b>Germany</b>     | <b>1.5</b>  | <b>3</b>    | <b>1.5</b>  |
| <b>Netherlands</b> | <b>3.6</b>  | <b>3.9</b>  | <b>.3</b>   |
| <b>Spain</b>       | <b>3.7</b>  | <b>4.1</b>  | <b>.4</b>   |
| <b>Portugal</b>    | <b>3</b>    | <b>3.2</b>  | <b>.2</b>   |
| <b>USA</b>         | <b>4.2</b>  | <b>5</b>    | <b>.8</b>   |
| <b>Japan</b>       | <b>3</b>    | <b>1.7</b>  | <b>-1.3</b> |

*Source: OECD Economic Outlook (preliminary Report) May 2001, the World competitive Yearbook 2001 Or Internet Web. [www.ida.ie](http://www.ida.ie)*



A key study by the Organization for Economic Cooperation and Development (OECD) that was presented in the World Competitive Year Book 2001, presented the figures for real GDP Growth in the 9 key world countries for 1999 and 2000.

The most remarkable aspect of these figures is that Ireland's GDP growth was more than twice that of any other country in both 1999 and 2000.

In 1999 Ireland's GDP growth stood at 8.7%, more than double that of second place USA on 4.2%.

By 2000 Ireland's GDP had risen further to 11%, a larger increase than any other. The next largest was the USA, who rose to 5%.

This rapid rate of GDP growth is in stark contrast to that experienced by Japan, who actually experienced a 1.3% drop in GDP growth to 1.7% from 1999 to 2000.

Both Germany (1.5% to 3%) and the U.K. (2.1% to 3%) experienced large increases in their GDP growth but Ireland stand out clearly from all others in terms of GDP growth.

Figure 1.8 GDP growth in 1999

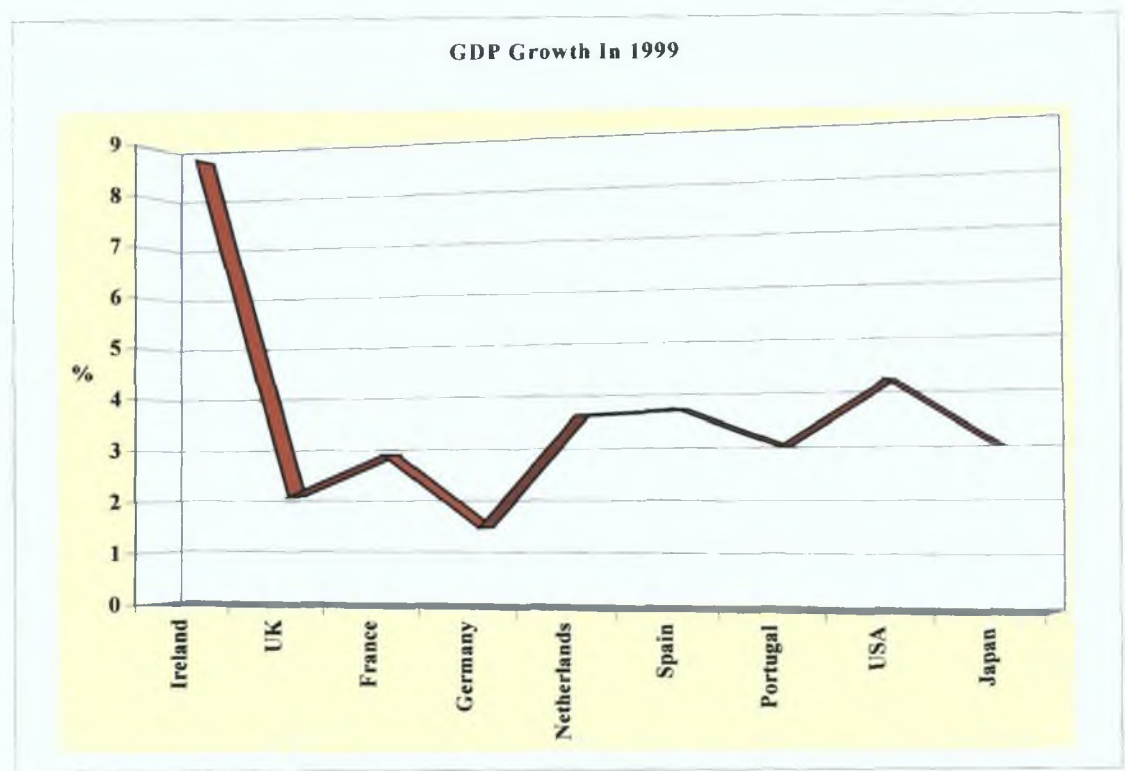
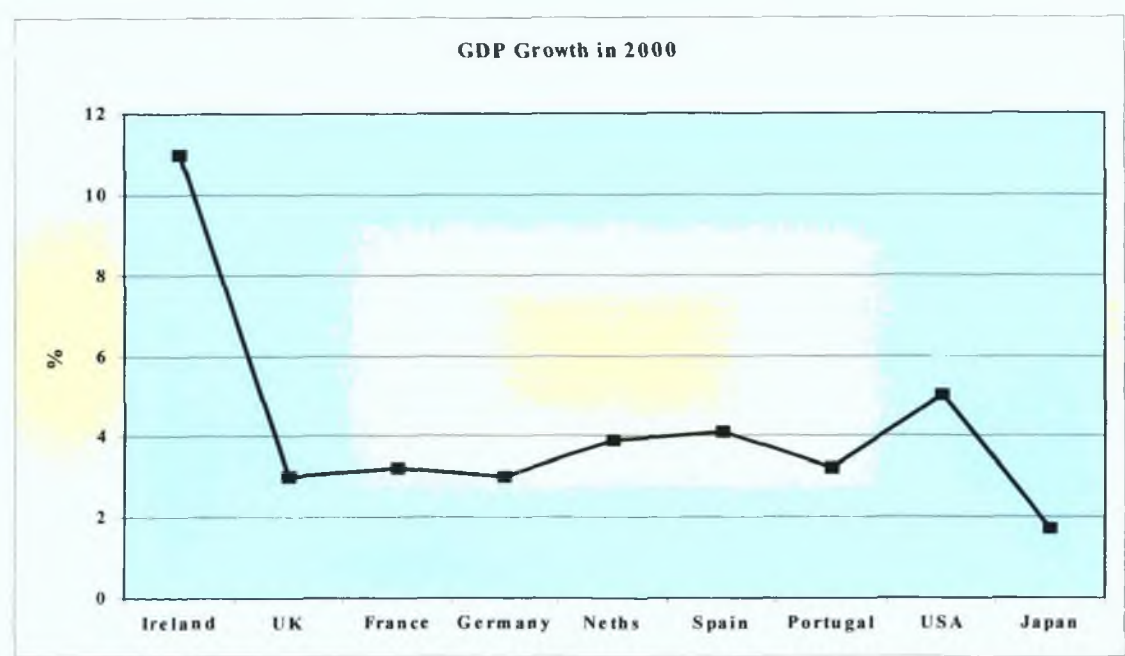
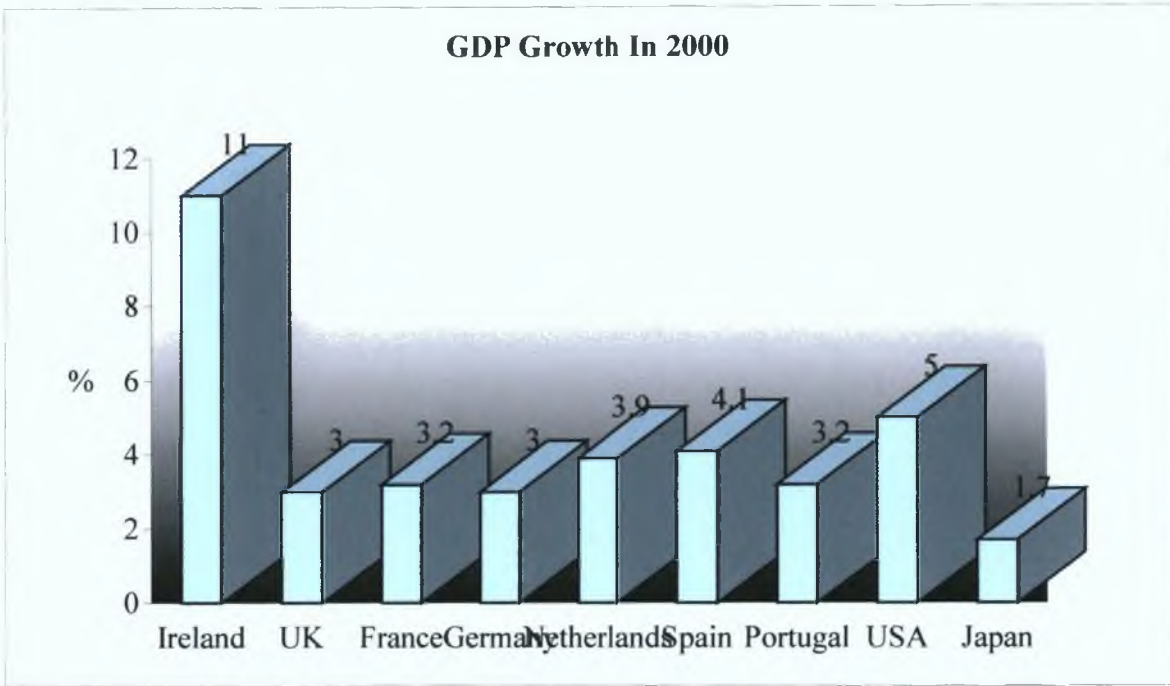
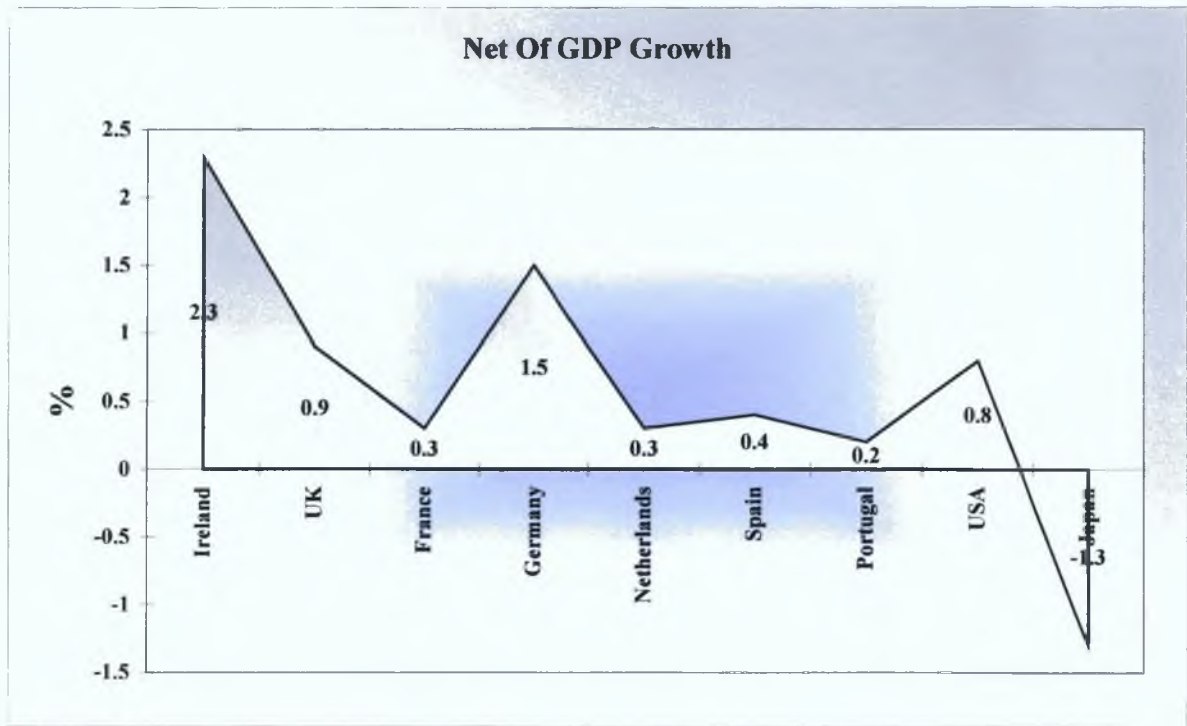


Figure 1.9 GDP growth 2000





**Figure 1.10 Net GDP growth**



### 1.2.2.2 Irish overview

#### Unemployment Rates in Ireland in the period 1986-2000

**Table 1.11 Unemployment rates in Ireland 1986-2000**

| Year | Unemployment Rates |
|------|--------------------|
| 1986 | 17                 |
| 1987 | 16.8               |
| 1988 | 16.2               |
| 1989 | 14.7               |
| 1990 | 13.3               |
| 1991 | 14.7               |
| 1992 | 15.2               |
| 1993 | 15.5               |
| 1994 | 14.1               |
| 1995 | 12.1               |
| 1996 | 11.5               |
| 1997 | 9.8                |
| 1998 | 7.4                |
| 1999 | 5.5                |
| 2000 | 4.1                |

*Source:*

*Central Statistics Office*

*Economic Series Nov. 2000 and Dec. 1998 (Extended issue covering 1986-1998)*

There has been a steep decline in Ireland 's unemployment rate over the period 1986-2000. However, this fall has not been constant despite the overall drop from 17 % in 1986 to 4.1% in 2000.

From 1986 until 1990 the rate fell from 17% to 13.3%, but the next four years saw a rise, first to 14.7%, then 15.2%, by 1993 it had climbed to 15.2% and this increase continued as the figures stood at 15.5% in 1993.

From this point the rate began to fall once again initially dipping, from 15.5% to 14.1% and then experiencing the biggest dip of the entire period to 12.1% in 1995. From this point the rate continued to fall at a fairly steep rate, ultimately hitting 4.1% in 2000.

Figure 1.11 Unemployment rates in Ireland 1986-2000



Unemployment Rates in Ireland in the period 1995-2000

Table 1.12 Unemployment rates in Ireland 1995-2000

| Year | Unemployment Rate |
|------|-------------------|
| 1995 | 12.1              |
| 1996 | 11.5              |
| 1997 | 9.8               |
| 1998 | 7.4               |
| 1999 | 5.5               |
| 2000 | 4.1               |

The unemployment rate in Ireland has steadily decreased during the period 1995 to 2000.

In 1995 it stood at 12.1%, but by 2000 it had plummeted to 4.1%. This decrease occurred at a fairly regular rate.

The biggest drop occurred between 1997 and 1998 when the unemployment rate fell by 2.4%, from 9.8% to 7.4 %.

The smallest fall was 0.6%, between 1995 and 1996.

**Figure 1.12 Unemployment rates in Ireland 1995-2000**



**Employment Trends (Gains, Losses and Net Change) in the period 1992-2001**

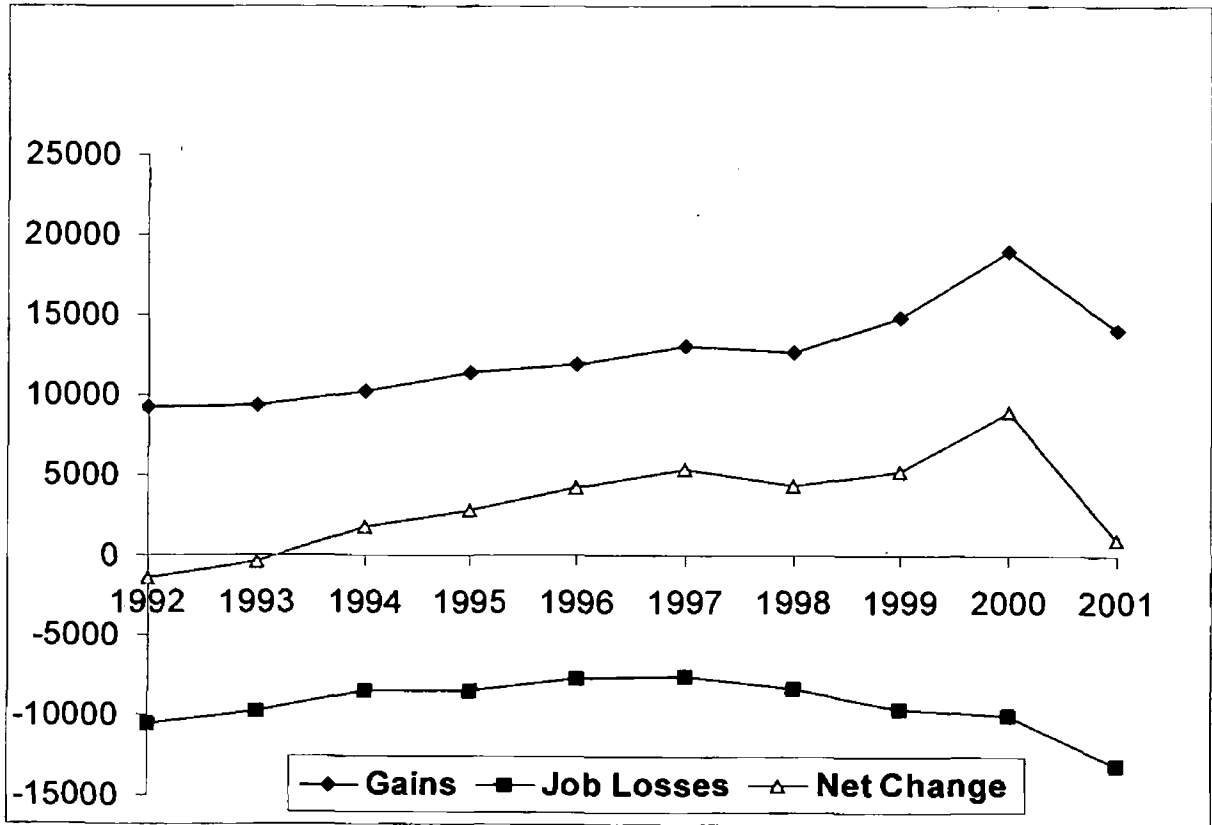
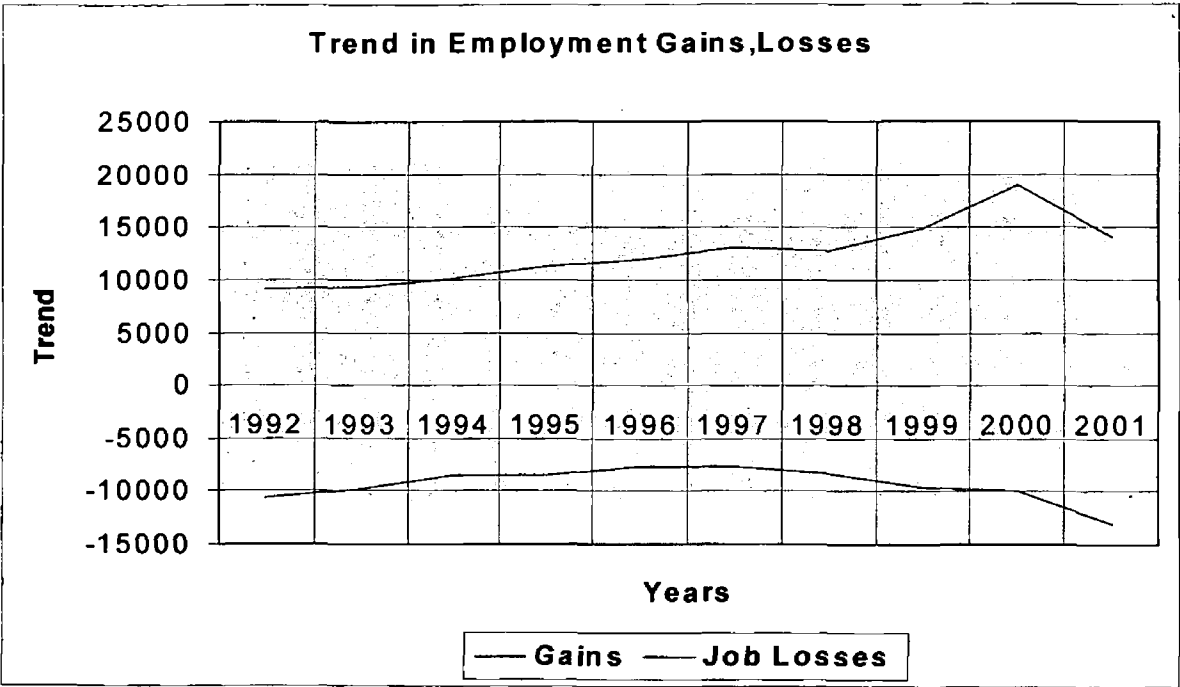
**Table 1.13 Employment trends in the period 1992-2001**

|                   | 1992   | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001   |
|-------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| <b>Gains</b>      | 9180   | 9357  | 10205 | 11366 | 11900 | 13052 | 12719 | 14860 | 18970 | 14128  |
| <b>Job Losses</b> | -10564 | -9797 | -8434 | -8494 | -7708 | -7619 | -8341 | -9665 | -9982 | -13047 |
| <b>Net Change</b> | -1384  | -440  | 1771  | 2872  | 4192  | 5433  | 4378  | 5195  | 8988  | 1081   |

[http://www.enterprise-ireland.com/documents/uploaded/eoy2001\\_summary.doc](http://www.enterprise-ireland.com/documents/uploaded/eoy2001_summary.doc)



Figure 1.13 Trend in employment gains/losses



**Industrial turnover in manufacturing industries**

**Industrial turnover index-manufacturing industries (base 1980=100)**

**Table 1.14 Industrial turnover in manufacturing industries**

| Year     | Annual Index |
|----------|--------------|
| 1995     | 407.3        |
| 1996     | 432.1        |
| 1997     | 486.2        |
| 1998     | 573.4        |
| 1999june | 651.4        |

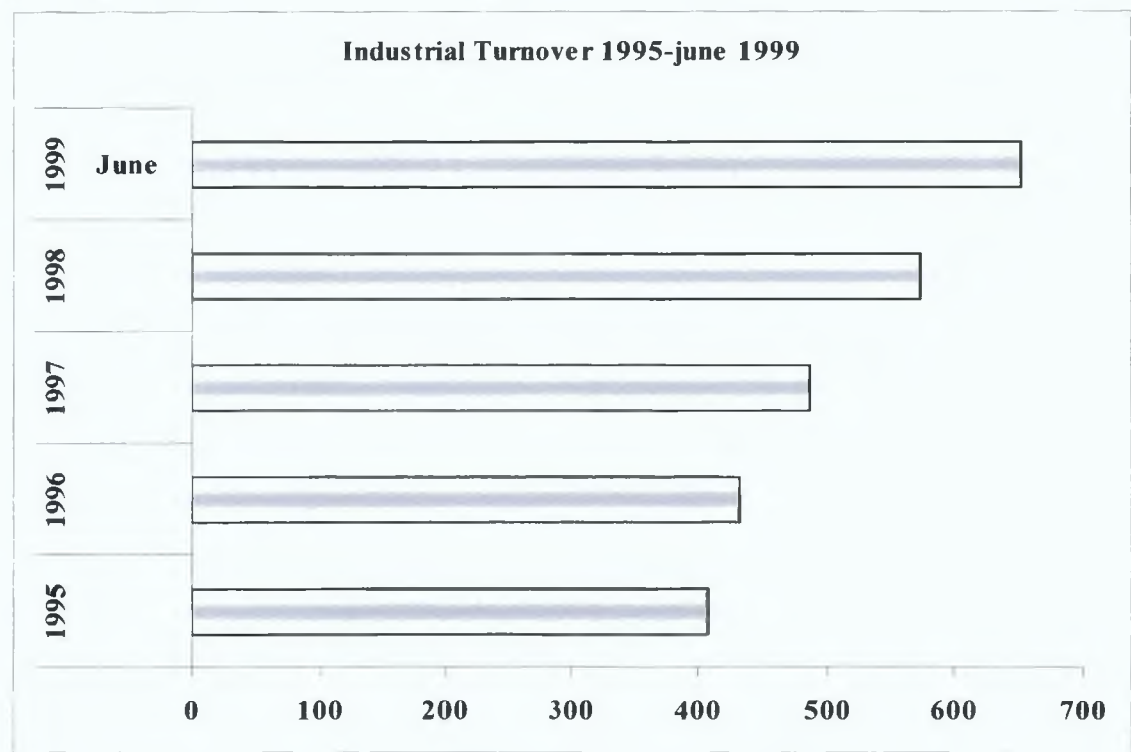
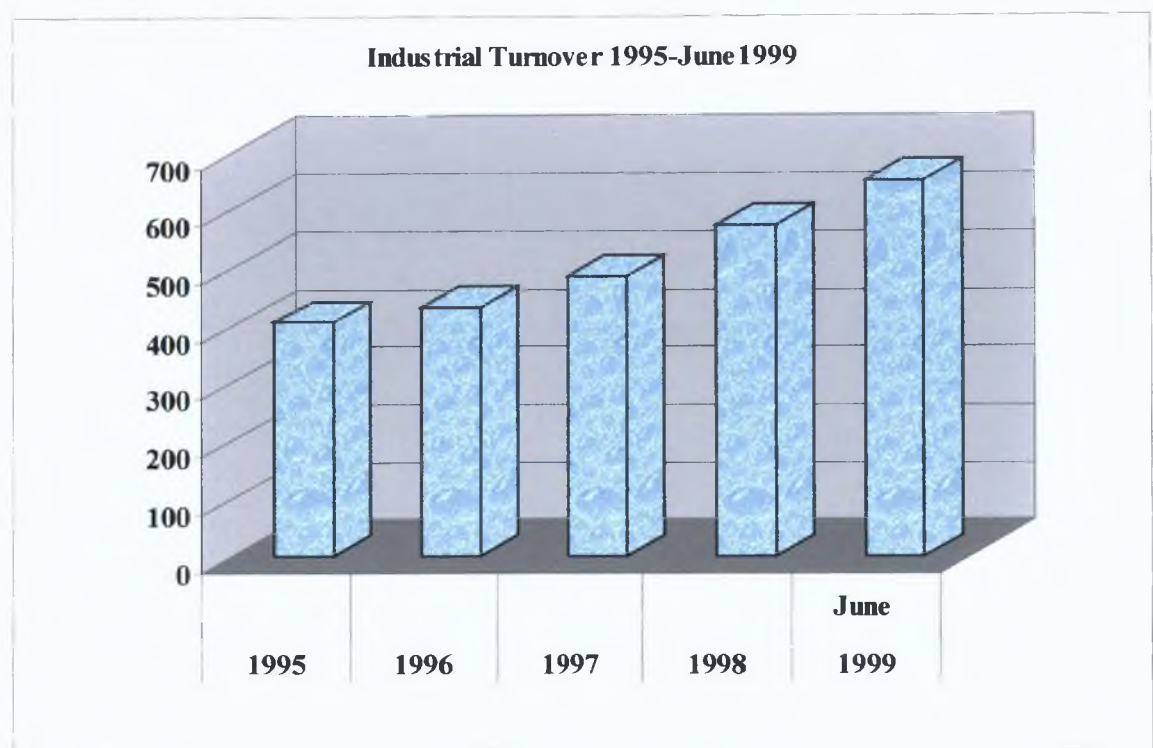
**Source: Central Statistics Office Ireland**

*Economic series September 2001*

**Industrial turnover index-manufacturing industries:**

These figures were attained from the Central Statistics Office of Ireland in September 2001. It displays the Turnover rates in Ireland from 1995 until June 1999. Over this period of time the Turnover shot up from 407.3 to 651.4. The increase was relatively gradual at first as by 1996 the increase was 24.9 to 432.1 and then 54.1 in the period 1996 to 1997. The Turnover increased fairly dramatically over the next 12 months, rising 87.2 to 573.4 and this rate of increase was sustained up to June 1999, by which time there had been a rise of 78, leaving the Turnover rate at 651.4.

Figure 1.14 Industrial turnover 1995-1999



# **CHAPTER TWO**

## **Literature Review**

### **2.1 Introduction to HRM**

Human Resource Management (HRM) appears to be a durable phenomenon. Two decades ago there was modest support for and knowledge about the practical circumstances for the human resources of working life, but nowadays HRM is in focus. Companies find themselves more and more up against the complicated problems if they are not running the human resources area in an effective and proficient way. The majority of operational costs are staff costs, which itself is an argument for taking interest in using human resources more effectively. A company must consider that it is no longer in a situation to dictate the rules of dealings with a workforce. It is time the employees that set the outline parameters since they are the ones who symbolize the competitive potency of the company. The effect is a type of powerlessness that employers have never experienced before.

### **2.1.1 HR Programme**

The implications of a segmented workforce are profound, because different segments may require dramatically different employment propositions. Flextime, flexible benefits, and benefit programmes covering part-time employees can substantially increase the pool of potential labor available to fill key jobs.

This leads to an important philosophical challenge. In an ideal work environment, every company would be able to create an unique employment proposition perfectly suited to each employee, i.e. the perfect combination of pay, benefits, and intangibles. Historically, however, companies have tried to create pay and benefit packages that meet the needs of most of the work force most of the time, and at a reasonable cost, in our changing world, however, tough choices are necessary about the vital skills and positions that must be filled and retained at all costs. Practically speaking, companies must identify the programs that best support the work design and critical positions within the organization- sometimes at the expense of the overall employee population. **(Devine, B. 2001)**

Not only are human resources gaining escalating significance for the company, but concurrently several predicaments or contradictions seem to be budding.

Consequently, both top administrators and HR experts must be able to find out ways of harmonizing live with contradictions, and join differences of a tactical, moral, and sensible nature. The value of collective solutions is lessening, and the need for situational techniques and interventions is rising.

One of the distinctions related to the perception of HRM is that human resources are located in the framework of strategy and business. Human resources are no longer observed as production factors of minor importance, but as very important competitive features. Consequently, during the last ten to fifteen years it has turned out to be good form to claim that the HRM job should and could be fastened advantageously. Though, realism has not forever lived up to expectations, and many HRM executives have not been able to control the overall process of the company to the degree that they desired.

**This has had quite a few implications:**

**First,** it is understandable that it will necessitate high educational skills to circulate information about the tactical significance of human resources.

**Second,** it is to some extent startling that economists and the monetary world conventionally have had strong authority on strategic contemplation in companies, taking into attention that their apparatus (economic key figures) are reflecting historical information.

**Third,** the entire notion of what strategy is and to what extent operations can be based on strategy has been subject matter to growing debate and uncertainty. Strategies assume determining future predetermined development pathways, which is hard due to rising commotion. Consequently, strategies are more and more becoming broadband of likely, but optional future pathways of growth rather than predetermined courses that one sticks to absolutely.

On that basis, one of the enormous predicaments of the HR profession is how broadly to aspire and in general arrange the organization for future circumstances without knowing the precise nature of these. The option is to stake out more lasting and narrow strategies. The more the company endeavors to do the former, the more supported it will be on the so-called ability driven strategy. The point of exit is not a prearranged strategy, but relatively that the

current organizational ability can be developed on the inside and/or obtained externally.

This means inquiring:

'What shape of strategies are practical, attainable, and advantageous within the structure offered by current and possible competence?' Conventionally, the question has been the reverse: 'What is a suitable strategy and which competencies does it necessitate from the employees?'

The interaction amid strategy and ability need not be of the kind of either-or. The HR occupation can donate to strategy progression by exposing the abilities obtainable. On the other hand, business administration can supply proposals for direction and purpose that the HR accountable persons consequently can try to take into attention.

Then again, this entail that those answerable for HR have a fine image in the organization and are renowned for their ability to consider in terms of business. This will only be the case if the HR work is experienced as adequately imperative to be teamed with proficient and professional people and not as a section for executives and employees that it is difficult to find a place for somewhere else. The bad reputation of the past is still lingering, though it is more of fairy tale than realism nowadays.



### **2.1.2 HR Strategy**

During the last four decades the human resource strategy has developed from a "hiring/firing paper processing" job to an enormously complex line of work.

Human resources management involve the capability to comprehend how all the facets of human resources management interact each other and on the organization as a whole. The numerous regulations regulating almost all features of the employee/employer association, compounded by conflicting legal explanations, requires professionals expert in understanding and applying these regulations to everyday management verdicts. Incorrect decisions, by any agent of the organization, in employing, regulation, termination, or the way workers are treated may result in a multimillion euro court case; and, these judgments may cripple a company by costing thousands of euros even if they succeed. (Carter, 2000; Herriot, 1998; Reilly, 1996,1999)

From the last two decades senior management has started on to realize that human resource management experts, accomplished in technical areas such as human resource and labor law, labor relations, strategy development and

supervision, compensation and remuneration, and worker counseling, are no longer a cost "drag" on the organization, but make a constructive impact on the bottom line. Management has also come to recognize that the human resource management professional is everybody in the human resources department, from the secretary, to the remuneration administrator, to the employment interviewer, to the director or executive of the department.

**(Tamkin, 1997; Barber, 1999)**

Therefore for all Human Resource policies the skilled management and assortment technique are significant to companies world over, not only for the developed states but also the newly and the states that are in the stage of developing. The most essential strategy is a helpful selection process. **(IDS, 1997)**

Incorrect selection decisions result in less proficient workers who can have an unconstructive effect on the whole organization and put in danger the livelihood of other employees. As a result, the way an organization goes about selection is of major concern. **(Smith and Abrahamsen, 1992)**

Armstrong feels that strategic HRM is an approach to making decisions on the intentions of the organization concerning people, these decision being essential components of the organization's business strategy, it is about relationship between HRM and strategic management in the organization.

"The HRM strategist must be involved in establishing and adjusting corporate objectives and developing strategic personnel policies designed to facilitate the achievement of long-term business goals. HRM considerations are recognized as a key ingredient in corporate success with the HRM strategist being the specialist best placed to access how the organizations human resources can best contribute to this goal. The HRM department essentially operates in an advisory capacity. It is the role of the HR dept to support the line and top management and provide expert guidance on personnel issues and they also undertake certain research tasks. They also develop procedures in areas such as recruitment, training and promotions".

**(Devine, B. 2002)**

### Selection processes

Management must, if they want to lessen employee defections, position the right employee in the right job and recognize that bad bodies are poorer than no bodies at all. They have to comprehend that employee turnover and staffing costs far more than appropriate appointment and training intended at increasing employee preservation.

Management must concentrate on what their companies do to confirm the correct fit between the employee and the work. Management must also know that just because an employee has skill in a field, it doesn't mean they are best matched for that field. (Wyatt, 1995)

When organizations position the right employee in the right job, they have a more contented, more thoughtful and motivated member of staff. This employee will be further probable to build up the necessary ability to do his job well and will be more interested in education. He will also be less probable to seek out employment somewhere else.

Exceptional training of employees devoid of quality selection, and vice versa, results in wasted money and time spent on staffing. It also results in very low employee

preservation. There is only one thing worse than a trained worker who quits, and that is an untrained worker who stays.

Some companies have very small employee recruitment plans, the majority has none.

What is more notable is that for companies have no well-planned, concerned or effectual employee preservation approach.

This plan should be well thought out, be a company priority, should be company wide, and engage the staff, the management and front line, in the same manner. It must be tracked, and its usefulness monitored on a continuing basis.

Every one of the managers should be held answerable for employee turnover and the costs concerned. Too frequently, the price tag of employee turnover is not told to managers, and consequently is not a main concern. These costs should be component of each department's profit and loss statement, and an essential constituent of each department's financial plan. At this time, there is diminutive, if any, management answerability for employee retention. Preservation, turnover and staffing should be talked about at every supervisory group gathering, staff

conference and department assembly. This is hardly ever the case. **(Devine, 2002)**

If the organization can keep hold of more of their employees and lessen employee turnover, then they will not have to pay out the time and money on employment. It makes common sense. There are several companies that are cyclic in nature. Some may be in college towns and depend a great deal on those resources. Others have exceptional employee challenges.

Employee turnover is to be anticipated. But a lot of companies do not conduct useful exit interviews, if they do exit interviews in any way, with employees who leave their job. It is really important that the grounds for employee resignations and terminations be analyzed. If management doesn't know why staff are leaving, particularly if they leave inside the first 90 days, then they cannot resolve the employee turnover challenges facing them.

Another disagreement is that selection is key to preservation and that if we could only choose the right people from the start we would have much a smaller amount of turnover.

### **2.1.3 The importance of recruitment & selection AN OVERVIEW:**

Theorists who have worked on the subject of recruitment and selection agree that it is a vital component of the HR function, in order for an organization to be successful. It is essential that it realizes the importance of its human resources. In today's business world, where many organizations are offering very similar products or services, the one factor that really gives an organization competitive advantage is the quality of the staff, in order to obtain suitable staff, it is essential to have effective recruitment and selection procedures in place. Selecting the right people initially will help to ensure job satisfaction and motivation, and will curtail turnover.

In a time when there is a strong focus on the psychological contract between employer and employee, it is important to take in consideration that the employer/ employee relationship begins not when the employee joins the organization, but at the recruitment and selection phase, and this process is handled professionally. Employees will have a positive attitude towards the organization from the outset. In addition, the recruitment process can promote

the company's image, so it is vital that all those who have been through the process feel that they have been treated fairly and professionally and come away with a positive image of the organization. (Devine, B. 2002)

### **Recruitment-planning**

Preparation is fundamental when recruiting. HR planning must be ongoing, to anticipate the human resource needs of the organization. An effective HR planning system will tell the HR practitioner how many people the organization will need, and what skills, knowledge and attitudes these people should have. This will lead to a decision to up-skill, to restructure, to retain, or to recruit. If the decision is taken to recruit, an analysis of the labour market will suggest where these people should be sourced.

A job description and person specification are important, so that candidates' skills can be matched to those required for the job, and only shortfalls can be probed at interview stage. Matching the person to the job is essential if the person is to be satisfied and motivated. However, to ensure that the employee will be flexible, and equipped with the ability to respond to change in the future, it is important



to ensure that the job description and person specification are not too rigid or specific.

"Having decided on the number and type of people needed to fill the job, the next important step is to attract the applicants". (Devine, B. 2002)

### **The meaning of recruitment and selection**

"Recruitment and selection refers to different stages in the employment process. Whatever the structure of the organization, it is vital to the business that it is staffed with people of the right quality. The effectiveness of any organization inevitably depends very largely upon the people it employs. Managers should recognize the importance of a planned and systematic approach to recruitment and selection".

"Recruitment involves attracting the right candidates to fill the position in the organization structure. Before recruiting begins, the position's requirement (which should relate directly to the task) must be clearly identified. This makes it easier to recruit suitable candidates. Companies with a favorable public image find it easier to attract qualified candidates. Selection involves choosing

from among the qualified candidates the one that best meets the position requirements". (Devine, B.2002)

### **The importance of selection procedures**

The selection process can be considered as essential to any organization that seeks to be efficient and competitive in the market. The selection procedures determine the quality of the work force. The human resources of organizations could be regarded as the final result of the selection procedures.

### **Types of selection methods in use**

It is very important for those who are responsible for Recruitment; Selection and Retention processes to appreciate which methods are most likely to be applied in their organization. However, the use of a specific selection method depends on the level of the position that has to be filled.

### **Application form (CVs)**

The use of application forms or the curriculum vitae provides employers with biographical information about the Applicants' educational qualification and their previous

career. This method is widely used except for appointment at the very highest level. (Taylor, 1998)

### **References**

References as a method of selecting employees, are used to check the accuracy of information given by applicants. They can be in a written form or sometimes given by telephone. References have many forms such as a letter of references, or personal recommendations (Lewis, 1992). However, it is rarely to happen that a previous employer would put into writing negative or bad thing about an employee.

### **Interviews.**

As a method of selecting employees, the interview is one of the most familiar and important in any organization. The interview method focuses on aspects of behaviour and performance, less easily identified using other methods. Many employers use the interview for every category of staff and every type of job.

### **Examinations**

Examinations are often used as a method of assessing the general academic knowledge of candidates. Job analysis

should be based for the construction and preparing of examinations. (Caruth et al, 1990)

### **Assessment Centers**

The assessment center technique is based on organizing groups of candidates together and involving them in variety of methods such as interviews, work samples and examinations.

### **Bio data analysis**

Bio data analysis is a technique that uses information drawn from the candidate's experience with current or previous jobs held and the personal life history. In countries like UK this method is used about 5 % of employers. (IRS, 1997)

### **Personality tests**

These kinds of tests are not often used in the developing countries. Personality tests refer to the behavior of individuals and involve the assessment of candidates' personalities by psychological means.

### **Ability / aptitude**

The aim of using an ability/aptitude test is to be able to predict the candidate's performance in the job. It is particularly used for clerical work and secretarial workers.

### **Handwriting analysis**

Handwriting Analysis refers to the investigation of the features of handwriting in which the analysis draws inferences about writer. Also it reveals something about a person's behavior. This method is an acceptable and essential part of recruitment and selection in countries like France whereas it is less commonly used in other countries such as the UK.

### **Leadership skills**

The organization's Leadership and the following culture (or lack of one) is one of the principal causes for employee defections. All together, it can and ought to be the most successful and cost-free staffing apparatus. Because of this, companies must make a rigorous effort to effect the evolution from management to leadership.

If leadership entrusts to lessening employee defections, the organizational traditions must be articulated through

leadership's proceedings, judgments and behaviors and shared by all associates of the organization. The company must be supposed as a magnificent place to work.

Leadership that successfully retains employees encourages such high degree of assurance and devotion among the whole team that all organization associates make themselves to be available.

Leadership that raises spirits effectively retains employees. At the time when management's reimbursement is partly based on employee turnover, employee turnover will reduce radically.

Paucity of training is one of the major grievance heard from fresh employees, yet only some companies take the time to efficiently train fresh appointments, or ask for comments from a fresh employee to make sure the company has given him the knowledge he will need to get the work done. This should be completed two to four weeks following the training complete and the employee has had the chance to have understanding of his new company, its training and traditions.

Companies that have the greatest degree of employee preservation are employee driven. Those that are not had enhanced budgets to cater for the employee turnover they are going to an expert to encounter.

Value and service are mutually dependent. One cannot define value or service without observing it from the customer's viewpoint, and the employees are customers as well.

### **Selection criteria in an organization:**

Selecting an employee is amongst the most significant judgment a manager makes. Hiring the right individual in the right position is critical for business growth. But how can one do that? How can one tell if a person you hardly know will be a person who can do all that the work you will demand of him or her? How will one know if a candidate's personality will match the business values? How can one spend a day with someone and know if this is a person you would like to work with for the following thirty years? The answer is straightforward: one can't and won't know for sure. One can, though, structure a process that will take a significant amount of the uncertainty out of hiring.

### **Consider the requirement of the position and the business**

In a hurry to make hire, an employer is occasionally negligent in taking into account the real needs of that position. There are abilities, licenses, character traits, and aptitudes that an employee must possess to be winning

in any given situation. Figure out the job, and one understands the best possible individual to fill it.

### **Establish the time prerequisite**

The primary feature of the job to be determined is the time necessity of the position, part-time, full-time, cyclic, or provisional. Some managers think this question to be a no-brainer but, the business may profit from the proprietor or manager making a good assessment of the time that the position necessitates. Possibly because of the domestic labour pool and the hours the employee will be on job, the business will benefit from two part-time employees rather than one full-time worker.

Many conventional farming processes are overstaffed in the greater part of the year. Employing a part-time or seasonal workforce can assist to lessen much of the anxiety that condition brings. Whatever type of candidate one decides to engage, he should settle on that early-on since the candidate pool will differ very much for each type of time condition.



## **2.2 Review of the problem (Staff Turnover)**

### **2.2.1 Introduction**

#### **Turnover happens**

Turnover, like poverty, will always be with us. Achieving zero percent turnover is neither realistic nor desirable. People move on for a variety of unpreventable reasons- more money, better benefits, the appearance of greener pastures, partner relocation, the desire to be full-time parent, to retire, to return to college, and so on.

Spending your energies trying equally hard to keep everyone is probably not a realistic solution. The wiser route for most companies is to focus on keeping those you can least afford to lose.

#### **1) Some turnover is desirable and acceptable**

Zero turnover is not desirable for a couple of reasons;

**First**, if all employees stay and the organization grows up steadily, most employees will be at or near the top of their ranges and, salary expenses will be extremely high.

**Second**, new employees bring new ideas, approaches, abilities, and attitude and keep the organization becoming

stagnant. Consequently, some amount of turnover is generally considered healthy.

As we know sometimes the wrong people do stay, while the right people leave. As one manager put it. "Some quit and leave. ....Others quit and stay." This brings the question, **"Who are the right and the wrong people?"**

The right people are the ones we want to keep, but they don't have to be "water-walker," they are our steady performers as well. The wrong ones are usually those who are incompetent, mismatched disillusioned, or burnt-out".

**(Branham, L. 2000)**

"But of course not all turnover is bad news. At a certain level, turnover can be positive for an organization. Some of the benefits attributed to a healthy level of turnover are:

Allow fresh blood into the organization

Create career development opportunities for existing staff

Allow an organization to restructure or adjust its staffing mix". **(IDS, 2000)**

## **2) Turnover is costly**

"We all know that Turnover is costly; just how costly depends on what you consider to be Turnover costs. To reach

the most meaningful figure, your organization should focus on ***what it costs to Replace the most critical difficult to replace, top performing people***, because these are the ones you can least afford to lose. When figuring costs, consider both direct and indirect cost of hiring and replacing the departing employee." (Branham, L 2000)

### **Staff turnover is an increasing problem**

Employee turnover and retention has become one of the biggest headaches and challenges for HR professionals and is one that most employers are interested in tackling.

When an employee leaves an organization it is not only their skills that are lost. Knowledge is more than 'information' or a 'memory' of procedures stating how things should be done. It includes factors such as intuition, wisdom, experience and informal networks. Knowledge is an expensive commodity, which, if managed properly, is a major asset to the company.

Most companies invest in their knowledge assets by recruiting knowledgeable people in the first instance and then further by training them. The challenge for organizations is how to keep the knowledge and information

they have invested in. 'Knowledge' is not all held in data capture systems; much of it is held within people.

(<http://www.cscce.edu/DOCS/humcurr.htm>)

### **Why turnover is a problem?**

In some organizations, the cost of replacing leavers can be considerable as much as 150 per cent of annual salary for staff. However, the costs are not purely financial. Other repercussions include the loss of skills, knowledge and experience, disruption to operations and the effect on staff morale. Added to these is the considerable amount of time, energy and resources constantly recruiting and training new staff can consume- not just for HR but also for line managers. These costs and consequences can help justify any investment in taking effective action to reduce turnover.

### **And when it isn't**

Of course, turnover is not necessarily a bad thing. A certain level is required to allow fresh blood into the organization and to open up career development opportunities for existing staff. A key issue for an organization is to define an acceptable level of turnover, taking into account any external realities over which it

has little control, such as a difficult labor market or a direct competitor poaching staff. It may have to be prepared, at least in the short term, to live with higher turnover levels for some jobs it would ideally like.

**(IDS, 2000)**

### **Methods of measuring turnover**

There are a number of ways of measuring labour turnover. Here we look at the most commonly used methods by organizations:

#### **Wastage Rate:**

One of the simplest ways of measuring turnover (sometimes called the separation or wastage rate) is to calculate the number of leavers in a given period as a percentage number of people in the post during the same period. This average is usually reached by adding together the number of people employed at the start of the period and the number employed at the end and dividing the total by two.

**The number of people employed at the start + The number of people employed at the end**

---

The separate formula is as follows:

$$\frac{\text{Number of leavers}}{\text{Average number employed}} * 100$$

The separation rate is often calculated on this basis of a rolling year at monthly or quarterly intervals. Some organizations include all leavers in the (known as the crude wastage rate), while others prefer to base turnover rates on voluntary leavers or resignation rates only. Excluding employees who leave because of unavoidable reasons, such as retirement, redundancy, dismissal, redeployment to another part of the organization or death in service, the separation rate can also be used to measure turnover among particular groups of employees of departments within the organization.

### **Stability index**

The stability index shows the extent to which experienced employees are being retained, it is usually calculated as the number of employees with one year' service or more as a percentage of the number of people employed a year ago.

**Number of employees with one year's service or more**

**\* 100**

**Number employed a year ago**

However, the formula can be varied according to an organization's circumstances, by basing it on a longer period of service, for example. The stability index can be calculated for whole organization as well as for specific groups. A rise in the stability index indicates that the organization is improving its retention of more experienced staff.

#### **A Compromise solution to training/turnover issues**

A single apparent solution is to have the employee sign a contract that if they leave within a specified period of time after the training, they will pay back the company for the expense of the training. One would anticipate this time frame to be one to three years. If too long the employee will sense the company is irrational and dislike it. They may even feel like a detainee. Not only that, but the training may turn out to be of less value after three years since the quick pace of technology may make it partly obsolete in that time period.

### **Selecting those to train**

One more thought is the managers may select those employees that they consider are more probable to stay for the volume of training. The major aggravation here is when training is given directly by management or expert members of the team to other members. After being trained on the inside within the team arrangement, the employee may go away from the organization. Perceptibly managers must appraise this situation and make suitable decisions. **(Tamkin, 1998)**

The finest organizations will train or re-train employees rather than replacing them. This demonstrates that employees are precious and are anticipated to continue.

### **Cross-training**

Cross training is a extremely useful way to augment team knowledge and balance out the team. If at all possible, in each area, there can be one person with prime knowledge and one with secondary knowledge in that region. This works the same as a mentoring scheme where one person gains knowledge from another. It also adds to the chance that if something happened to one member of the team the knowledge is held on to. Certainly on small teams, quite a few people may be



required to be a primary and/or secondary specialist in numerous regions.

Also a component of the scheme of cross-training is to have each member of the team be a main expert in some region. This raises the self worth of every individual team member and provides them with some familiarity in leadership.

### **Causes for Turnover**

- Dissimilarity between the organizational profession plan for the employee and the plan the employee wants to follow.

- Remuneration.

- Designation - Promoting from inside can help this, but not always resolve the problem.

- Bad organizational communication.

- No acknowledgment.

- Disproportionate treatment.

- Being left out of the work group.

- Uncertainty about the constancy of the job possibly due to organization's monetary trouble or other reasons.

- Modest or no training.

- Exterior or personal reasons outside control.

The management should determine what inspires specific persons and accommodate those requirements within limits of causes and justice to all staff.

The unconstructive effects of turnover are clear: bigger costs to hire and train fresh employees, vanished knowledge and experience, reduction in output, and inferior quality of work. The positives are not as much understood, but no less real. A blend of new thoughts, adding together of innovative knowledge and experience to the company's knowledge foundation, lesser wages as new employees frequently enter at a smaller scale, and improved promotional opportunities for individuals who continue.

The expense of replacing a mislaid employee can be overwhelming. In some organizations, the cost of replacing leavers can be substantial as much as 150 percent of annual remuneration for personnel. Costs can be to the extent of 3 times base salary for a mid-level manager. Formulas abound for calculating substitution costs. There are others that are less customary. But any way one uses to calculate it, turnover costs dearly.

A number of turnovers are almost certainly inevitable. This is the type of turnover caused by people getting wedded, moving to be closer to parents or kids, employees departure

for medical reasons, etc. This is frequently described as a functional turnover and is the baseline below which a company hardly ever goes and can do little to amend.

Other types of turnover are usually considered to be avoidable. Peter Hom and Rodger Griffeth, associate Professors at Arizona State and Georgia State Universities respectively, have done broad analysis of the subject and of past study into reasons and cures of turnover. They have put together an integrated model of factors that contribute to employee preservation and turnover.

They say that in order to keep hold of people, a company must fulfill three basic set of conditions: **(Hom, 1995)**

(1) There should be things that gratify people such as suitable compensation, enough job scope, met expectations, and tolerable stress levels,

(2) There have got to be things that build commitment such as a sense of fairness and equality, employment security, a conviction that the job held is important and helpful, and a conviction that the company invests in its people, and

(3) The labor market has its own weight on employee's assessment viz to leave or continue.

It is understandable in today's extremely competitive market for information systems professionals, for instance, that the market has an authoritative influence on employee decisions to continue or go away. So far, we have discovered that in many cases these professionals cannot be enticed away by money or any other solitary issue since the company they currently work for meet most of the conditions in the three groups mentioned.

#### **Analysis that Investigate Cause of Turnover**

Unless organizations try to stop turnover, they run the threat of being in an unending state of firefighting that is always responding to actions rather than controlling them. To be unbeaten, preservation means need to be supported on dependable turnover information and the ability to interpret it correctly.

Some studies demonstrate the results that are surely unenthusiastic:

46% of 5000 studied executives say they anticipate their next position to last only two to five years. (**San Antonio Business Journal**)

53% of all working people anticipate to quit their jobs inside five years. **(Louis Harris and Associates)**

40% of employees say they would leave their present employers for related jobs with only to some extent higher pay. **(Louis Harris and Associates)**

The financial system, the unreliable workforce, and novel attitudes towards employment counteract to make turnover a given for many managers. Though, when one takes a closer look at the reasons of turnover, there is reason for hope.

As an average, half of an organization's turnover entail fresh employees -employees who leave inside the first six months on the job. These turnovers signal a complexity with the technique people are employed, chosen, and oriented to the occupation.

Not surprisingly, interventions that develop employing, selection, and orientation are amongst the most widespread and dependable ways to decrease overall turnover. These are vital interventions to consider, especially if the turnover predicament involves new employees.

The majority of expensive turnovers are those that entail experienced and expert employees. In order to learn why these people go away, researchers use:

1. Appraisal of people in the workforce
2. Exit interviews conducted as people depart from a job

Post exit meeting conducted six months after a person has left a job

Analysis and exit interviews give up similar results. Following are a few representative studies that have been concluded in the last few years.

## **2.2.2 Case studies**

### **Surveys of people in the workforce**

Coopers & Lybrand (1998) survey of 171 companies nationwide: This survey asked employees whether they intended to continue or leave their present employer. Those who were scheduling to leave were then asked why. Participants were able to blot as many grounds as were pertinent, so the percentages do not total 100%.

**Planning to leave because of . . .**

**Table 2.1 The cause of employees to leave**

|                                      |            |
|--------------------------------------|------------|
| Higher pay                           | <b>63%</b> |
| Relocating                           | <b>47%</b> |
| Dissatisfied with career advancement | <b>39%</b> |
| Offered a better position            | <b>28%</b> |
| Career change                        | <b>27%</b> |
| Stay home with family                | <b>27%</b> |
| Dissatisfied with organization       | <b>20%</b> |

Jordan-Evans Group (1999) survey of 6,400 employees in the U.S.: This survey asked employees to point to the reasons they stay on at their existing jobs.

**Planning to continue because of...**

- Career development and personal development
- Good people and associations
- Fair pay and benefits
- A great supervisor

Aon Consulting (2000) Annual Survey of 1,800 employees in the U.S.: This survey asked employees what it would take to make them go away from their current jobs.

**What it would take to make them leave...**

- 25% would run off from their present jobs for a pay increase of 10%
- More than 55% would go away for a pay enhancement of 20%

These investigations and others point to career development and pay as main issues determining preservation. These results are further sustained by the studies that use exit interviews.

**What causes employees the Greatest Dissatisfaction at work?**

HR Focus study carried out in August 2001 investigated the causes of job dissatisfaction.

The study unveiled ten primary reasons for this.



By far the greatest expressed reason for dissatisfaction was workers feeling a lack of appreciation which made up 33% of the overall poll.

The second largest complaint was against too much paper-work, which polled 27%.

Following these there are four expressed grievances separated by 3%; problems with supervisors (23%), poor pay and benefits (22%), lack of training (20%), and lack of opportunity (20%), there is only a slight dip of 2% to the next expressed cause of fairness and problems with co-workers (16%) and then a 1% drop to disliking commuting (15%).

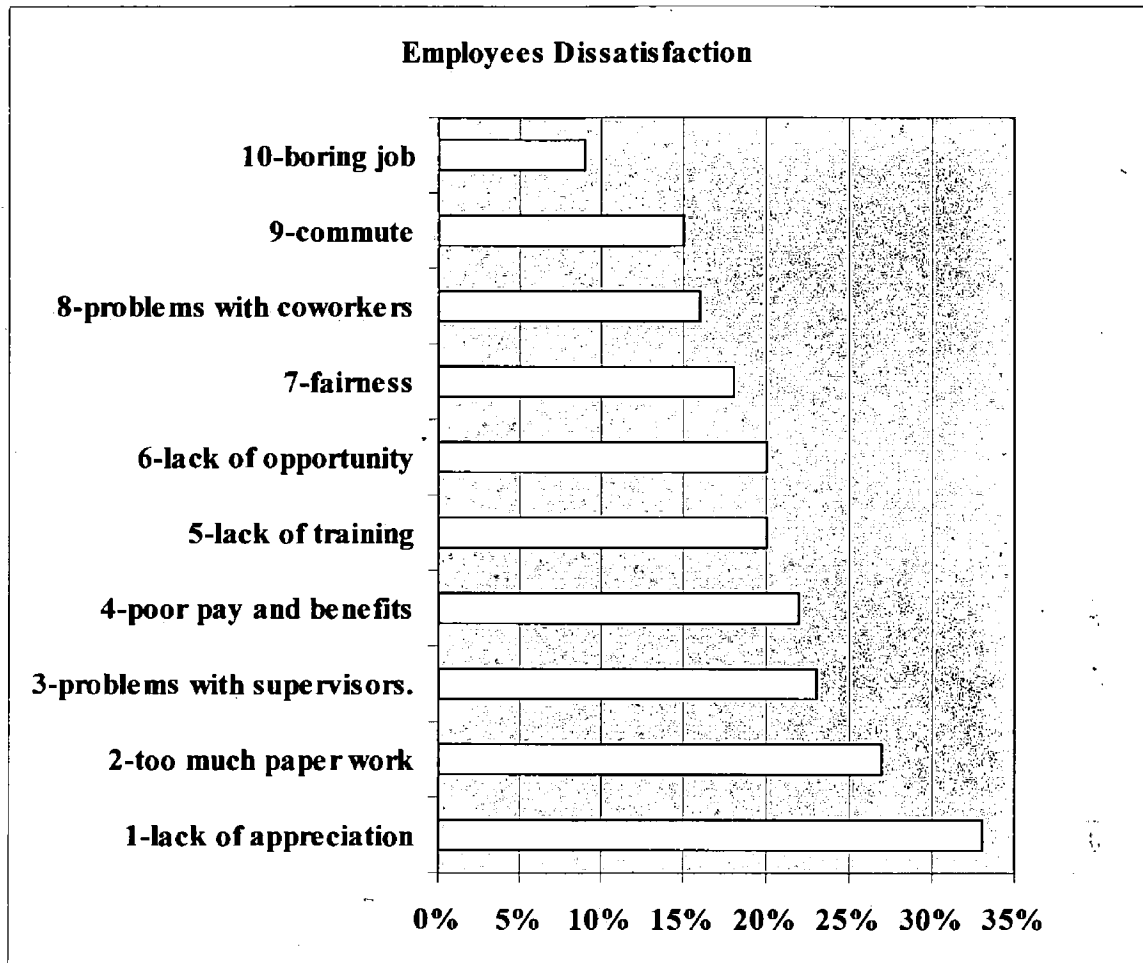
Possibly the most surprising figure is the last, as the tenth expressed cause of employee dissatisfaction is disgruntlement with a boring job that received only 9% of the total poll.

**(H R Focus, 2001)**

**Table 2.2 Employees dissatisfaction**

|           |                                  |            |
|-----------|----------------------------------|------------|
| <b>1</b>  | <b>Lack of appreciation</b>      | <b>33%</b> |
| <b>2</b>  | <b>Too much paper work</b>       | <b>27%</b> |
| <b>3</b>  | <b>Problems with supervisors</b> | <b>23%</b> |
| <b>4</b>  | <b>Poor pay and benefits</b>     | <b>22%</b> |
| <b>5</b>  | <b>Lack of training</b>          | <b>20%</b> |
| <b>6</b>  | <b>Lack of opportunity</b>       | <b>20%</b> |
| <b>7</b>  | <b>Fairness</b>                  | <b>18%</b> |
| <b>8</b>  | <b>Problems with co-workers</b>  | <b>16%</b> |
| <b>9</b>  | <b>Commute</b>                   | <b>15%</b> |
| <b>10</b> | <b>Boring job</b>                | <b>9%</b>  |

**Figure 2.1 Employees dissatisfaction**



The same HR Focus study carried out in August 2001 also explored the workers opinions as to effective action the company could take to improve Retention:

**What effective action could the company take to improve retention?**

The workers were presented with eight different options to select from and the greatest proportion (33%) stated that if companies trained their managers better then Staff would remain longer.

There was then a 5% drop to, 'the desire for companies to listen more 'on 28%. Then came 'the desire to try something new', with 24%.

The next action workers wished was undertaken was 'for their company to pay more' (23%)

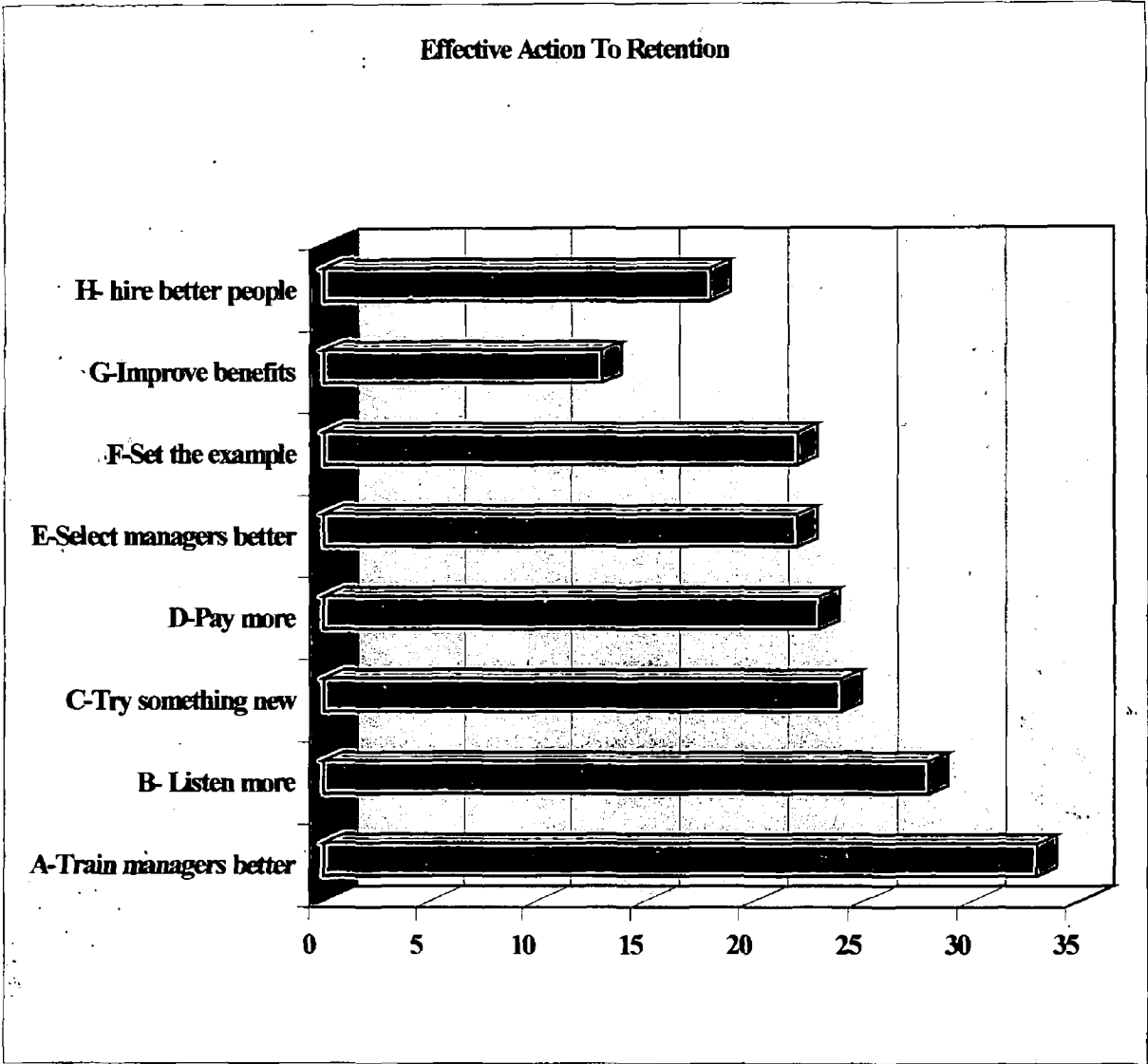
Then 'select managers better' (22%), 'for their company to set an example' followed with (22%) and those yearning their 'company would hire better people' (18%).

The action that garnered, the least support was for 'companies to improve benefits which was selected by only 13% of participants. (H R Focus, 2001)

**Table 2.3 Effective actions to improve retention**

|          |                        |           |
|----------|------------------------|-----------|
| <b>A</b> | Train managers better  | <b>33</b> |
| <b>B</b> | Listen more            | <b>28</b> |
| <b>C</b> | Try something new      | <b>24</b> |
| <b>D</b> | Pay more               | <b>23</b> |
| <b>E</b> | Select managers better | <b>22</b> |
| <b>F</b> | Set the example        | <b>22</b> |
| <b>G</b> | Improve benefits       | <b>13</b> |
| <b>H</b> | Hire better people     | <b>18</b> |

**Figure 2.2 Effective actions to improve retention**



**Exit Interviews Conducted as People Leave a Job**

The society for Human Resource Management (2000): In an abstract of exit interviews from 437 medium and large sized

organizations the following reasons were specified for parting from the job.

**Table 2.4 Specific reasons for employees leaving**

|                                      |       |
|--------------------------------------|-------|
| ▪ Career opportunities elsewhere     | ▪ 78% |
| Better compensation/benefits package | 65%   |
| Poor management                      | 21%   |

**Saratoga Institute (1999):** In exit interviews with 50,000 employees in the U.S., the top two causes for leaving a job were:

1. Wish for exciting, inspiring work with an prospect to grow

## 2. Augmented pay and benefits

The most current figures for winter 1999/2000, demonstrate that the most recurrent quoted reasons for departure were health, (17.3%) and retirement (23.3%). A lesser proportion (12.1%) said they resigned and 8.1% left for some other cause.

The proportion of the people who quit work for family or personal reasons was 16.9%. Though, there was a significant difference between men and women on this point of view. Women were six times more probable than men to give up work for family or personal reasons.

The ONS also seek out those who are looking for a fresh job to say why they are doing so. According to its winter 1998/2000 study, undoubtedly the most frequent reasons given by full time employees for looking for substitute employment were inadequate pay (35%) and the fact that few features of their present job were unsatisfactory (42%). As may be predictable, the most commonly stated reasons among most part time employees for looking for a new job was a wish to work longer hours (32%), alongside unsatisfactory part of their current work (28%).

**(The Saratoga Institute, 1999)**



## **Impact of Turnover**

### **Economic**

"No matter what your situation, you need to look closely at the true cost of turnover for each employee segment. Companies cannot afford the significant costs associated with unwanted turnover when they are facing bottom line lower growth. In almost any situation—growth, downturn, merger, or even stability,—there can be a high return on investments to retain employees," wrote Jim Kochanski and Seymour Burchman from Nextera, in a current article on HR.com called Stemming Turnover in a Slowing Economy.

"Human Resources Professionals are slowly realizing the significant impact employee turnover has on a company's success," says McGrath. "The cost to replace an employee is a minimum of 30% (or more) of the employee's income. A company that can keep its employees enjoys higher growth rates, better customer satisfaction and better employee productivity, all which impact on the bottom line of any firm." (McGrath; Kneeland, 1999)

### **Knowledge**

The organization operates in a climate of increasing change. Flexibility and movement of labour are signs of

this change. Staff turnover rates are increasing, as is the demand for well-trained and skilled staff. Such changes affect companies in many ways, one of which is in the knowledge it uses in its day-to-day business. If a company is unaware of the knowledge it holds, then it is also likely to be unaware of the potential value of that knowledge, or understand which knowledge must be retained should an employee leave.

Debra Speight, Vice President of Harvard Pilgrim Health Care, has devised a method for "downloading" an exiting employee's workplace knowledge. It's dubbed the knowledge-bounty program. "We realized that if we're going to talk about knowledge as an asset, then we'd better put a price tag on it. Once we decided to pay for it, the challenge became, 'How do we demonstrate that knowledge is valuable without rewarding people for leaving?' Our answer: Offer bounties to incoming as well as outgoing staffers. We're not trying to break the bank," Speight says. "We're just trying to demonstrate how much we value knowledge here. The process itself has been priceless. It may even cause our turnover rate to go down. When people understand exactly how much you value their knowledge, they're less likely to leave." **(Ware)**

As a result, when an employee leaves an organization it is not only their abilities that are lost. Knowledge is more than 'information' or a 'memory' of proceedings stating how things should be completed. It comprises factors such as instincts, perception, experience and familiar networks. Knowledge is an exclusive product, which, if administered appropriately, is a most important asset to the company.

A good number of companies put in their knowledge assets by employing well-informed people in the first occasion and then further by training them. The challenge for organizations is how to maintain and benefit from the knowledge and information they have invested in. 'Knowledge' is not all seized in data capture systems; much of it is held inside people. This means that knowledge and people are inextricably linked, posing trouble. For organizations that do not supervise knowledge successfully. Knowledge management covers many anxieties that business managers should consider.

One individual's knowledge may be precious on its own, but the actual value to an organization comes from treating and organizing knowledge as a coordination where the whole can be made to be more than the sum of components. This means that merely amassing knowledge is not sufficient. It has to

be arranged so that inter links between knowledge can breed and transform to reflect the considered requirements of the organization.

Deriving the utmost leverage is not simple and may be assisted by using 'whizzy' technology. But it is, critically, reliant on the creative design of elastic systems. IT experts can help but the key to victory lies in using analysts who recognize the business, the technology and the prospects of knowledge management with relation to the tactical objectives of the company.

The entire subject of knowledge administration is made up of multifaceted, inter-related matters. In understanding how to expand effectual knowledge management systems, it is imperative to 'smoke out' the diverse subjects as part of a rich representation and not to divide them.

### **Classification of Turnover Costs**

The institute for Employment Studies (IDS) has classified the monetary costs linked with turnover into four categories:

- a) Severance costs (e.g. paperwork time, pay for leave not taken, time for exit interviews, managers point in time)

b) Provisional substitute Costs (e.g. overtime, agency charges, admin time, training)

c) Staffing and selection Costs (e.g. advertising, agency fees, admin time for dealing out applications, carrying out interviews, managing selection tests)

d) Orientation and training expenses.

What is vital here is that no single factor in and of it is decisive in causing turnover or retention. Similar to so many others things in life, it is the general effect of more than a few factors that guide a final decision.

### **The lost productivity impact of an employee departure**

Most managers are aware of the disruptive nature of the loss of a valued employee. However, there are several factors that represent the hidden costs of attrition. These often-overlooked factors include:

**Lost productivity of departing employee** The average employee begins thinking about leaving the organization from three to six months before he or she actually leaves. During this

period, these employees significantly reduce their productivity (by up to 50 per cent).

**Lost productivity due to vacant position** Without an active pipeline, a vacant position can remain unfilled for a significant period of time, anywhere between three weeks to six months.

**Lost productivity of new employee** New employees are rarely 100 per cent productive from the start. This loss of productivity can last for many months, sometimes for an entire first year.

**Lost productivity of co-workers and managers** A new employee is often teamed with experienced people to accelerate the new employee's learning curve, reducing the others' productivity. Every hour an experienced employee or manager spends with a new employee is an hour less for completing other important tasks.

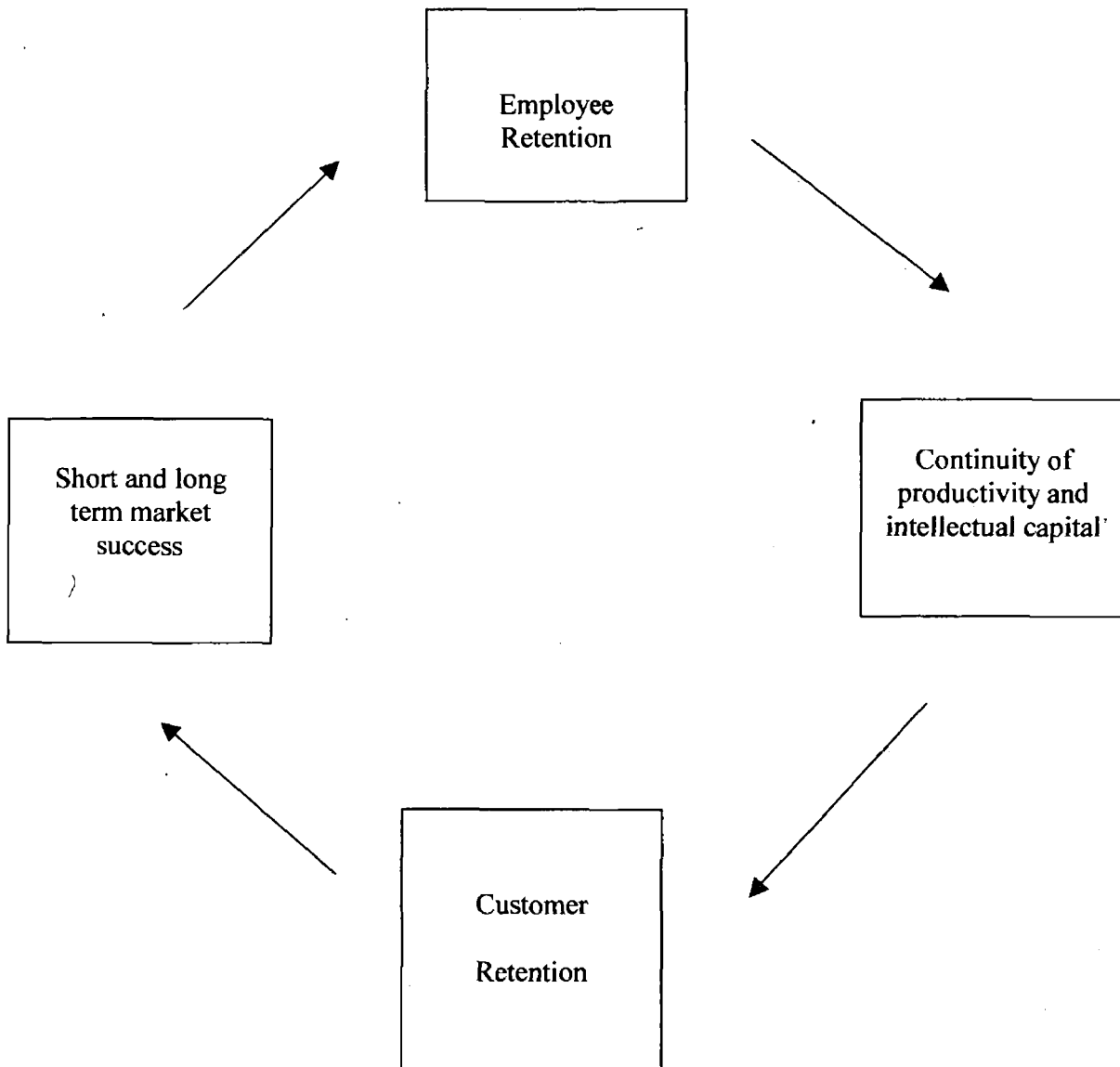
**Employee processing costs** These include the costs in time and money for processing the departing employee and the new employee (for example, the huge efforts in selection and recruitment).

**Parallel retention** There is an intimate connection between employee retention and goal achievement. Why? The more you hold on to valued employees, the greater the continuity of productivity and retention of your intellectual capital.

**Excellent labour retention leads to both short and long term success for your company in the marketplace.** Experienced, committed staff offers good external customer service and internal innovation. The resulting company success often means individual employees are personally more successful and have a greater sense of job gratification and satisfaction. It also often provides the incentive to keep positive employee programmes on the table, For example, continuous improvement programmes/processes, career development and state of the art training.

If you want to attain your business and market goals over time, focus on keeping those people who contribute to your success.

**Figure 2.3 Keeping positive employees programmes**



**(Devine, B.)**



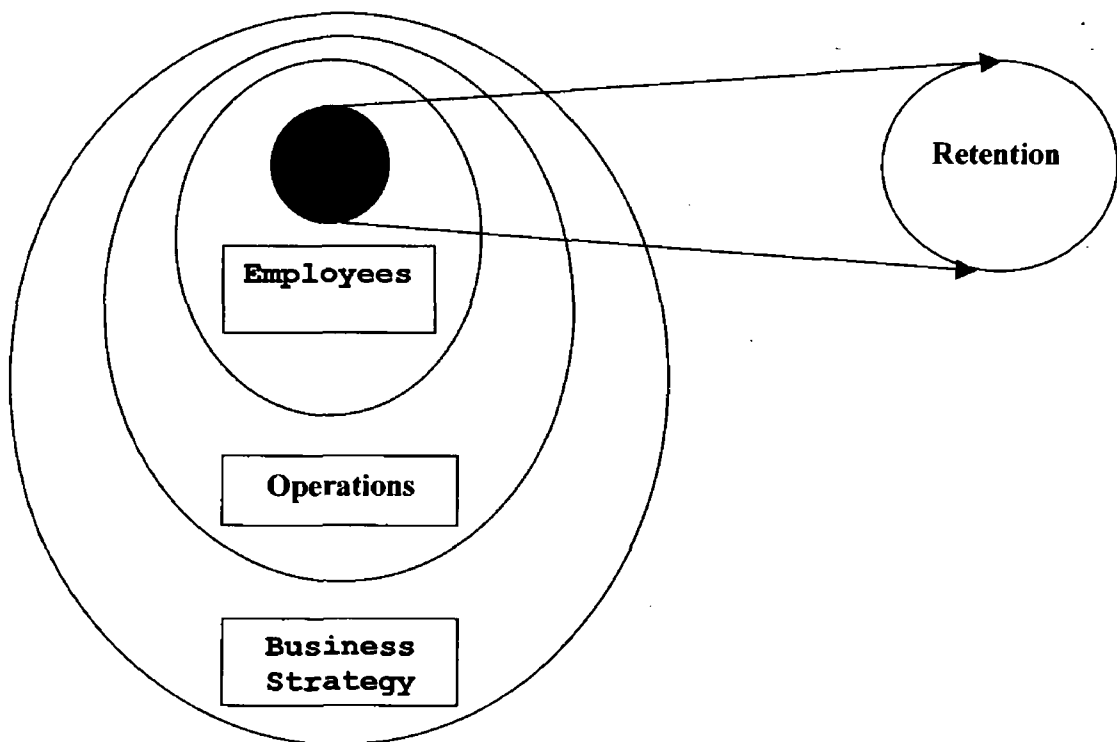
## 2.3 Building a retention foundation

### 2.3.1 The importance of retention

The following figure shows retention at the core of a business strategy. If we cannot retain the employees we want to keep, then our operations will not operate and our strategies will fail.

**Retention at the center of the organization and its business strategy,**

**Figure 2.4 Retention at the center of the organization**



(Dibble, S. 1999)

### **2.3.2 Labour turnover what is the problem?**

"The single most important factor for the success of a business is the capability and performance of the people within it" - Sir John Harvey-Jones Professor Rosabeth Moss Kanter remarked that "the twentieth century was the age of the machine; the twenty-first will be the age of people" (IPD Annual Report, 1999) .

"With overwhelming evidence to support this view, few managers now dispute the importance of people in the "organizational success mix". Recognizing the importance of people, companies make a huge effort at the front-end of the employment relationship to get the best. Interviews, psychometric testing, assessment centers and a host of other "selection tools" are employed - all designed to ensure that a steady stream of talent flows into the organization". (Devine, B. 2002)

Managers are anxious about training employees, and after that having them go away. There is much discussion about the qualities of training against possible employee turnover. Nevertheless there are some understandable solutions that are disregarded. To begin with, devoid of employee training in organizations, it will be probable

that staff turnover is high. This can cause a major cost to the organization in addition to that the cost of training. One cause for high turnover for organizations with small training is that the employee may not think they are considered of value by the organization. Also anxiety about obsolescence would turn out to be immense. This does not signify that the foremost reasons for turnover are paucity of training.

#### **Common problems in employee retention**

Most problems in employee retention start with absenteeism and, unfortunately, are the result of inadequate supervision and planning by the employer. Employees who become disgruntled, or restless enough to terminate, usually do so because the job and their role in the company did not live up to initial expectations. All employees deserve full information about their job and the skills and abilities needed to succeed. The leading causes of employee terminations include:

- Incomplete job information for new hires
- Ineffective interviewing techniques
- No current skills list on present employees
- Lack of training
- No promotional opportunity

- Low wages and few benefits
- Poor working conditions
- Inadequate supervision and organizational structure
- Only seasonal staffing requirements

**(IDS, 2002)**

Any top-notch business, like the wider financial system in which it operates, depends on one thing more than any other and that is people. Companies have long since acknowledged the significance of drawing and hold on to brilliant staff and are progressively more finding out that enhanced collective and environmental performance is transporting actual business benefits, not only by dipping staff turnover, staffing and training costs, but also through staff preservation by growing inspiration and production. Successful employee retention commences with interviewing, screening and employing. When companies keep hold of more of their staff and when leaders uncompromisingly work on employee development and inside promotions, then a smaller amount of time and money is used up on employee recruitment.

**(Arthur, 2001; Cradden, 2001; Devine, 2002; Quinn, 1999; Tabakin, 2000; Schreiber)**

### **2.3.3 Specific recruitment, selection and retention**

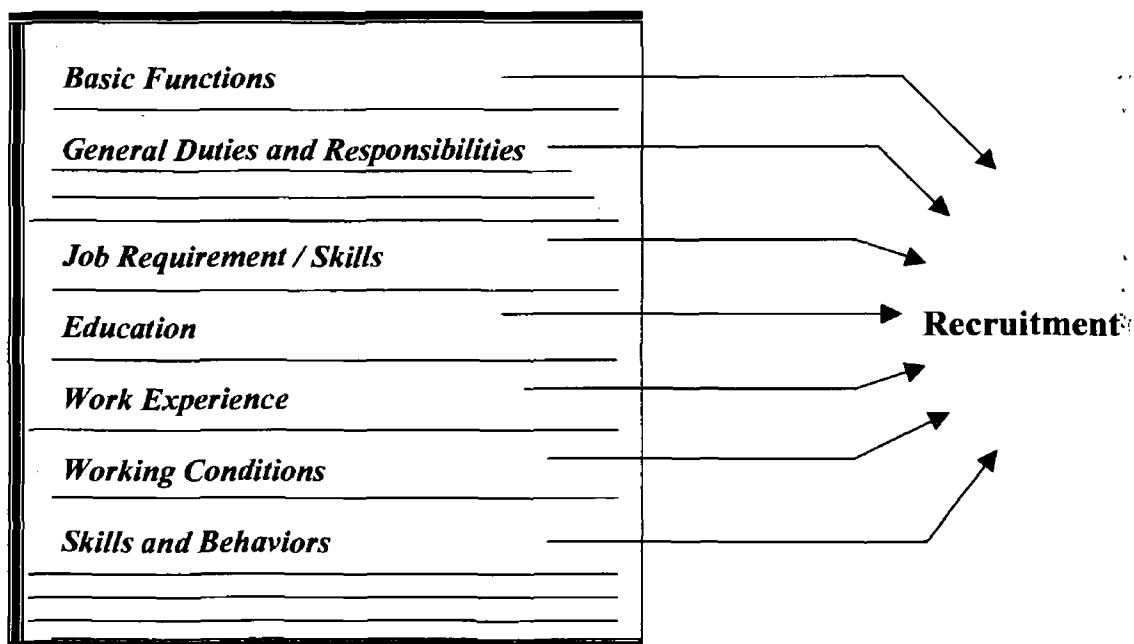
An effectual retention approach begins at the most basic stages of the employment and selection procedure. The management must evolve a process to help recognize and magnetize the "right" applicants. These applicants not only have the technical abilities, but also exhibit the outlook, character traits and behaviors that make sure of organizational "fit".

You start building the foundation of retention with job descriptions. They tell you what the successful employee will do, and the skills he or she will need in order to do it. Then you have to find the person.

In the past, this was not difficult to do. One put an ad in the newspaper or a sign in the window and found the employees that were needed. Sure, there were some hard-to-fill positions. For them, we had to advertise more widely, go to job fairs, or use outside recruiters. For most positions, though, we had plenty of qualified applicants to choose from. Now, with our emphasis on employee skills, "hard-to-fill" applies to most positions.

One thing has not changed: even then, potential employees evaluated the way they were treated. But in the past if we did not treat employees well and received a low score from them it did not matter. We still found enough people to work for us. Now it matters. Now, when we get a low score we cannot fill the positions we do not have employees to Retain. Now, recruitment is the first step to Retention.

**Figure 2.5 The relation between recruitment and retention**



### **Recruitment attracts the people we want**

Recruitment covers everything we do to create a candidate base for our open positions. In recruitment we:

- Search for potential employees.

- Find methods of communicating with them.
- Tell them about the position and our organization.
- Determine whether they have the skills we need.
- Describe how we can meet their career interests.

**(Dibble, S. 1999)**

### **Effective recruitment**

Effective recruitment of staff is a key factor in their future retention. The key considerations are:

- Consider the introduction of more rigorous methods of recruitment. These include the use of technical and psychometric testing which can be used in isolation or in a combination to create three-dimensional profiles of individuals. In turn, candidates can be assessed and recruited against a benchmark. This helps to ensure that candidates with the right competencies and corporate fit are recruited and reduces the likelihood of drop-outs.
- Consider how many candidates you may have lost due to slow recruitment. An in-depth look at the recruitment process may be too cumbersome to deal with recruitment effectively.

- Be realistic about the skills you are trying to recruit. Based on skills availability, certain recruitment methods will be more effective than others. Equally, training, the use of outsourcing, contract staff or alternative methods of employment may be more suitable options. Also, consider different types of candidates outside of the "perfect model" who may be difficult to recruit and retain. Recruiting graduates, college leavers, returnees to work, local people, previous employees or past applicants, are all options worth further investigation.
  
- Portray a realistic picture of the organization to candidates and ensure new recruits undergo a comprehensive induction and mentoring programme. Failure to take these actions is a major cause of high staff turnover among new recruits.
  
- Consider working with a recruitment company that fully understands the recruitment market, that can advise on recruitment and retention issues and can



deliver innovative staffing solutions tailored to your needs.

Finally Money alone is not the answer to staff retention. Employees concerned about a range of issues including:

- o A fulfilling career in a job where their decisions and actions make a real contribution to the business
- o Working for an organization which can offer real career development and the chance to acquire and develop new skills both on the job and through structured training programmes
- o A supportive organization and management which demonstrates interest in its employees welfare
- o A good working environment and company culture into which they fit and are able to interact well with their colleagues

Accordingly, organizations need to look beyond money and combine a number of policies and practices as part of a long-term retention and recruitment programme, which is appropriate to the organization and its employees.  
**(Rudham, J.)**

### **Retention starts with selection**

Selection includes all of the actions we take to identify the person who best matches the requirements of our position and to negotiate a mutually satisfactory agreement.

The aim of the selection process should be to obtain at minimum cost the number and quality of employees required to satisfy the human needs of the organization.

**(Armstrong, 1996)**

Personal selection and productivity are closely linked. An organization that employs poor staff will produce less or achieve less than one that finds, keeps and promotes good staff. **(Cook, 1993)**

Tasks to select candidates are not new, dating back to the Second World War (**Torrington et al, 1995**). Also the people responsible for the selection process should obviously have the skills to do this (**Cook, 1993**).

(Dessler, 1984) has mentioned that the selection process is important for three reasons; the performance of any organization will depend on subordinates performance, the funds which the organization invested in recruiting and hiring employees, and the legal implications of using illegal selection procedure. According to Torrington et al, (1995), personal management plays a very important role in the selection process. The key roles in the selection process are to evaluate the effectiveness of selection, to use person specifications as an aid to selection, to provide advice on the most suitable test to use and so forth. Personnel managers are able to draw on their expertise to recommend the most effective selection methods for each particular job or group of jobs and to encourage the development and use of personnel specification as an aid to selection (**cook, 1993**)

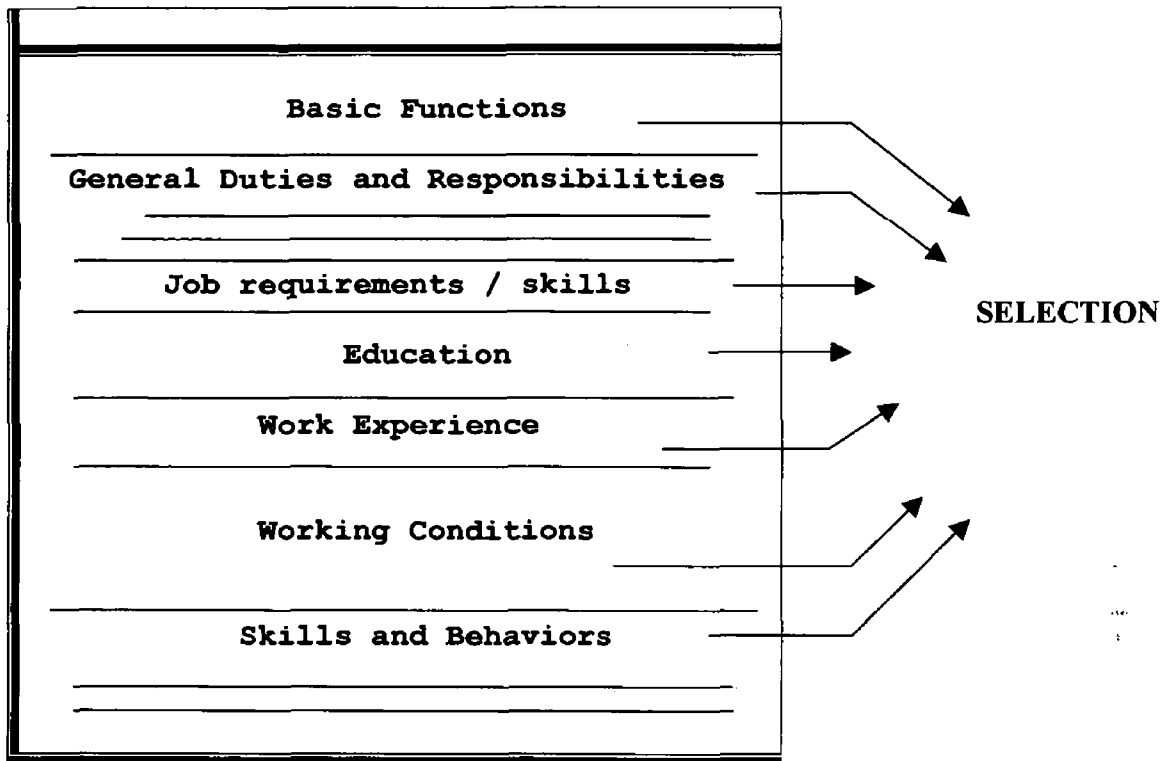
The choice of appropriate employee selection techniques is a field in which there is great divergence between the

recommendations of academic writes and day-to-day practice in organizations. **(Taylor, 1998)**

We started building our foundation with our job description where we defined the responsibilities of the position and the skills needed.

We gathered a group of potential employees who may have the skills we want. Now we narrow that number and select the person we want to hire and who wishes to work for us. We look at what we do from his or her perspective as well as our own.

Figure 2.6 The relation between selection and retention



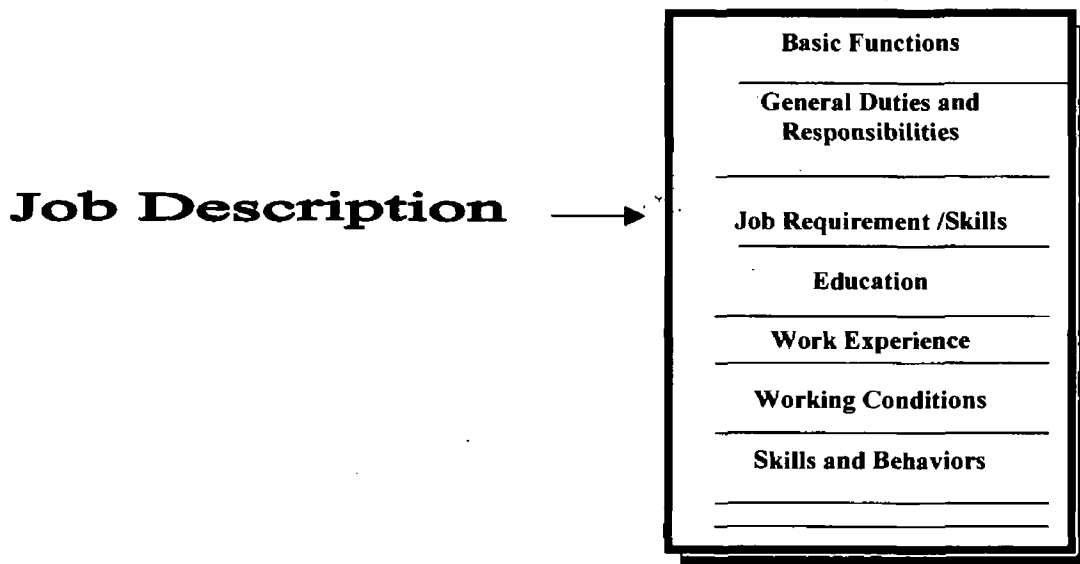
(Dibble, S 1999)

**A) Job descriptions**

The first step in building a foundation for retention is: Have a clear picture of the work we want the employee to do and the skills required to do it. The written form of this clear picture is a job description, to **support retention, job descriptions**, should do four Things:

- State the purpose of the job. Why it exists in the organization?
- Describe the basic responsibilities.
- List the skills needed to perform the responsibilities.
- Describe the working conditions.

**Figure 2.7 Job description**



**Support for the foundations of retention**

A well-designed job description reports the other foundations of Retention.

**During Recruitment a job description:**

- Gives language for job postings, advertisements, executive recruiters, and job fairs.
- Serves as a basic for creative thinking on where to find non-traditional potential employees.

**During Selection job description:**

Identifies the competencies and behaviors to use for interviews and other tests.

- Tells what is needed for a job simulation and other content tests.
- Structures interview questions and probes.
- Provides a basis for assessment centres.
- Lists the required licenses and certificates we screen for.
- Suggests whom (co-workers, customers, or suppliers) to include in interviews.

**During orientation a job description:**

- ❖ Identifies job-specific reasons that we need to have ready for the employee.

**For employer development and training a job description:**

- Contains the information we need to identify employees' development strengths and deficiencies.
- Tells what we need for individual development plans.
- Gives management information to plan career growth for high-potential employees.
- Gives employees information on contact and requirements of other jobs.

**For compensation a job description:**

- Gives information to market price for the job.
- Holds data needed in an evaluation system.

**For performance management a job description;**

- Tells new employees their basic responsibilities and performance standards.
- Show new employees how their job fits into the department and organization's missions.

**To meet legal requirements a job description:**

- o Gives information to determine if the job is exempt or nonexempt under legislation



- o Lists the essential and nonessential job functions for compliance with all leygislations.

**(Dibble, S 1999)**

**B) Identify your "Employee Brand"**

Basically put, employee branding is the awareness (philosophy and sentiment) that the employee has about their experience running in an organization. Why is this so important? The more optimistic employees feel about the company, the more keyed up and fruitful they will be. Objective HR can assist to define the "employee brand"- or competitive advantage of the company in the market.

**C) Planned job analysis**

Organizations often want to appoint a new employee without taking the time to describe the work. A planned job analysis assists to classify the serious "success factors" for the work, that is, exact behaviors and approaches required to carry out the job productively within its traditions. These accomplishment factors can be used to produce a shape of the perfect candidate for conscription -

one who is probable to not only do well at the job, but also continue on with the organization.

**D) Recruitment audit**

One of the most demanding tasks facing an organization is the look for the "right" employees. Appointing the incorrect person can cost the business precious time and money. Current practices should be reviewed and recommendations should be obtained from the professionals to improve the recruitment function and reduce turnover.

**E) Fresh employee orientation plan**

A fresh employee's initial impression can have a major impact on retention but, all too frequently, these first impressions are negative because of feeble orientation plans. Managers should design an orientation program to ensure the smooth incorporation of fresh employees in the organization, so one can "close the sale" on fresh hires.

**(Arthur, 2001)**

In a perfect world, with filled employment, we would all work for a company whose aims and objectives we are proud of. No one desires to have to validate their companies

pitiabile environmental or human rights record at a dinner party. It well known that one of the main drivers for Shell in embracing sustainable expansion in the mid-90s was the low self-esteem of it's employees and it's incapacity to attract the most excellent graduates.

Subjective proof suggests that, mainly in mature staffing, the fact that Shell is seen as an organization that is dedicated to sustainable growth that has attracted key talent said Mark Wade, Head of Sustainable Growth at Shell.

**(Wade)**

However, even though they may have the best of intention, money and the opportunity for career progress is characteristically most important, and it is only when applicants have two alike job offers that environmental and communal factors may be considered.

### **Retention starts with orientation**

New employee orientation begins with the movement on the agreement and continues through the first several days of employment. During this time we:

- Show appreciation that Employee will be joining us.
- Answer questions.

- Deal with physical examinations, relocation, requests for documents, and whatever else we need to take care of before the first day at work
- Enroll Employee in benefits.
- Tell him/her the practical things he needs to know.
- Provide him/her with the resources he needs to do his work

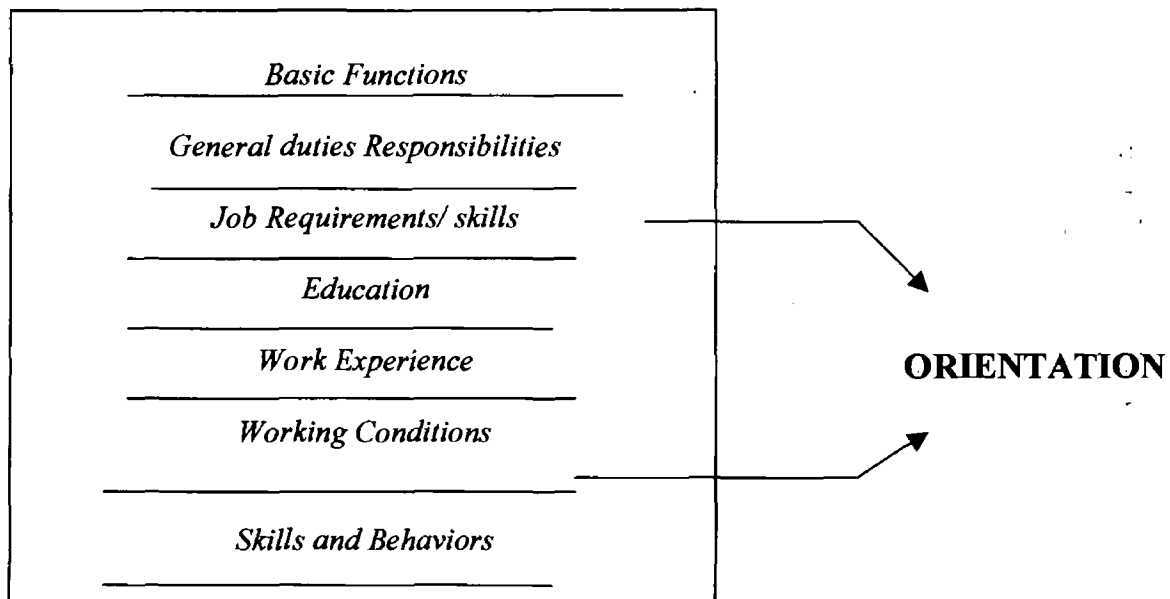
### Our employee, our customers

New employee orientation is one of the foundations of retention. We need to be prepared for employees at different locations; in different levels of the organization, and most importantly, with different individual needs. We need careful planning and preparation to identify the individualized paperwork they need to sign and the specific information required for their circumstances. In getting ready for orientation we can follow methods to reach and retain customers for our products and services:

- Consider the customer's (new employee's) perspective.
- Specify objectives.

- ❑ Develop key messages and delivery methods.
- ❑ Prepare to respond to the unexpected.
- ❑ Keep information current.
- ❑ Assign responsibility.

**Figure 2.8 The relation between orientation and retention**



(Dibble, S 1999)

## **Retention by corporate social responsibility**

### **(CSR Programme)**

Anna Diamantopoulou, Commissioner for employment and social affairs commented: "Corporate Social Responsibility can play an important role in advancing sustainable development. Many businesses have already recognised that CSR can be profitable and CSR schemes have mushroomed. However, the EU can add value in at least two key ways : by helping stakeholders to make CSR more transparent and more credible and by showing that CSR is not just for multinationals : it can benefit smaller businesses too. Corporate social responsibility and corporate governance are two sides of the same coin: 'green-washing' your social and environmental performance is as bad as 'whitewashing' your profits. CSR is no longer just a job for marketing departments". **(CSR, 2002)**

The Human Resource department of any company can have the greatest impact in inspiring, developing and retaining existing staff. Since Novo Nordisk commenced their Values in Action programme which make parallel their business objectives with sustainable development values the company has seen a 5% plunge in staff turn over.

Likewise Sears has observed a 20% decrease in staff turnover since employing their staff retention program.

Commitment through successful mentoring and training programs has been shown to have a predominantly strong impact. A study in the US showed that only 16% of the populace engaged in a mentoring program tried for a fresh job inside a year and that 40% of employees would disappear if companies did not have a helpful training program. Strong associations have also been recognized among the levels of community participation and employee retention and morale.

Regularly employees on unpaid programs experience that even by making a donation to society, they can also improve and build up their skillfulness. Jim Copeland, Chief Executive of Deloitte & Touché once stated that "We thought that these kind of things were influential in recruiting off-campus, but it is surprising how consistent the interest is throughout a persons career." Not amazingly programs have become more and more popular in a rough job market, as people are looking for ways to stand out against other applicants. **(Deloitte & Touche, 2002)**

It is also not surprising that the major concerns recognized in The Sunday Times "100 Best Companies To Work

For" survey showed strong concerns for CSR. (The Sunday Times, 2002) These contained fair dealing, a safe and relaxed working environment, a diverse labour force, excellent human rights record, non-excessive directors pay and contributing resources to the society. Work-life stability, liberal maternity leave, pensions and healthcare benefits, holiday privilege, child-care stipulation and the impartiality were also seen to be essential.

But is this CSR or effective human resources management? If you ask workers on the shop floor about their company's CSR policies they may point you to a Mission Statement, but do they understand how it will affect them on a day-to-day basis?

No amount of corporate public relations can compare to the voice of a happy, well managed, fully engaged, and highly motivated staff. But how do we engage employees; how do we give them vision; how do we make them feel that they stand for something other ice cream or widgets?

If CSR is to deliver the business benefits that we all believe that it can, it is recognized that companies must evolve from having distinct CSR departments towards full integration within every aspect of business operations.



As Elliot Scharge, former Senior VP of Global Affairs at Gap recently stated you shouldn't be saying we have a department of honesty. **(Scharge, 2002)**

But there is no simple solution! CSR raises complex issues and many leading companies will speak openly of the dilemmas they are wrestling with says Luke Wilde of the New Academy of Business.

Companies need to develop the capacity to deal with complexity and uncertainty and the moral and ethical dilemmas that are presented. In particular each and every function in the company; procurement, finance, sales, marketing, and human resources needs to understand how these issues will effect them.

So is the link between CSR and human resources as strong in a tough economic climate? The issues are different; candidates are not as bullish about CSR but are more concerned about finding or keeping a job. However, it is when times are toughest that companies' true CSR colors shine through. Management can tend to adopt a bunker mentality, particularly during times of redundancy when it is most important that they be seen to be fair, open and honest, otherwise even the most highly valued and talented staff could feel insecure and leave.

The most successful companies promote a stimulating environment where staff feel motivated and valued; social and environmental performance are key contributors.

But they do not end up this way by accident. Without exception, the creation of an outstanding workplace has been a deliberate act by a strong management team. In conclusion it must be stated that the very best staff are always at a premium and that the smartest bosses know that happy, highly motivated staff are very difficult to move.

### **2.3.4 Retention strategy A Key Issue**

Guests (Personnel Management, January 1989) suggested that strategic human resource management is largely about integration. Its concern is to ensure that human resource management (HRM) is fully integrated into strategic planning; that HRM policies cohere both across policy areas and across hierarchies; and that HRM practices are accepted and used by line managers as part of their everyday work'. Miller (personnel management, February 1989) emphasizes that the key to effective HR strategy is 'the concept of "fit"-the fit of human resource management with the strategic thrust of the organization'.

### **Why worry about staff retention?**

Although the consequences of staff turnover are not always negative, they can pose serious problems for the majority of organizations, particularly given the current skills shortages. Outlined below are the positive and negative consequences as identified by the Institute of Employment Studies:

#### **Positive consequences:**

- o Allows for restructuring and optimization
- o Increased promotion prospects for other staff
- o Allows for the introduction of new recruits who may introduce new ideas and innovative work methods
- o May reduce overall employee costs
- o Can allow organizations to adjust the staff as well as outsourcing.

#### **Negative consequences:**

- Significant replacement costs
- Operational disruption
- Loss of knowledge and key skills
- Lower morale and satisfaction of those staff who remain
- Increased pressure on remaining staff

- Reduced productivity and creativity of remaining workforce
- Reduced capacity for new business growth.

**(Rudham, J.)**     [www.bcs.org.uk/review/textonly/html/rudham.htm](http://www.bcs.org.uk/review/textonly/html/rudham.htm)

Keeping hold of key employees in the technology industry is a topical subject nowadays. This opportunity level is not just a recent incidence; it has been at this stage for quite a few years and the job market is anticipated to carry on at this level well into the future. Technologically advanced industry expansion countrywide is extraordinary. All one has to do is look in the Sunday newspapers to find page after page of publicized technology positions. The competitive situation of the technology labour market is important in numerous ways. The most understandable is that the employee turnover rates are in surplus of 20 per cent yearly and there is no cause to suppose that this impact will decrease soon. As you can envision, everybody in the high-tech industry is working hard to find the work practices and method to preserve as many of the main players as possible. Although these elements are aimed at the high-tech industry, they can be used in other industries experiencing larger turnover.

To ensure the achievement of any employee retention scheme, there must be support and commitment in a top-down direction so that comprehensible accountability and ownership are recognized. A second step would be to survey a section of employees for analytical purposes and to devise broad recommendations.

This section of the thesis discusses the strategy elements that usually come into play in developing a wide-ranging retention policy.

The departure of one key person costs the equivalent of at least a year's pay and benefits, so companies should be forecasting and applying staff-retention tactics. With the present downturn in the IT market, companies are enjoying a transitory calm, says Spherion Recruitment Solutions' managing director, Jane Beaumont.

"In an uncertain economy, workers are more apprehensive about changing jobs, so many employers feel that retention strategies aren't relevant," she says, "but how employers address retention in this down-cycle may determine whether employees stay or go when times improve." **(Yelland, 2002)**

When the economy is booming, the employees know it and the employers know it. When this is the situation, the employees may have a large variety of choices about where they work. Uniting the present stiff labour market with the changed employer-employee "deal" raises some grave employee retention challenges for companies.

The majority of organizations have resources devoted to employ, but how many have resources dedicated to the retention of existing workers? Regrettably, businesses are missing opportunities since they do not have the human capital needed for development. They are experiencing labour deficiency, not because they have failed to employ talent, but for the reason that they have failed to hold on to talent. It is not who the organization appoints that counts, it is who they keep.

To comprehend how HR experts can improve employee retention, it is imperative to recognize a variety of factors that influence it. (Browne, 2000)

These factors can be separated into three main groups:

1. **Demographics,**
2. **Work-related factors, and**
3. **External factors.**

**Demographics** have long been recognized to be a forecaster for employee retention; for instance, extent of service and turnover, with workforce newer to the organization being more probable to give up than workers with longer service. Turnover among these newer employees can frequently be traced to unmet hopes, little or no employee orientation and socialization, and be short of cultural "fit." Organizations that offer practical expectations to job candidates, do a fine job of socializing workers to the organization, and choose capable employees who also fit the organization's customs are much more probable to witness those employees stay.

**Work related aspects** include all the features of an employee's job that define his or her association to the organization. These include factors such as the working environment, leadership, communications, rewards, presentation management, colleagues, and a multiplicity of other factors that "touch" the employees.

**External aspects** comprise of the current economic and market situations, such as the redundancy rate, job growth, existing labour pool, and other factors that are outside of the control of the organization. The current labour market

is a fine illustration of how external aspects affect employee retention. With severe competition for labour, many employees are receiving offers they cannot decline from organizations that fight for your employees.

These three factors, work related factors are not only the most important, but they are also the only ones that are under the straight control of the organization. Organizations that promote HR practices to perk up employee retention have a competitive benefit.

### **Retention strategy**

Some companies have very shallow recruitment programs. Most have none. More importantly, companies have no well-planned, focused or effective employee retention strategy.

This strategy should be well organized, be a company priority, be company wide, and involve the staff management and front line-alike. It must be tracked, and its effectiveness monitored on ongoing basis.

All managers should be held accountable for employee turnover and the costs involved. Too often, the cost of the employee turnover is not communicated to managers, and therefore is not a priority. This cost should be part of



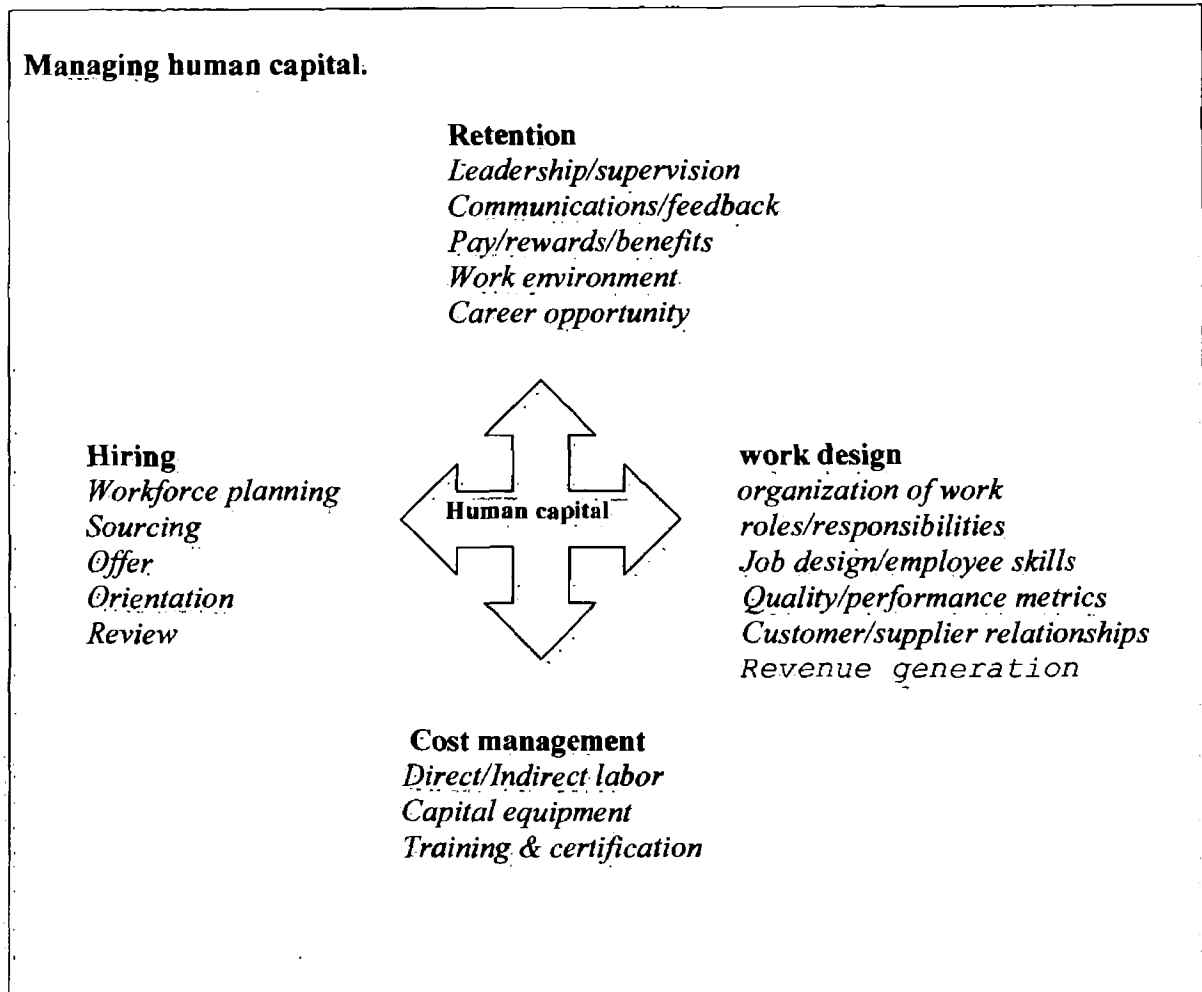
any department's profit and loss statement, and an integral element of each department's budget. Currently there is little, if any, management accountability for employee retention. Turnover, retention and recruitment should be discussed at every executive committee meeting, staff meeting and department meeting. (Schreiber, D.)

<http://atlanta.bcentral.com/atlanta/stories/2000/04/03/smallb4.html>

### **Managing retention strategically**

While Retention is often treated as a stand-alone issue, the issue ultimately goes to the root of how a company manages its workforce to produce value for customers. The diagram below asserts that retention is just one of several key issues in putting together a topnotch workforce-hiring practices, work design, and cost management all need to be considered.

**Figure 2.9 Managing retention strategy**



In effect retention solutions require input from a variety of professionals working together:

- Staffing and recruiting personal to focus on selection issues.
- Line managers to define work design and critical skills requirements.

- HR and communications professionals to design and promote HR programs.
- Accountants who can analyze labour cost to present accurate cost tradeoffs between pay, benefits, work design, training, and other factors that affect the employment proposition.

### **2.3.5      Developing a retention strategy**

How does an organization build a competitive advantage by retaining the best employees? Below are ten dominant tactics for retaining employees.

1. Appoint the right people
2. Train the organization's leadership
3. Communicate, communicate, and communicate
4. Ask for and act on employee input
5. Offer feedback through rewards and acknowledgment
6. Give employees control
7. Give employees flexibility
8. Keep up own end of the "New Deal"
9. Construct a culture of ownership
10. Carry out exit interviews

All the mentioned strategies are explained in detail in the following paragraphs.

### **Strategy ONE: Appoint the right people**

Do not rely wholly on interviews. They provide information to review communication and interpersonal abilities, but can't forecast how well a candidate will perform on the job, or how well a contender will fit into your organization's customs. Use selection procedures that evaluate competencies and that assess a candidate's "fit" with the organization's customs/culture.

Several counselors agree that good employees can play a key role in the business's achievement. Very frequently the reflection and reputation of company depend on how customers view the employees. An employee's approach, manifestation and cleverness can construct or shatter business.

An owner of furniture sales business said, "one of the toughest parts of starting his furniture sales business was finding good, trustworthy employees. The other tough part was managing them. Although good employees are one of a company's greatest assets, all employees need to be motivated".

Before one begins, one needs to describe the job, the knowledge or education level necessary and what one is prepared to pay-salary and benefits. One needs to think of

the number of hours to be worked every week, the number of days per week, holiday work and the time and system for overtime pay; fringe benefits; vacation and sick leave; time off for personal needs; training; retirement; an objection procedure; performance appraisal and promotion; and termination.

Employment and training measures should be well-known so that one has an improved chance of employing the right employee for the right job and that to hire employees to fill in on those areas where a company may be weak. Rather than making selection based on intuition, one need to go behind a procedure to determine the candidate's worth for the position. Review the candidate's application and work experience, test the candidate to see if he/she is suitable for the position; interview the candidate; and verify his or her work references.

When interviewing, do not make the frequent mistake of inquiring what the candidate has done; rather, ask how the applicant did it. Interview the candidate, not his or her resume. Furthermore, do not ignore to assess three necessary issues, which are not present on any body's resume: intellect, interpersonal skills and motivation levels.

When interviewing, it is also important to know the laws

related to job discrimination. According to one expert, there are two simple rules to test whether or not to ask a question:

- (1) Is it job related? If it isn't, don't ask.
- (2) Is the question presented only to a specific type of candidate? If it is, don't ask.

When it comes time for the hiring decision, undoubtedly the sense of people will come into play; the ability to separate "good" employees from "bad" ones. All too often, consultants say, employers hire people they believe will turn around, only to find a difficult battle on their hands. Time is too precious to waste on anyone who cannot contribute 100 percent. **(Tamkin, 1999)**

Once the organization has carefully selected a new employee, it is important to create a good working environment/relationship. Open-mindedness, communication skills, patience, willingness to listen and other human relations skills play a vital role in the development of such relationships.

"Be aware of individual personalities, we maintain an 'open door' policy by talking to our employees as human beings."  
**(Lohlein, 2000)**

According to another wise owner of a reputable company hiring good people, developing appropriate relationships and making them part of the operation are the keys to a successful business.

### Retaining younger workers

The group that generates the greatest challenge when it comes to retention is younger workers. Scarce in numbers to begin with thirty-five, and-under group expect to balance fulfilling careers with familial responsibilities, as well as actively pursue personal interests. Their work must be challenging and reflect leading-edge technology, not wedded to one job or even one field, young workers are open to alternatives and look for exiting or entertaining opportunities that will expand their skills, knowledge, and interests. That's a tall order to fill in a competitive, shrinking labor market, and yet, even knowing the needs of these young people few companies can boast of special retention efforts to prevent younger employees-especially much-needed information technology specialists-from leaving.

Bruce Tulgan, author of *wining the talent war* (Boston: Harvard business school press, 2001), remarks that

retaining young workers doesn't have to be difficult if employers just get on board with their attitude toward work. Specifically, many younger workers are more interested in quick success and its rewards rather than in paying dues by climbing the ladder rung by rung over a period of several years. Employers should focus on trying to generate the most productive work out of valued employees on a consistent basis, and not fixate on longevity. This may mean sidestepping some of the old roles. For example, it may prove more productive to focus on how to get a certain job done rather than filling specific job openings. This means managing performance and results instead of time. When it comes to vacation days, tradition may dictate an allocation of a specific number of days based on a combination of rank and how much time an employee has put in.

Today's younger workers may simply say, however, "I am not going to be here on Wednesday," and expect that to be acceptable, if policies and rules reign supreme, there's likely to be brief battle after which the employee will simply leave.

According to Tulgan, ideally, when a young employee comes to work, management should think about how to keep him or her interested. Ask, "where would you like to work, and



when would you like to do it?" since it's harder to find younger workers who are qualified and motivated to stay in one job for any period of time, the question is especially appropriate for them.

### **Strategy Two: coach the organization's leadership**

Today's employees, particularly professional employees, want a clear vision of the company's goals, inspiration to meet those goals, and support to help them succeed. Develop tools to help the leadership learn how to lead their workforce, rather than just manage it.

Leadership theories secluded from the particulars of circumstance assume that organizations are inert, that there is one leadership category pertinent to every situation in time. Analysis of organizational bionetwork point toward that this is not the case: "One way to examine strategic leadership development is to discuss what happens to an organization as it evolves over time" (Vicere, 1995).

Alienation from local institutional realities creates a false apprehension as to what leadership strategies would be most applicable. A compulsion to adopt generic leadership solutions underscores the failure of critical

self-reflection and inadequate attention to specific organizational circumstances: "For [D. Schön], the critical competence for all professionals is 'reflection' . . . . This, in his view, is the key to acquiring all other competencies and to maintaining a process of continuous improvement" (Cheetham & Chivers, 1998).

Administrators must build up, through time, an arsenal of administrative and reflective practices exceptional to eras of organizational growth and decay.

The **Survey of Management & Organizational Patterns (2000 A&BS)** included a number of leadership characteristics intermixed with the management variables being calculated. These were taken from experiential research on leadership. The anticipation, established on the widespread observation, was that if these leadership variables surfaced as a rational construct in the model, that construct might illustrate a negative correlation with the Effective Management Behaviors construct.

The results were astonishing, and apparent. The following variables did materialize as a coherent ( $\alpha = .94$ ) construct of Leadership Qualities and Behaviors:

"My supervisor...

- Appears self-confident;
- Remains confident despite setbacks;
- Talks optimistically about the future;
- Conveys a strong commitment to goals;
- Communicates an inspiring vision for change;
- Presents convincingly when speaking to a group."

However, these Leadership Qualities and Behaviors evidenced an astonishingly strong ( $r^2 = .86$ ) positive correlation with the Effective Management Behaviors construct.

Apparently, at the stage of daily procedures, leadership qualities and behaviors are perceptible, particularly among those with a good deal of powerful management expertise.

Leadership qualities and management skills are not equally-exclusive, but time after time instituted in the same persons, at all platforms of the organization.

Thus for the management to display contemporary leadership skills it has to be vigilant enough to lead the workforce.

It is easy to be puzzled by the steady stream of new management developments and methods. Though, in other

words genuine success depends on leadership, stimulating others to outshine. Thus summarizing it leadership should fulfill these nine points to render themselves winning among their employees. ((Mc Gregor, 1966)

1. A fine leader says
  - Employees are your clientele
  - You can learn to lead
2. Pay attention to employees
  - Get your information directly
  - Get information in inscription
3. Converse about operational objectives
  - Distribute information directly
  - Keep channels open
4. Treat each employee as a separate personality
  - Know yourself, know others
  - Adjust communication for each audience
5. Address each employee's exclusive developmental levels

- o Adjust leadership to each task
- o Aim for empowerment
- 6. Create and converse performance metrics
  - Choose metrics carefully
  - Make customer perception a priority
  - Share the results
- 7. Distinguish those who exceed expectations
  - Make the goals obvious
  - Make the rules fair
  - Recompense customer service
- 8. Invest in employees
  - Training maintains "product" quality
  - Training increases faithfulness
- 9. Putting it all together: Making leadership work

**Strategy Three: Communicate, communicate, and communicate**

If it's essential, it's not sufficient to say it once.  
Present important messages in various forms and at

different times. Use communication to teach, control, and form the organization's traditions.

For instance most of the men and women who run organizations have the right objectives. They are working hard to increase profits, uphold jobs, and transport quality products under difficult economic conditions. Ask these executives directly and they will tell that their efforts are honest, and that they have everyone's best interests at heart, which is almost certainly true. But employees are not buying it.

A Watson Wyatt survey of nearly 13,000 personnel in all job stages and industries discloses that fewer than two out of five employees nowadays have faith or confidence in their senior leaders. These are awful statistics from a human relations point of view, and potentially disastrous to corporate productivity.

Since the fall down of Enron, some of America's largest corporations have been shaken by gluttony, scandal, insolvency, reporting defiance, executive fraudulence, and massive perplexity over who is or should be safeguarding the corporate coffers. The long list of egregious legal and moral violations is causing even the most faithful

corporate employees to look sideways, cock their heads, and wonder: Can we rely on what the top dogs are telling us?

Even though high-profile malfeasance makes headlines, in the standard company it is the little things that break away at the trust bedrock. Little things like saying one thing and doing the opposite. Failure to remember promises. Generating uncertainty.

"Those of us in senior management often get so many projects going that we forget about or don't pay as much attention to the promises we've made," says Chuck Fitzgerald, vice president of HR for DFB Pharmaceuticals, Inc., in San Antonio. **(Caudron, 2002)**

Most executives are not a cluster of crooks. The vast majority are concerned about doing the right thing. But the truth is, executives are human. They get busy, forget to communicate, and neglect to follow through, and trust declines as a result.

An employee in the financial services department of a respectable organization said recently that what was the motive that he should put in some extra effort when nobody had a hint what was happening around in the company. This loss of expectation can be shocking to company performance. When employees do not have confidence in management,

production falls, turnover rises, rumor spreads, pessimism sets in, and initiative disappears.

Left unattended, little trust can exact a high financial price. According to Watson Wyatt's Work USA 2002 survey, the three-year total return to shareholders is almost three times lower at companies with low trust levels than at companies with high trust levels. **(Caudron, 2002)**

A report by Towers Perrin on employee engagement demonstrates similar conclusions. "Those organizations that have high employee engagement [which is driven by high trust] have higher revenue growth, lower cost of goods sold, and lower sales, general, and administrative expenses," says Emmett Seaborn, a principal with the Stamford, Connecticut-based consultancy. **(Benham, 2002)**

Purely stated, trust matters, and it matters now more than ever. But addressing trust in the present economic environment is not going to be easy. "We're concerned that employee trust could be further eroded by virtue of the fact that companies are having to make hard choices about health care, retirement, and compensation," Seaborn says. **(Caudron, 2002)**



### HR and employee trust

How do HR professionals hold up the trust levels in their organizations? They do it by first understanding that faith cannot be made-up with slick videotapes, family picnics, or corporate rah-rah gatherings. Today's cynical employees can see all the way through such transparent hard work. In realism, trust is based on sincerity, assurance, and the ongoing belief that management will follow through with its commitments.

"When people think of trust, they often think about what's legal and whether or not someone is lying to them, but that's not necessarily true. A lack of trust can also be fostered by incompetence, a lack of direction, or a sense that the organization is floating," says Ilene Gochman, organization measurement practice director for Watson Wyatt. **(Caudron, 2002)** In other words, conviction is the result of innumerable management decisions made over a long period that assist employees to feel protected about their own and the organization's future.

As a result of this, it is conceivably no surprise that a key forecaster of employee trust is the efficiency of an organization's HR function. **(Dibble, 1999)** In companies where workers believe that the HR department is effective,

62 percent of workers also think that the organization is dependable, according to the Work USA research. Though, in companies where HR is believed unproductive, only 8 percent of employees believe that management can be trusted. "This clearly makes the case that there is a definite relationship between HR and employee trust," Gochman says.

**(Caudron, 2002)**

We should be unambiguous about this. HR is not essentially responsible for building confidence. The CEO and other senior leaders are the factual stewards of organizational dependence and uprightness. If they are saying one thing and doing another, no amount of HR backtracking can join the kind of uncertainty that is produced. "HR, in and of itself, cannot make the culture of a company," says Suzanne Smith, director of HR for Concurrent Computer Corporation in Duluth, Georgia. "HR can help guide the culture, but if HR doesn't have the support and leadership of top management, it won't work." **(Caudron, 2002)**

But while HR cannot build trust without the help of senior leaders, trust cannot be maintained without an effective HR function. Why? Because, according to Gochman, there are two primary drivers of trust in organizations, both of which fall into HR's bailiwick. **The first** driver is

communication. "Our survey reveals that companies with high levels of trust communicate both good and bad news to employees and they do it often," she says.

**The second** trust-driver is how well a company manages changes such as mergers, downsizing, and restructuring. "It doesn't matter what the change is. What matters is how well it is handled. High-trust companies simply do a better job of it. From a statistical point of view, communication and change are intertwined. While they are distinct threads that can be analyzed separately, they are also woven together. Communication drives trust. Change management is accomplished by good communication. And in the center of this organizational knot sits HR." Gochman says

**(Caudron, 2002)**

### **Making it work**

If successful HR departments are linked with higher levels of trust, then an effective HR department looks as follows: To start with, HR professionals do not do anything about trust straightaway. Requesting to be trusted without being reliable is like expecting to be loved without being lovable. As an alternative, HR professionals work conscientiously to build and maintain the kind of

organizational tradition that instills reliance, faithfulness, and assurance among employees.

According to the Work USA research, the most effective HR departments do five things to achieve this and they do these five things very well. (**Work USA Research, 2002; Herriot, 1998; Johnson, 2001**)

**Effective HR departments:**

1. **Communicate openly.** Companies with elevated trust levels give employees unembellished information about company performance; clarify the justification behind management and HR conclusions (such as compensation and promotion); and applaud employee involvement and information distribution. They also are fearless of sharing bad news and confessing errors.

Years ago, Brent Longnecker, president of Resources Consulting Group in Houston, planned a long-term bonus plan that affected two-thirds of the company's 1,500 employees. He calculated what each employee was probable to receive at year-end based on revenues and head count, with a certain degree of turnover factored in. He then communicated these figures to staff. Then the dot-com bust happened, turnover at the company fell, and as a result, the amount of bonus

money available per employee plummeted by an enormous 40 percent. "Our leadership group sat down and acknowledged that we hadn't managed employee expectations very well," Longnecker says. "As a result, our trust and credibility were threatened." (Longnecker, 2002)

To alleviate the state of affairs, Longnecker and other company leaders took a trip to 40 cities over a two-week period and held meetings with employees to personally give details of what had happened and confessed that they had made a mistake in their forecasts.

"It wasn't easy," Longnecker says. "One employee came up to me and said he'd bought a new PT Cruiser believing his bonus would be a certain amount. Because the bonus fell short, he wanted me to personally pay the difference." (Longnecker, 2002)

In the closing stages, although, the calls from executives helped the greater part of employees to understand the problem and excused management. "I was proud of our company," Longnecker says. "We didn't hide behind the bad news and refuse to address it--which was good. Today's workers demand explanations and expect employers to admit fault and communicate bad news." (Longnecker, 2002)

**2. Communicate the worth of payback.** Over the last few years, companies have recognized that many if not most employees are uninformed of the value of their benefits package. To modify this and augment employee appreciation of remuneration some companies have started to issue an annual "total awards statement" that communicates the total worth of an employee's compensation, as well as salary, health check and disability benefits, retirement, and so on.

An unforeseen side effect of this is that companies that do communicate the overall value of benefits are inclined to enjoy advanced hope levels. The reason is not completely clear, but it may be since employees in these companies have a more detailed understanding of what their employers do for them.

Many years ago, when Suzanne Smith joined "Concurrent" as its HR director, the trust stage in the organization was low down. In its place of trying to change the overall culture, Smith focused on altering the traditions of HR. She continued with an open-door policy. She strolled around and chatted casually with employees. And she focused her attention on shoring up the HR systems, such as reimbursement, rewards, and health care. She also started to converse with employees about the worth of their

benefits and work with them to take avail of the full benefit of the benefits obtainable.

One employee, for example, wanted a loan to avoid a foreclosure on his home. An additional employee desired some mental health psychotherapy. Gradually, as it was made clear to employees that the company's assistance program and HR department was there to help, dependence began to sneak back into the office. At present, company morale has enhanced to the point where there is almost no turnover. While many factors were concerned in this turnaround, communicating the worth of benefits positively played a part.

**3. Make productive changes based on worker input.** One of the preliminary things that companies suffering from low trust should do is review worker feelings and try to resolve why trust is low down. But as the Work USA data discloses, companies can not stop there. To create a high faith organization, management must also look for employee input for humanizing the work environment and act on those proposals.

Maril MacDonald is a partner in the strategic consulting firm Matha MacDonald, which is based in Chicago. Two years before, she worked with a 5,000 employee midwestern manufacturing plant where quality and customer service had

plunged, moral hit rock bottom, and worker confidence was absent.

"Our first step was to sit down and talk with employees to determine what was wrong and why they felt they couldn't trust managers," MacDonald says. **(MacDonald, 2002)**

Employees made it obvious they were exhausted by the fact that management encouraged quality but declined to give workers the apparatus or decision making power to put out a quality product. They also made more than a few suggestions for plant upgrading and restructuring.

MacDonald says plant managers not only put into practice many of the suggestions, but also became disciplined about communicating employees when the changes were made. "It's not enough to seek employee input and make changes," she explains. "You also have to tell employees you made the changes they suggested. You can't assume people will notice on their own." **(MacDonald, 2002)**

According to MacDonald, acting on employee proposals enhanced trust levels at the plant, and the company also surpassed its cost reduction aim, increased quality by 70 percent, and increased on time deliverance by 40 percent.

**(MacDonald, 2002)**



**4. Establish comprehensible lines of sight.** High trust companies do a fine job of communicating the company's business objectives and explaining to employees what their responsibility is in achieving those objectives. "In order for employees to be effective, they have to know what to do--and how," explains Gochman. **(Caudron, 2002)** While it's difficult to dictate everything an employee should do, if you rely too deeply on employee judgment, it's too easy for employees to make mistakes. And when employees make mistakes, they don't blame themselves. They blame managers for not making it clear what was expected of them. Then, they hesitate to trust managers in the future.

**5. Hold employees answerable.** Companies where trust is high not only recompense high performers but also hold pitiable performers answerable through regulation and termination. Companies that do not do this risk instantaneous and lasting penalty.

Quite a few years ago, Chuck Fitzgerald worked in HR at a company where one of the senior leaders was involved in a continuing sexual aggravation and everyone in the company knew it. "Our HR recommendation was that this person be removed from his position," Fitzgerald says. "Unfortunately, my boss, who was an officer in the company,

chose not to do that, and it was clear to me that employees lost trust in management because of it. About nine months later, my boss was terminated, and soon after that, the perpetrator of the harassment was removed from the job. Afterward, the president of the company called and told me I'd been right." (Caudron, 2002)

For Eitzgerald, the knowledge highlighted not only the significance of holding people answerable for their actions, but also how essential it is for HR to maintain its own reliability. "Everyone in management has to be accountable for the organization to be trustworthy," he says. "But in particular, HR has to be accountable because we are the interstitial tissue between management and employees. We are advocates for both sides. If we aren't trustworthy, nothing in the organization can be trusted." (Caudron, 2002)

How factual that is. But to uphold the trust levels in the organization, one has to keep in mind that trust, in and of itself, is not the end result one should be aspiring for. Successful HR departments keep up employee trust for the reason that they are focused on business outcomes. They comprehend how things like communication, constancy, follow

through; admiration, and interior customer service make a payment to those results.

#### **Strategy Four: Solicit and act on employee input**

If the workforce are to be treated as a human resource, it is very important that the organization tap that resource. Ask for and acting on employee input can not only save organization money, but it sends a note that employees are vital, a significant source of job fulfillment in today's workforce.

At the same time as there are diversity of programmes one can put into practice in an attempt to perk up employee retention, one of the best ways to get going on the right course is easy. Rather than "shooting in the dark", start by inquiring from the employees for their input on both the issues and likely answers.

Surveying employees, requesting them to assess the company and their fulfillment can be susceptible ground, as quite often they are frightened to share their honest feelings out of fear for their work. One solution is to use a third party to offer this service. There is so much common sense here. But, when one is trapped in the ditches, sometimes

it is difficult to see the forest from the trees. That is where an exterior survey comes into play.

Harry Beckwith, writer of "Selling the Invisible...A Field Guide to Modern Marketing", makes available some very important input on the subject of surveying. While he refers to clients, all easily applies to employees as well. On the topic of how to recognize issues, Beckwith writes "People won't tell you what you're doing wrong. Your prospects won't tell you. Clients won't tell you. Sometimes, even your spouse won't tell you. So what do you do to improve your service? Ask." On how it is best to "ask", he states "A basic principle in life applies to surveying clients: Even your best friends won't tell you. But they will talk behind your back. Make it so your clients can talk behind your back, and that you can learn what they're saying. Your clients will give far more candid answers. Have a third party do your surveys." (Beckwith, 1997)

At the time when employees are given the chance to complete an unidentified survey - and preferably one that is sent to an exterior firm (rather than their company) - you would be amazed how many will present their answers and how open the comments are. For instance, 40% of a client's employees

surveyed reacted to a project that was recently finished. The outcome were somewhat eye-opening, in terms of spotting areas which required management notice, and matters which impacted proper performance in addition to their contentment. Given how tense the job market is, and how complex it is to magnetize and keep hold of good employees, finding out how to keep them there has become a important subject industry wide.

On the topic of "why" in the survey Beckwith shares the following, all of which is also relevant to employee retention, "It keeps contact with your clients. It lets you learn from your mistakes. It helps you flag possible problem areas and clients. It keeps you from coasting. Survey, survey, survey." **(Beckwith, 1997)**

Appraising the findings from numerous Research employee contentment surveys disclose some very exciting insights into what is essential to field staff members. Characteristically over 80 questions are used by SatisFacts to analyze attitudes and thoughts about the following topic regions, plus to recognize "strengths" and "red flags": Community Manager; Property Manager; Policies and Procedures; Education and Training; Office Technology; Employee Benefits; Hiring and Career Development; Main

Office Staff Support; Job Related Issues; Current Job Satisfaction. **(SatisFacts Research, 2002)**

According to some conclusions, field staff members are looking for a unforeseen and interesting diversity of things and they are not all concerning money. In one study, some of the major reasons for displeasure were apartment turnover quality, lack of resident retention programs, lack of prospects for advancement, unnecessary paperwork and reporting obligations. Lack of attention given to their input by off-site Property Managers as well as an obvious paucity of concern about their contentment. Undoubtedly job related issues impact their longing to remain engaged with the firm.

In one Satis Facts study an obvious issue was that employees sensed their superintendent did not know how to motivate them. When then inquired, the following were quoted as the top rated procedures to motivate employees: provide optimistic motivation; present a quality work environment; offer incentives/bonuses; show an attention in the employees concerns/satisfaction and their input; flexible management; provide "resident friendly" policies; sufficient salary/hourly rate; pay attention to employees' input; tender the opportunity for advancement. How can one

expect to keep hold of staff members if one does not know what inspires them (independently and communally) and makes them feel valued and satisfied? (**SatisFacts Research, 2002**)

On the whole, there have been an exciting and wide range of issues acknowledged when asking client employees about what is most essential to them. A synopsis of the significant remarks made in the employee contentment surveys is as follows:

**Management:** An excellent work environment; show curiosity in concerns and satisfaction; comprehend what motivates every employee; provide constructive motivation; demonstrate interest and provide attention to input; have field personnel as members of operations linked committees; set up brainstorming meetings; start inquiring and listening before acting, and give the field's input credibility; give power to make decisions; show confidence in staff's judgment; do not bring main office political affairs and arguments into the field; establish an unidentified employee suggestion system. (**Rick, 1998; Carter, 2000**)

**Budgeting:** Budgets must be pragmatic, based on requirements, look long term; field should be more caught

up with developing budgets, main concerns; permit freedom to use their judgment to make expenditure decisions; budget/spend funds required to maintain asset; establish inventory and re-order strategy, then stock shops per these.

**Policies and procedures:** An unambiguous job description; established guiding principles and procedures manual; test major SOP changes first.

**Operations:** "Resident friendly" rules and procedures; a customer service orientation; build up overall retention and revitalization programme; survey residents frequently to recognize problem areas; provide quality turnovers and restrain appeal. (Bevan, 1999)

**Education and training:** Make available job connected and computer/software training; tender a new employee orientation and training program; edify office staff on priority service calls, the turnover procedure, prioritizing. (Streblor, 1996)

**Office technology:** Make use of e-mail, software, network to decrease paperwork, reports and duplicate work; exploit property management software to manage work, accounting, reporting, etc.; offer other up-to-date



equipment such as fax and copy machines; use the on-line credit sanction service to speed up process, modernize effort; add Internet access to all computers so that staff can without difficulty follow up with e-mail leads.

**Employee benefits:** Offer an all-inclusive employee handbook; present fair reimbursement; have a sound incentives programme; have an objective annual appraisal program.

### **Performance management**

All of these contribute as follows to the ultimate aim of improved performance:

- Non-financial rewards satisfy individual needs for variety, challenge, responsibility, and influence in decision-making, recognition, and opportunity.
- Employee benefits satisfy employees's needs for personal security and provide remuneration in forms other than pay, which meet other needs and which are also frequently tax efficient.
- Pay structures, by combining the result of market surveys (which also contribute to decision on

benefit levels and job evaluation, define levels of pay and differentials and pay progression limits.

- Performance management, on the basis of continuing as well as formal reviews of performance against targets and standards, leads to design of the performance-related pay (PRP) systems and development and training programmes.
- Employee benefits and basic and performance-related pay combine to form total remuneration.

(Dibble, S. 1999)

**Hiring and career development:** Offer progression opportunities and a Career Development program.

(Spilsbury, 1995)

**Main office staff support:** Timely imbursement policy for contractors, suppliers; sufficient corporate office staff support.

**Strategy Five: Provide feedback through rewards and recognition.**

**The workforce of the future**

FAST (**F**requent, **A**ccurate, **S**pecific, and **T**imely) feedback is a straightforward workplace communication system designed to generate brief, result-oriented information exchanges between employees and the managers to produce the following results:

- Provide employees with regular guidance, as they need it.
- Give employees a greater feeling of being "in the loop".
- Build managers' credibility with employees.
- Make coaching/ training a key responsibility of every manager.
- Enable responsible delegation by building in regular review and revision.
- Link performance evaluation directly with concrete action steps.
- Accelerate turn-around time and increase productivity.
- Encourage an ongoing results oriented dialogue between managers and employees.

- Separate performance evaluation from annual raises and promotions

#### **Four different uses for FAST feedback**

1. Coaching: Use FAST feedback to create a constant learning environment
2. Team communication: Use FAST feedback to energize interactions among team members and to speed-up the following.

*Internal queries, information sharing, assignment splitting, collaboration, assignment, revision, and project news*

- 1) Performance evaluation: Use FAST feedback in place of other formal evaluation systems or in conjunction with them for purposes of tracking employee performance as well as conducting ongoing needs-assessment for employee development.
- 2) 360 degree FAST: FAST feedback can be also applied to lateral and upward evaluation, communication, and coaching.

#### **Five ways to implement FAST feedback:**

- I. **Informal.** If leaders in the organization commit to the FAST philosophy, they can spread the message on

many levels. As the message spreads, their success will inspire others

- II. **Team meetings.** Deliver FAST feedback to employees in team meetings.
- III. **One-on-one.** Even one leader providing FAST feedback to one employee will have an impact.
- IV. **Voice-mail or e-mail.** Managers can deliver FAST feedback messages on a daily basis via voice-mail or e-mail, with minimal time and effort
- V. **The paper trail.** For those who wish to implement FAST feedback in place of or to supplement traditional six and twelve month reviews, it may be necessary to develop a written format and create a system for recording such written exchanges.

**Gutman, R. (1998)** <http://www.rainmakerthinking.com/backwotf/1996/april.htm>  
<http://www.rainmakerthinking.com/backwotf/1998/may.htm>

A small number of organizations do a good job in setting up a connection between job performance and rewards. Developing substitute pay systems and acknowledgment programmes. Leadership that makes available regular feedback to employees, not only inspires employees to do their best, but also helps them pick up job skills that are important to the success of the organization.

High-performance companies, certainly, have always understood the significance of presenting awards and incentives that distinguish, authenticate, and value great work. They assist to keep employees motivated and creative, and are successful methods of underpinning company expectations and objectives.

Non-cash rewards and incentives ranging from a Post-it that says, "Good Job," to a set of golf clubs or a holiday package can be not only be cost the saving, but also precious tools that help elevate morale, augment productivity, and perk up quality, safety principles, and customer service.

On the occasion of financial deficits, pay freezes wages, and wrenching layoffs, giving employees cash prizes and stock alternatives for excellence is a gesture that few companies can afford. Given this actuality, one of the most pressing questions facing HR in each sector is this: How do you uphold and perk up worker morale while reining in costs?

For instance at Intuit, the Silicon Valley maker of Quicken and TurboTax, Jim Grenier directs the Total Rewards and HR Shared Services program. He attributes the company's current placement as number 45 among Fortune's Best

Companies to Work For to a corporate tradition that has always focused on employee gratitude. **(Mullaney, 2002)**

Similar to many other large companies, Intuit pays out 1.5 percent of its base payroll on various types of awards and incentives. With more than 6,000 employees, that is about \$3.5 to \$4 million a year. For the reason that the company has 10 major U.S. sites and three small locations in Canada, the programmes has not always been centralized. **(Mullaney, 2002)**

One of the programmes is a Thanks Programme, which comes with a diversity of small non-cash awards such as gift certificates to eating places or movie tickets, and written notes of thanks. Each local site sets up its own decisive factor. At one site, for instance, an award might be given to an employee who goes on top of and beyond her regular responsibility to help another employee. Another might offer a particular incentive to an employee who contributes in a community service scheme such as mentoring at a public school.

The firm also confers technical accomplishment and "bright ideas" awards for daily activities such as process enhancement and eliminating bureaucracy. Others, such as the On-The-Town reward, are given for contributing to

exceptional business outcome and can come with as much as \$1,000 in merchandise or cash or more depending on the enormity of the attainment.

At Intuit, it's up to managers to make a decision how to extend awards, but they are endowed with background information about the company's viewpoint and implementation policies.

The firm has developed a Web site that helps administrators to effectively use rewards and incentives. Awards are not given for doing predictable work. They are chosen for people who perform well on top of their regular duty. The company is at present developing a spot on the Web site to display case employee accomplishments.

"Public acknowledgment is a vital component of the award," Grenier says. "Awards affect more than one employee. The manager has to be able to say, 'Here's why we recognize this person.' We link the award to our business objectives. We focus the recognition around performance criteria and consistency in programme execution. We make sure management understands. "Awards must be customized," he adds. "We had a manager once who gave away tickets to a Star Trek movie. Most people could have cared less. It backfired. We have a Web-based awards and incentives service now, and all a manager has to do is decide a category and pick a level of



merchandise. The employee picks something from the category, and doesn't know what it cost. It's quick, easy, and effective." (Mullaney, 2002)

How does the company measure the success of the award and incentives program? "One, we look at awards to see what the correlation is to performance levels," Grenier says. "Two, we rank people according to five performance levels. By definition, the lowest-ranking employees should get the minimal recognition. Three, we conduct an employee survey." (Mullaney, 2002)

- Answers to the survey are measured on a **five-point scale**: Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree. Statements include: (Mullaney, 2002)

My total reimbursement package is fair and competitive.

My pay is attached to my performance.

I am rewarded and acknowledged when I do a great job.

Brendan Keegan, president and CEO of Bravanta, Inc., an inducement business in San Francisco, says that many companies particularly software customers in Silicon Valley are considering why their tenured employees resign. The

employees usually cite lack of admiration as a top reason for getting a different job. (Wiscombe, 2002)

The company offers Web based prizes and acknowledgment solutions to leading companies such as Intuit, Gateway, and Charles Schwab. Bravanta also has built-up a custom incentives program for its own employees supported by how the company did against six goals: **(Wiscombe, 2002)**

1. Winning culture in teams,
2. Revenue growth,
3. Profitability,
4. Valued client partnerships,
5. Market-leading solutions, and
6. Excellence.

Each month, employees who meet and exceed goals take delivery of points. Progress is posted on the company's Web site and outside the president's office for all employees to observe. Employees can convert points for a diversity of items, together with CD players, golf jackets, and flat-screen TVs.

Other gifts are given to employees who attain a noteworthy goal or landmark, and are presented by managers. Lately, for instance, Bravanta's CFO gave a dinner certificate to an employee in accounts receivable who had accomplished a goal of dipping the amount of time it takes for customers

and clients to disburse their bills. The award was publicized to the entire company so that everyone would know about the employee's assistance.

"Non-cash awards give employees solid, lasting reinforcement. People remember what they got when they're given a non-cash award, and they remember what they did to get it. The idea is to help people understand what actions warrant rewards and why, so that employees know how to improve their performance." Keegan says. (Wiscombe, 2002)

### **Reward management strategies**

Reward management strategies define the intentions of the organisation on the remuneration policies and systems required to ensure that it continues to obtain, motivate and retain the committed and competent people it needs to accomplish its mission.

### **Purpose and aim**

Reward management strategies address critical, longer-term issues concerning how employees should be rewarded. As a declaration of intent, they provide the basis for deciding how the reward system can help to achieve the objective of the organization and how the system should be designed and managed.

For a business, the aim of reward management strategies should be to help it to achieve sustainable competitive advantage. In non profit-making organization, the aim should be to enable it to reach higher levels of service and performance.

These aims are achieved by the developing and reinforcing high levels of performance to meet the requirements of the organization.

### **The basis of reward strategies**

Reward management strategies must:

- Be congruent with and support corporate values and benefits
- Emanate from business strategy and goals
- Be linked to organization performance
- Drive and support desired behavior at all levels
- Fit desired management style
- Provide the competitive edge needed to attract and retain the high level of skills the organization needs.

### **The contribution of reward strategies**

Reward strategies can make a significant contribution to the achievement of corporate and functional objectives by

- o Developing a positive culture-in Kanter's words, 'a culture of pride and climate of success'
- o Underpinning the organization's values, especially those concerned with excellence, performance, teamwork and quality
- o Conveying a message to prospective high-calibre employees that the organization will satisfy their reward expectations
- o Ensuring that the right mix and levels of reward are provided in line with the culture of the organization, the needs of the business, the needs of employees and the economic, competitive, and market environment in which the business operates
- o Linking reward policies, systems and procedures to the key business and human resource strategies for innovation, growth, development and the pursuit of excellence
- o Developing a strong orientation toward the achievement of sustained high levels of performance throughout the organization by recognizing successful performance and increases in level of competence, thus contributing to the process of empowering, enabling, and energizing all employees

- o Indicating to existing employees what types of behavior are rewarded and how this will take place thus increasing motivation and commitment and improving performance.

### **The components of reward management strategy**

Reward management strategies should follow directly from those human resource strategies, which in turn are derived from the overall strategies of the organization. The following are ten reward management strategies which can help to implement human resource and business strategies:

- Stimulate and direct effort towards the achievement of corporate goals for added value and competitive gain
- Convey clear messages on corporate values relating to innovation
- Underpin these values by linking rewards to accomplishment and contribution
- Establish and clarify priorities for employees in terms of their principal accountabilities;

- Attract high-quality candidates who fit the culture of the organization and grow and contribute to it's success
- Encourage enterprise and strategic thinking
- Ensure that valuable/key staff prosper and stay with the organization
- Deliver a message to poor performers that they must improve or go
- Avoid demotivating the people the organization wishes to retain
- Motivate the majority of reliable 'core' key employees as well as the minority of high-flyers.

### **The basis of reward management policies**

Policies on how rewards should be managed need to be formulated as guidelines on the implementation of reward management strategies.

Reward policies cover areas such as:

- o Levels of reward

- o Paying for performance
- o The reconciliation of the tension between the need to achieve external competitiveness as well as a reasonable degree of internal equity
- o The type of salary structure which is most appropriate

And the degree to which a flexible approach can realistically be adopted toward total remuneration-allowing some element of choice for employees on the level and mix of employee benefits and cash

The starting-point must be the philosophy of the organization towards rewards. The policies can then be developed in the light of this philosophy and an understanding of the factors affecting:

- a) Reward policies and
- b) Actual and potential satisfaction with the reward system.

### **Developing reward policies**

Within the framework of the organization's pay philosophy, reward policies should be developed on the basis of an understanding of:



- 1) The factors affecting employee performance and motivation
- 2) The factors affecting reward levels
- 3) The influence of corporate culture and organization
- 4) The factors influencing employee satisfaction with the reward system.

### **The factors that affect performance and motivation**

The ingredients of high performance

High performance requires that employees be:

- Energized to perform because they are well motivated and highly committed
- Empowered to perform because they have the ability, skills and know how needed to achieve the levels of competence required
- Enabled to perform through the guidance and support provided to them, the quality of leadership and autonomy they are given to decide, act and exercise control over their work.

### **Motivation**

Although money in itself has no intrinsic meaning, it can acquire significant motivation power because it may symbolize so many tangible goals. Pay is undoubtedly an important factor in attracting and retaining people. But

financial rewards act as incentives only if people's expectations that they can earn them are high, the reward is worth the effort and there is a clear link between effort and reward.

### **Factors influencing reward levels**

The factors influencing reward levels are the following:

- a. Individual worth
- b. External relativities
- c. Internal relativities
- d. Union pressures

(Devine, B. 2001)

### **Hazards of safety awards**

Harvard professor and author *Rosabeth Moss Kanter* spoke on the subject of inspiring a highly talented workforce in her new book "Evolve: Succeeding in the Digital Culture of Tomorrow." She says that incentives should be given for big goals, and should have obvious measures. "Otherwise, it's like factory piecework. It's important that the incentives that do exist support the goals employees are expected to achieve -- not that managers should walk around with rolls

of dollar bills to hand out every time someone does the right thing." **(Kanter, 2001)**

In the frequently hazardous manufacturing industry, safety awards and incentives programs have long been delayed in argument and dysfunction. Health & Safety advisory committees have stated strong concern that safety competitions and incentive programs induce employees to conceal injuries because they fear ruining safety records, letting their co-workers down, and not getting awards.

Chris Henderson, manager of safety and the environment for the 7,000 employees who work for the Jennie-O Foods Turkey Store, headquartered in Willmar, Minnesota, says the safety agency's anxiety is valid. Seven years ago, the firm, the largest turkey company in the world, began an exceptional safety incentives program that is not based on figures of accidents, as such programs generally are. Rather, it shifted the possession of safety from the supervisor to the employee. **(Wiscombe, 2002)**

Each worker is given comprehensive "safety audits" on dozens of categories such as the situation of electrical wire or the condition of the work floor, and is haphazardly interviewed at a variety of times throughout the year about safety procedures. The person is given a score for reply to

safety questions. If a person's score is, say, 40, she may be given an incentive award when her score shoots to 70 in six months. **(Wiscombe, 2002)**

When the goal has been attained, the worker might receive a free dinner, and perhaps \$20 in coupons to local stores, and different amounts of turkey meat. The worker who is in charge of a team receives double the incentives.

"Our workers are not highly skilled, turnover is fairly high in this industry, and the work can be quite hazardous. We farm, process -- everything," Henderson says. "We give incentives without focusing on accidents, and it works because the ownership is in the hands of the people. And it works because it's based on safety performance that is measured. We have random audits. New people come in and know we're serious about safety. If someone working with a knife isn't using steel-mesh protection, the other employees say, 'Hey, go get your [protection] stuff.

**' (Wiscombe, 2002)**

"Obviously, the program more than pays for itself," he adds. "It impacts the bottom line significantly because much less money is spent on workers' compensation and reduced or lost time because of injuries. And, it makes the workplace nicer." **(Wiscombe, 2002)**

## **Involving employees**

### **Employee opinion**

There are two approaches to gaining a more informed insight into employee attitudes and as to why people leave an organization: these are exit interviews and leave or employee surveys. These are various considerations to be made when gathering this kind of data.

Employee attitude surveys help to systematically determine how a company is performing on a day-to-day basis against stated human resource objectives and can be useful when making comparisons with external data. However, such exercises can be expensive, time consuming and need not necessarily form part of a retention programme. Furthermore, they may raise expectations, so any management team sponsoring such surveys must be prepared and empowered to act on the results.

**(Rudham, J.) [www.bcs.org.uk/review/textonly/html/rudham.htm](http://www.bcs.org.uk/review/textonly/html/rudham.htm)**

Even if no one concurs on the ideology, descriptions, or guidelines upon which to base safety awards and incentive programs, Henderson says everyone who works in the safety region does have the same opinion that good performance should be acknowledged and rewarded.

Absolutely, agrees Marvin Menesini, the safety and health team leader for the *Nevada Power Company*. He says the usefulness customarily has had an awards and incentives program based on an employee's lost time accident history. Different departments have had dissimilar principles for receiving awards and for the amount of the incentives, and the programme has not been as good at quality as he would like it to be.

He is at present trying to build up a more dependable plan. Points programmes can work very well, he says. "But they should be based on participation. The program should be pro-active. Workers should be involved before there are accidents. They should get points if there are no accidents, but they shouldn't lose points if they are in an accident -- so they can be safe. It takes more effort to administer that kind of programme, but it promotes employee involvement. With passive systems, there's no gain in safety, and there is a possible loss in reporting," Menesini adds. "The best programme should actually improve safety. It is a continuous effort, because our business and new technology is constantly changing. Our industry is changing daily, phenomenally. People in the utility business don't know which way is up. We can't be static. We have to keep safety dynamic." **(Menesini)**

### **Employee suggestions**

One of the most productive methods for retaining top talent is to ask employees for their suggestions. Successful suggestion programs encourage ideas from employees at any level and provide quick feedback to everyone who submits an idea. In turn, the more ideas that you are able to implement, the more motivated the workforce will become. And the more the company will benefit, American Axle & Manufacturing inc. in three rivers, Michigan, for example, saved close to \$370,000 in just six months as a result of employee suggestions. And the Abex NWL, division of Parker Hannifin Corp. in Kalamazoo, Michigan, saved more than \$8.5 million in the five years of running the company's suggestion programme. While most employers pay workers whose ideas are used, the amount expended is usually just a fraction of resulting saving: American Axle paid out about \$70,000 during the aforementioned six-month period, and Abex NWL paid out about \$300,000 in rewards. Most important is the positive effect on employee morale and reduced turnover.

The particulars of how employee suggestion programs operate vary. Some organizations encourage any and all suggestions. Others want only those suggestions that will improve safety, quality of work, operational efficiency, or

customer service. Also encouraged are suggestions for saving jobs, attracting more business, and remaining competitive. Suggestions that will save or make money for the company are almost always encouraged. Some companies require a certain number of suggestions from every employee: most leave it up to the employees to submit ideas, if and when they choose.

Almost all suggestion programmes announce the names of those employees whose ideas have been accepted. The details of the suggestion are also announced, as well as the anticipated benefits. Rewards are generally in the form of cash or gift certificates. Some companies put the decision of how much to give in the hands of an employee committee. Factors used to determine the amount include innovation, ingenuity, and cost savings. For instance, a seven-member team of employees working for a furniture manufacturer came up with an idea to change the material in the arm of a chair. The suggestion resulted in savings of \$1.5 million annually. Each member of the team received \$500.

**(Arthur, D.2001)**

**Open work environment:**

Retention programs work especially well in environments where employees understand and work toward business as well



as financial goals, employees are encouraged to participate in discussions of strategic goals with the understanding that everyone has a financial stake in their success, these are open work environments, where exempt/nonexempt lines are blurred, and titles have little meaning.

**(Arthur, D.2001)**

### **When it backfires**

For all the conversation about the impact of technology and the parallel need to make more personal and human workplaces, there are stubborn people who retreat at awards and incentives as the undoing of the work ethic. People get remunerated to work hard, they dispute. Additionally, there is a existent risk of distinguishing employees who do not get awards.

They have a point. When an award is due to preferential treatment or becomes a individuality contest rather than obvious recognition of peak performance that evidently supplement the company, it is visibly a confidence buster.

"It can be the cruelest of jokes," says Bill Rothenbach, vice president and service director for human capital strategies for the Syndicated Research Group in Baltimore. "If five people win a trip to the Caribbean and the other

9,995 employees don't... Well, that's not so good. And when one or more of the five are perceived as unworthy, the entire credibility of the award is suspect. Employees are thinking, 'Is that what the company rewards?' Companies like KFC have a variety of awards. They give pictures and plaques. The program is always changing. It's dynamic. Service awards based solely on length of service -- simply for having survived -- are static. An award is only as good as the people who are selected. There are two words that sum up awards and incentives -- whether they are cash or non-cash," Rothenbach adds. "Value creation. A program must have a performance component or it is meaningless."

(Wiscombe, 2002)

### **Strategy Six: Give employees control**

To be deficient in control is one of the most important basis of job pressure. Decentralizing decision making out to the most suitable levels will not only develop customer satisfaction, but will augment employee satisfaction, and hence, preservation.

Escalating job satisfaction is vital for its compassionate value and for its financial advantage (due to its result on employee performance.) As early as 1918, Edward Thorndike

discovered the relationship between work and satisfaction in the Journal of Applied Psychology. **(Thorndike, 1918)**

Bavendam Research has incorporated actions of job satisfaction in all our employee surveys. Understandable examples have come out.

Employees with advanced job satisfaction: **(Bavendam Research, 2000)**

- Believe that the organization will be fulfilling in the long run
- Care about the value of their work
- Are more dedicated to the organization
- Have higher preservation rates, and
- Are more productive.

### **Define your terms**

One should be precise. Vague terms like "morale" time and again contain elements of fulfillment, promise, desire to quit, communication, etc. A need of theoretical clearness makes it difficult to learn anything useful or precise.

A single construct or multiple proportions One area of incongruity is whether job satisfaction has multiple proportions. Researchers like Porter and Lawler define job satisfaction as a one-dimensional construct; that is, one

is generally satisfied or dissatisfied with the job. In distinction, Smith, Kendall, and Hulin disagree that job satisfaction is multidimensional; that is, one may be more or less contented with the job, the supervisor, the pay, the workplace, etc.

Let's follow Porter & Lawler and define job satisfaction as people's affective (emotional) response to their current job conditions. There should also be careful distinguishing factors for job satisfaction from its consequents. Desire to stay with an organization is not a symptom of job satisfaction; it is a consequence of job satisfaction. As an independent factor, desire to stay is also affected by other factors such as employees' job security, expectations about their future success in the organization, etc.

**(Porter and Lawler, 1970)**

### **Sources of confusion**

Unconstructive is stronger than constructive. Discontentment seems to be more motivating than contentment. In an analogous way, people often respond more instantly and visibly to pain than to a pleasant urge.

Thinning returns. Normally, there is not a simple association between fulfillment and its consequences. For instance: the larger the discontent, the greater the

inspiration to give up. Once people are fundamentally contented, they are no longer provoked to give up. How will their manners be different if they are wildly contented with their jobs? They will still not be provoked to quit. Therefore, once employees are contented with their jobs, being wildly contented may not produce considerably dissimilar conduct. This effect can give reason to managers to under approximate just how inspiring job contentment really is.

**Features that result in job contentment as a result in employee preservation are as follows:**

**a. Opportunity.**

Employees are more pleased when they have demanding prospects at work. This consist of chances to contribute in motivating projects, jobs with a fulfilling degree of challenge and opportunities for augmented responsibility. This is not just "promotional opportunity."

As organizations have turned out to be flatter, promotions can be uncommon. employees have found challenge through assignments, team leadership, distinctive assignments in addition to promotions.

Actions:

- Promote from inside when appropriate.
- Recompense promising employees with positions on interesting projects.
- Divide jobs into stage of rising leadership and accountability.

It may be likely to create job titles that reveal mounting levels of expertise, which are not restricted by availability of positions. They just demonstrate accomplishment.

**b. Stress.**

When unconstructive stress is constantly high, job contentment is low. Jobs are more demanding if they get in the way with employees' personal lives or are an enduring cause of worry or concern.

**Actions:**

- Encourage a sense of balance between work and personal lives. Make sure that senior managers represent this behavior.
- Allocate work evenly (fairly) within work teams.
- Evaluate work procedures to take away unnecessary "red tape" or bureaucracy.

- Administer the number of disruptions employees have to tolerate while trying to do their jobs.

- Some organizations employ exercise or "fun" breaks at work.

**c. Leadership.**

Workers are more pleased when their managers are good leaders. This comprises of motivating workforce to do a good job, motivated for superiority or just taking action.

**Actions:**

- Make certain that managers are well qualified.

Leadership unites feelings and manners. It can be learned.

- People act in response to managers that they can trust and who motivate them to attain meaningful objectives.

- Work Standards.

Employees are more contented when their whole workgroup takes pride in the excellence of its work.

**Actions:**

- Applaud communication amid employees and customers. Quality gains significance when employees see its impact on clientele.

- Expand meaningful actions of quality. Rejoice accomplishments in quality.

**e. Fair rewards.**

Employees are more pleased when they sense they are being rewarded reasonably for the work they do. Think employee responsibilities, the endeavor they have put forward, the work they have done well and the strain of their jobs.

Actions:

- Make sure rewards are for authentic assistance to the organization.

- Be steady in reward procedures.

- If wages are competitive, make sure employees recognize this.

- Rewards can comprise a variety of benefits and perquisites other than money.

- As an added advantage, employees who are satisfied fairly, experience a lesser amount of stress.

**f. Adequate authority.**

Employees are more contented when they have sufficient liberty and authority to do their work.

Actions: When rational:



- Let people make decisions.
- Permit employees to have input on decisions that will influence them.
- Set up work objectives and let employees decide how they will attain those goals. Later appraisal may identify pioneering "best practices."

### **Strategy Seven: Give employees flexibility**

The assortment of the workforce brings with it a variety of requirements and way of life. Providing flexibility and alternatives in areas such as reimbursements and work timetable will display that employees are appreciated.

### **Flexible working**

In recent years, achieving a better work-life balance has become increasingly important for many employees. Some organizations have improved retention by offering staff more flexible working options and by implementing other family-friendly policies.

At first, the preference for flexible working will be to permit requests for alterations about when or where the member of staff is required to work, or to their working

hours. This could engross working from home or at a differently situated outlet, changed working hours, flexible time, annualized hours or job distribution.

### **Flexible working practices**

Typically these are defined as policies which employees make decisions about the role that they have and the conditions under which they perform that role.

Such flexible working policies typically include such practices as:

**Time off in lieu**

**Job sharing**

**Flexi-time**

**Home working**

Research indicates that trends in UK companies are a reflection of experiences in the US, where employees are being tempted to new jobs by an increasingly flexible employment environment. Flextime, job sharing and compressed working weeks are all aspects of corporate America. The practices are intended to give an improved work-life balance, which has become a priority for many professionals on both sides of the Atlantic.

### **Procedure**

Employees can merely ask for one change each year. If accepted, it will mean a lasting change to their employment agreement.

The employee's demand must state details of the proposed change, give details of its possible effect inside the workplace and how this could be dealt with. There will be a set modus operandi to follow, including a compulsion on the employer to meet up the employee and talk about the demand. Employers must then give crucial thought to the request, and may only decline it on one of the following grounds:

- Weight of additional expenses;
- Damaging impact on quality or performance or meeting client demands;
- Incapability to rearrange work amongst on hand staff or to recruit extra staff;
  - o Deficiency of work during the employee's planned work hours;
- Any intended structural alterations.

### **Remedy**

Employees who are discontented with their employer's answer will be able to bring a claim to the Employment Tribunal

forexample, who could regulate reassessment of the request, or payment of compensation.

A study by the Joseph Rowntree Foundation found that guidelines which "helped employees to balance work and family responsibilities" were connected with "small but significant improvements in performance". (Utting, 2002)

A recent DTI survey proposes that employers who at present operate supple working arrangements are in the minority, with the importance being on treating pressure and analogous workplace dilemmas rather than trying to avoid them.

Governments observe innovative planning as an effective means of dropping stress and non-attendance in the workplace, needing a new approach to operational practices but not imposing an important cost burden on employers.

(Bevan, 2001; Seccombe, 1995; Rick, 1997)

#### **Strategy Eight: Keep up your end of the "New Deal"**

The "old deal," in which employees traded loyalty for life employment, has been put back by the "new deal," in which employees deal value for the chance to continue employable. Keep up your end of the new deal by providing employees with guidance and development chances so that they have

present and transferable abilities in the event of a discharge.

An imperative part of each manager's job is that of ongoing development of the people who work under his/her direction to make sure of a productive workforce and the continuing ability to meet changing job requirements. There is a apparent tactical value in incessantly training and developing employees in order to improve the organization's capability to meet its task and to augment the capacity of employees to attain rewarding careers within the organization. As a manager, one has several tasks in this area: examining organizational requirements and recognizing specific training requirements, developing instruction plans for the whole organization and individual employees inside it, obtaining and assigning resources efficiently to realise done training needs and produce desired gains in organizational competence, and assessing the impact of training efforts and making essential changes to ensure greatest outcome.

### **Training process**

The manager must start the training endeavor by carefully thinking about the organization's calculated goals and

objectives, their unit's aim and objectives, what work is to be completed, and the strengths and weaknesses of their employees. Then think cautiously about the knowledge and skills desirable to do the job. Knowing what a job necessitates and how well the organization needs it done will give the manager data to make guidance decisions. He should also look at large performance issues and chances needed to change or pick up the organization and the individual employee's potency and development opportunities.

A persons "needs assessment" focuses on the precise knowledge, ability, and talent required of each employee. Individual requirements should be viewed within the background of strategic ambitions of the organization in order to make sure professional growth and development of employees within recognized career paths. The servicing human resources management office (SHRMO) can direct the employer to help evaluate the individual training requirements of the employees.

Managers must judge all employees fairly for training chances. Selection of employees for guidance must ensure that all employees are chosen without regard to political favoritism, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with

appropriate regard for their solitude and legitimate rights. As well, merit promotion procedures must be adhered to in selecting employees for training which is chiefly to prepare trainees for progression and which is not in a straight line related to improving performance in their present positions. Managers have wide flexibility in the training area in choosing training sources, set of courses, etc. Depending on the office resources, the organization can pay all or part of the costs connected with training, as well as registration fees, books, materials, etc., that will donate to the office's mission. The management should be conscious, though, that training requirements could not be financed after the course has begun. **(Carter, 2002; Hirsh, 1995)**

In a survey taken of senior human resources executives at the American Management Association's 1999 annual HR conference and exposition, companies with retention programmes indicated over-whelmingly that training was perceived as more effective than increased salary or benefits. According to Eric Greenberg, AMA's director of management studies, "programmess that improve work skills and future career development are seen as particularly effective." Among the types of training programmes used

most often are attendance at conferences and seminars, tuition reimbursement, and managerial training. Other popular training incentives include technical training and interpersonal skills training.

In another survey, done by the society for Human Resource Management, 94 per cent of U. S. Companies offer professional development, and 85 percent offer educational assistance as benefits. In addition, 98 percent of companies with five thousand or more employees offer professional development, and 93 percent offer educational assistance. And according to Thomas Mahan, vice president and senior consultant with Saratoga Institute. 41 percent of American workers will leave their employers if they don't get the desired training. (Arthur, D.2001)

Training should directly contribute towards improving investment perspectives and also be able to minimize turn over processes. Mere repetition of solving the same problem, may lead nowhere to gain experience. In other words, when one is faced with the same problem over and over again he or she eventually masters the problem, and there remains no more the requirement of training or learning to take place. However, the firms that pay attention to the emergence of new situations and



immediately tailor their training according to new scenarios and learning are completely incorporated into capital. The training can result in labour becoming more proficient and the problem of turnover can be avoided.

**(Arrow, 1962)**

Improvements in the quality of the labour force and avoiding frequent turnover as a source of increased productivity can be achieved by taking into account the societal institutions put into place and speed up the training/learning process of schools, research institutions, etc. **(Arrow, 1962)**

Training that helps each employee grow their skills and knowledge to better perform their current job is appreciated as a benefit. It also increases employee loyalty and helps you to attract the best possible employees. <http://humanresources.about.com/library/weekly/aa051902a.htm>

Not surprisingly, technology workers are especially interested in keeping their skills sharp and up-to-date since technology changed so rapidly, employees worry that they are falling behind even as they are learning something new. One company even offered technical training as an

incentive to convince full-time workers to switch over to temp work. And Tech. Central, a Minnesota temporary services firm specializing in technical workers, used the lure of free training to convince people to quit other jobs to work for them. Today's workers aren't attracted only to technical training. They recognize the need for training in international skills, teamwork, leadership skills, decision-making, conflict resolution, business ethics, time management, and numerous other areas in order to compete in today's market. **(Arthur, D.2001)**

"Training is another word for living." that's the opinion of a recent graduate from Boise State University, who summed up its value this way; "I think that every day you're in training because you are learning something. My dad is a business executive, and he's always going to seminars, so I figure that's what I'll be doing too, you can always learn something from somebody". **(Arthur, D.2001)**

Interim services of Fort Lauderdale Florida offer advice on how to approach training:

- Evaluate your company's future needs, and provide training opportunities to prepare employees to meet those needs.

- Base training and growth opportunities on an employee's contributions, not on his or her tenure.
- Encourage managers to identify future leaders. Then give those individuals the tools to develop career goals and identify how the company can help them attain those goals.
- Offer a variety of training on a combination of hard skills, like computer training, and so, - called soft skills, such as communication.
- Ask employees to evaluate the training workshops and their usefulness.
- Give employees slightly more responsibility than they ask for. This helps create an environment where employees are challenged and never stagnant.

**(Arthur, D. 2001)**

**Basic steps:**

- Agree on training needs by forecasting the direction the organization will take in the next 2-5 years. Establish what abilities will be required. Determine whether the employees have the necessary talent to plan and put into practice programmes and activities required by the probable direction.

□ To determine individual employee wants, examine the dissimilarity between anticipated necessary skills and current skills. The manager can also convene with employees to discuss career objectives and be acquainted with what additional potential are required for career progression.

□ Once the training requirements have been determined, the management will have to choose how is best to meet them.

□ Rather than relying exclusively on prescribed classroom instructions, discover all alternatives and select the most successful one.

**Alternatives comprise of:**

- Place of work approaches - official on-the-job preparation, mentoring, developmental coursework.
- Some university programs present financial assistance to Government employees. A few are part-time and some are full-time.
- Self-study approaches - self paced teaching, correspondence courses and self-regulating readings.

- Technology based approaches - computer supported training or distance learning.

- Proper classroom courses, seminars, meetings and workshops carried out by colleges and universities, private companies, contractors, Government agencies, professional and scientific organizations, and professional associations. In those cases where a training need exists for a number of employees, an on-site agreement course may be the most cost saving alternative.

**Good management practices:**

- o One should be sure that training and professional development are related to organizational requirements or employee requests in the current position. Look for opportunities to offer career improvement such as details, job rotations, etc., rather than relying exclusively on formal training.

- o Some workplaces require that you develop an annual Individual Development Plan (IDP) for every

employee. When it is not necessary, it is strongly suggested that you build up an annual IDP for every employee. It should be assessed periodically during the Year to conclude if any changes need to be made for the reason that new priorities may emerge eg., altering budget situations or fresh organizational objectives.

- o Once training is concluded, it is seriously important to review the impact it has had on the organization or on the employee's performance. The employer may want to set up a gathering with employees immediately after formal training to "debrief" them. Likewise, the employee may require a written summary description of what was accomplished or learned and how it will be applied on the job. Time and again the lessons learned can be passed to other employees in a synopsis form, thus expanding the value of the training devoid of further cost. **(Hirish, 1996)**

### **Strategy Nine: Create a culture of ownership**

Having a personal ownership in the organization can very much influence inspiration, performance, and preservation. Build up ways of gratifying employees that permit them to share in the organization's continuing achievement.

Employees "acting like owners" are the cause of high performance. Studies have shown time after time that employee stock possession can, predominantly when pooled with employee contribution and communication, lead to better corporate outcome. But having equity is not sufficient. The challenge to comprehending the potential of employee stock ownership lies in the capability of senior leaders to bring into line their values, the equity configuration and management procedures.

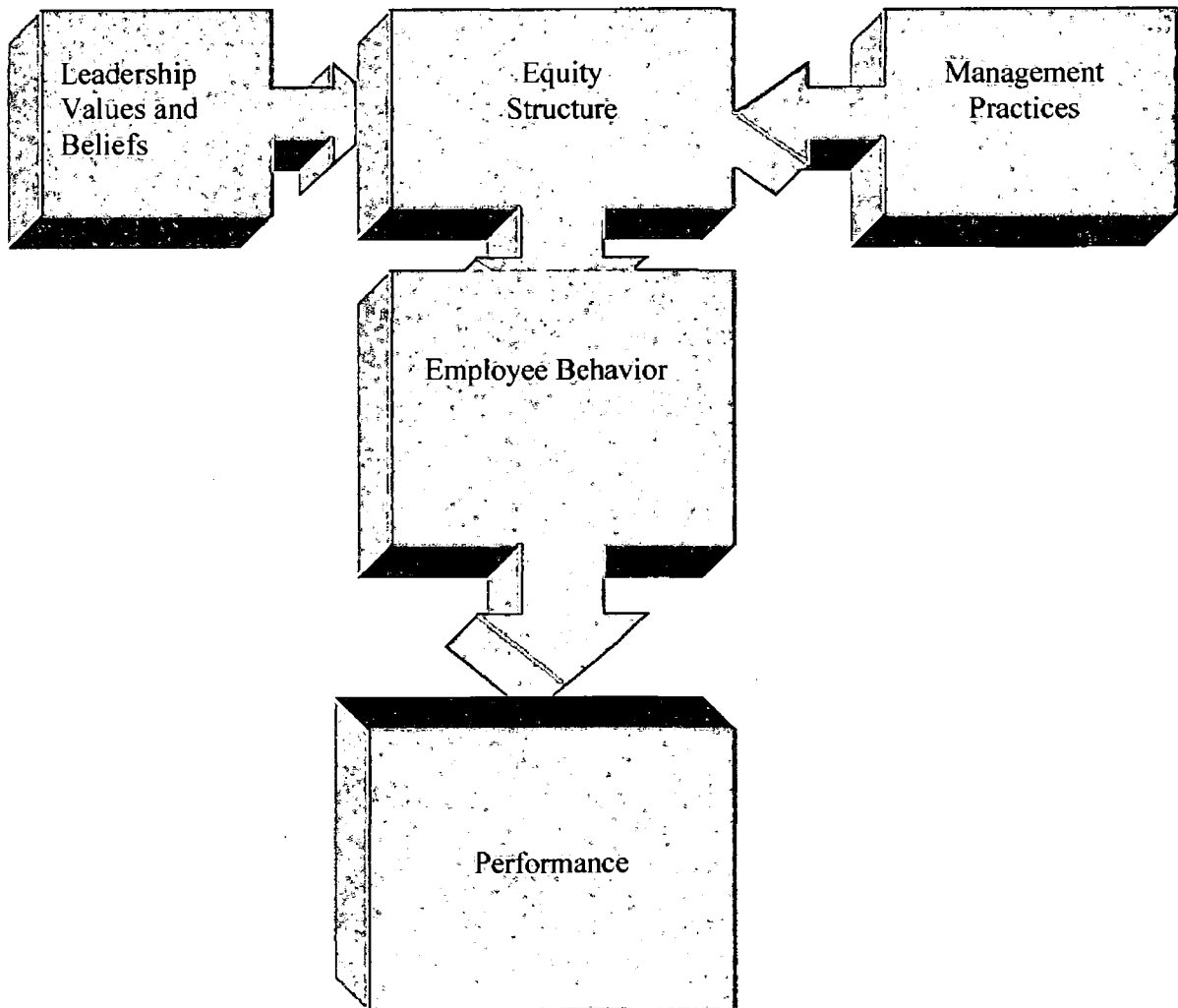
Equity strategy may or may not be associated with values that hold up the progress of an ownership culture. For instance, some equity tactics connected to broad-based ownership may be started only for monetary causes. Though, there are many instances of broad based equity tactics that affect senior leaders' values and thinking that if employees' interests are united with their own, and employees can and will make an actual difference in a

company's long term worth. In these cases, leadership morals and beliefs are united with the company's equity plan.

The next critical constituent creating the groundwork for a high performance ownership custom is management practices. Management practices are important to the ownership performance connection. When they are not completely associated with leaders' values and the equity configuration, performance gains are unlikely. Management behaviors have a great deal of impact by either reassuring or disappointing employee behaviors and feelings that are dependable with free enterprise and, eventually, performance. When these three features leaders' values, equity configuration and management practices are aligned, there is a constant message to employees about what is demanded and valued.



**Figure 2.10 Employees performance**



### **Begin at the beginning**

In order to commence structuring high performance ownership traditions that capitalize on the potential of employee stock possession, company leaders are first required to recognize the specific kinds of "ownership behaviors" they think will result in performance improvements. Some distinctive examples may include: idea about and sharing thoughts about how to work more professionally or how company procedures could be evened out; making an attempt to recognize and decrease waste or needless expenses; and cooperating with people in other purposeful areas. Articulating these behaviors is necessary in order to distinguish what to do to sustain their growth.

### *It is not about training employees*

Once the preferred behaviors are definite, the subsequent step frequently taken is completion of a training programme to teach employees the preferred behaviors. Possibly this is as it seems easier or less intimidating to train employees than to review and alter management practices. In spite of the reason, employee training on its own hardly ever changes employee manners. As an alternative, company leaders need to scrutinize the ways in which their management practices produce an atmosphere that either

gives confidence or discourages ownership behaviors. For instance, leaders may agree that since employees have a great deal of information about company procedures, employee input into procedure improvements is advantageous. Helpful management practices, then, are required to include:

- Inspiring employees to share their ideas,
- Producing official and casual mechanisms for idea sharing,
- A performance appraisal system for employees that values the contributes of new ideas,
- A performance appraisal system for managers that values their aptitude to support employee input and stresses the ability of listening and reacting to employees, etc.

Likewise, if leaders desire employees to proceed like entrepreneurs, close management regulation is not the answer since entrepreneurs need to show initiative. Rather, setting lucid expectations and responsibility for results gives employees the liberty and imagination to achieve the goals in their own way. Certainly, offering the essential supports and resources is also necessary, as is a scheme that recognizes and rewards capitalist behavior.

One concluding illustration comes from a company that required employees to be trouble solvers. In its place of encouraging employees to resolve dilemmas, when employees elevated a problem with a manager, the manager frequently came up with the solution. The company then focused on shifting the behaviors of managers. Managers were trained how to help employees disentangle problems themselves and how to take employees together to work out resolutions to problems that crossed functional limits. Systems were put in place to distinguish and reward employees for their trouble solving capability. Employee behaviors then began to change. As an alternative of coming to managers with problems, employees started coming to them with anticipated solutions or they just acquired the initiative to solve problems on their own.

*Is the "Ownership Culture" just about good administration?*

When companies with traditions based on the faith and admiration that is raised out of strong communication and employee contribution implement equity policy through which employees can develop into shareholders, the connection between share rights and performance is easy. The company previously has created an atmosphere that supports "ownership behaviors." Their principal job may be in managing employees' ownership prospects. Owning shares turn

out to be the structural support for the culture the icing on the cake.

Share ownership is one more motivation for employees to make the attempt required for constant improvement. Nevertheless, for other companies, the equity approach opens the discussion about what behaviors are sought-after and how company managers can perform in ways that sustain those behaviors. This frequently becomes the foundation for longer term company customs change and a chance to build a high performance ownership culture in which employees both sense and proceed like proprietors.

#### **Strategy Ten: Conduct exit interviews**

Employees who have served their notice to give up are entering a stage of ambiguity and are more apt to be careful about what they say. By getting in touch with employees one would like to have kept after they are in their new job, companies are more likely to discover why they really left. And if they are not happy in their fresh job, the company may even be able to acquire them again.

Post egress interviews do disagree with the data from surveys and egress interviews. For illustration, in post

egress interviews Deloitte & Touche (1992) established that 90% of the women professionals who had left their accounting firm quoting "the need to spend full time with their children" acquired other jobs 70% were working fulltime inside six months.

At that time researchers used post egress interviews to inquire from employees about pay six months into their fresh jobs, they found that pay has not augmented nearly as much as the employee recommended in the exit interview. In many cases there was no augmentation at all.

Why do employees say one thing in surveys and egress interviews and something very dissimilar six months later? John Sullivan, the Chief Talent Officer for Agilent Technologies, quotes three causes for these differences:

**(Dunham, 2001)**

- A. Individuals are less poignant 6 months after resigning
- B. They have had time to contrast their new situation to the job they gave up
- C. They no longer have to be concerned about a good reference from their manager

(Sullivan, 1999): In post egress interviews at high-tech firms, the main reasons previous employees cited for leaving were:

1. Poor administration

- Dearth of honest recurrent two-way communication with my manager

- My manager did not give me the acknowledgment I ought to have

2. Be short of challenge, enthusiasm, and opportunity at work

- My manager could have, but did not, give me extra opportunities to rise

- My manager may perhaps have, but did not, give me more flexibility in how I did my job

3. Augmented pay and benefits

- My manager could have, but did not, give me the rewards I ought to have.

**The interview**

The purpose of the interview is to obtain and assess information about a candidate which will enable a valid

prediction to be made of his or her future performance on the job in comparison with the predictions made for any other candidates.

Interviewing therefore involves processing and evaluating evidence and supplementing by the more detailed or specific information about experience and personal characteristics that can be obtained in a face-to-face meeting.

An interview has been described as a conversation with a purpose. It is a conversation because the candidates should be induced to talk freely with their interviewer about themselves and their careers. But the conversation has to be planned, directed and controlled to achieve the main purpose of the interview, which is to make an accurate prediction of the candidate with future performance in the job for which he or she is being considered.

Interviewers however, have other aims. One is to provide the candidate's information about the job and the company. An interview is basically an exchange of information which will enable both parties to make a decision : to offer or not to offer a job. To accept or not to accept the offer.



A further aim is to give the candidate a favourable impression of the company. This should encourage the good candidate to join and should leave the rejected candidates without any ill-feelings.

Good interviewer knows what they are looking for and how to set about finding it.

Finally, they have a method for recording their analyses of candidates against a set of assessment criteria.

### **Knowing what to look for**

Knowing what to look for is a matter of knowing the job specification and the information needed to confirm whether or not the candidate meets the specification under each of its headings: qualifications, experience, knowledge, skills, physical characteristics, and personal circumstance.

### **Knowing how to find it**

Knowing how to find the information required is a matter of planning the interview and then of conducting it in a way which will obtain all the data needed to make a balanced decision.

The interview should be planned round the candidate's application form to cover each of the headings on the job specification. It is therefore essential to read the application form thoroughly before the interview to decide on the line of questions and any areas where probing may be required.

The aim is to establish exactly what applicants know and can do, or to fill any gaps in their employment record. A biographical approach is usually best, starting with applicants education (especially younger candidates) and then moving progressively and naturally through work experience, job by job, discussing for each job; why they left it? clearly the interview should concentrate on the most recent experience. There is no point in dwelling for long on the earlier experience of someone who has been in employment for a number of years.

The information required in an interview can seldom be obtained in less than 20 minutes, but it is usually unproductive to extend the information-gathering part of the interview beyond 30 or 40 minutes. Allowance has to be made for the information giving part of the interview and for the candidate's questions.

For a managerial interview, a longer period may be necessary to discuss recent experience and ambitions more thoroughly. Time must also be allowed for information about the company and the job, and the candidate to ask questions. The best approach is to start with few a welcoming remarks and explains how the interview is to be planned. Then carry out the biographical interview before telling the candidate about the job and discussing conditions of employment, including pay and fringe benefits. There is no point in giving a lengthy dissertation about the company or the work to someone who is clearly unsuitable or uninterested. Allow time at the end for questions and round off the interview by telling the candidate what the next step will be. It is normally better not to announce the final decision during the interview.

It may be advisable to obtain references and in any case time is required to reflect on the information received. Moreover, some candidates, especially senior staff and students, do not like to think that snap decisions are being made about them, even if they are favorable. The points are summarized in the following table.

**Table 2.5 How to gain an effective interview**

**Dos and Don'ts of interviewing**

| <b>Do</b>  | <b>Don't</b>  |
|--|---|
| <input type="checkbox"/> Plan the interview  | <input type="checkbox"/> start the interview unprepared                             |
| <input type="checkbox"/> Establish an easy and informal relationship   | <input type="checkbox"/> plunge too quickly into demanding Questions                |
| <input type="checkbox"/> Encourage the candidate to talk   | <input type="checkbox"/> ask leading questions                                      |
| <input type="checkbox"/> Cover the ground as planned   | <input type="checkbox"/> jump to conclusions on inadequate Evidence                 |
| <input type="checkbox"/> Probe where necessary   |   |
| <input type="checkbox"/> Analyse career and interests to<br>Reveal strengths, weaknesses,<br>Patterns of behaviour | <input type="checkbox"/> pay too much attention to isolated strengths or weaknesses |
|  | <input type="checkbox"/> allow the candidate to gloss over Important facts          |
| <input type="checkbox"/> Maintain control over the<br>Direction and time taken<br>By the interview                 | <input type="checkbox"/> talk too much  |

## **The American way of rewarding key staff**

### ***(Some American observations)***

The word is spreading beyond the subsidiaries of the U.S. that companies-flexible benefit schemes [known, as 'flex' are a powerful reward and retention tool.] Traditional benefits structures, often designed for a married man with dependants, are simply out of date. Worse, they can short-change both the employee and the company.

### **What is flex?**

A flexible benefits package can take several forms. Employers may already be operating a simplified form of flex without realizing it - for example, giving a choice of car versus cash. In a total reward flex package the value of the benefits is added to salary to give a total reward figure which the employee can then use to purchase benefits suited to his/her own circumstances.

Employee may be allowed to tailor their choices annually, subject to any longer-term commitments, such as cars, for example an employee may wish to increase benefit cover on travel and other insurance to cover his future wife on marriage. He could 'buy' this extra level of cover (in time for the honeymoon!) out of his flex budget.

### **What benefits can be offered?**

The list of benefits is limited only by the degree of flexibility that the employer is prepared to offer. Thus, dual income families with duplicated benefits may wish to switch funding out of duplicated VHI into another benefit, such as childcare while both parents are still in employment.

Many employers require employees to receive certain 'core ' benefits to provide a minimum level of security life assurance and holidays at base levels are common examples.

The tax treatment of different benefits can vary greatly. Some like pension contributions, qualify for tax break, while the majority are classed as a taxable benefit-in-kind (BIK). However, a properly structured flex package should not leave the employee financially worse off.

### **Who are likely candidates?**

The relative proportion of benefits to cash is an important aspect in determining whether flex is appropriate - or suits the employer. Relatively high ratios of benefits to salary costs are typical of the finance sector, high-tech industries, sales and the professions. Innovative cultures could be expected to be most receptive to the introduction

of flex. Even more traditional companies can see flex as a powerful tool.

In an organization which is more resistant to change, flex can be a lever to gain acceptance of change which may be necessary for the continued success or survival of the business. As such, it can be a zero-cost facilitator. Flex may be welcomed by many different categories of employee:

- ❑ Younger employees who place relatively low value on pension/life cover type benefits
- ❑ Those who value 'lifestyle' benefits such as increased holidays or leisure club membership
- ❑ Senior employees with relatively high levels of benefits to salary ratios
- ❑ Junior/low-paid employees who value the chance to buy at a cheaper rate (due to group discounts) a benefit not normally offered at their grade.

#### **Why does the company benefit?**

Employers like flex because it can help to control the rising costs of current or future benefit provision. They are also more likely to retain their staff. Flex enables employees to better appreciate the cost and value their

benefits and it gives them unique new benefit- choices about how they are paid.

Studies indicate that it is lack of control over one's work environment, rather than pressure of work, which leads to the greatest cause of work-related stress. Passing control of their pay package design to the employee may go some way towards addressing this.

Added value is created for the business through improved employee perception, choice and empowerment.

***Flex can be a solution to:***

- o Aligning terms and conditions following mergers and acquisitions
- o Makes a defined contribution to pension schemes
- o Reforming company car policies
- o Managing rewards across boundaries in a global business

Common benefits suitable for flex

- Cars
- Pension contributions
- Share schemes
- Medical insurance
- Life assurance accident/health insurance
- House/car insurance



- Sporting and leisure facilities
- Holiday entitlement
- Childcare
- Mortgage subsidies
- Vouchers

### **How do you make it work?**

The more complicated the scheme, the more administration is involved. Part of the challenge introducing flex may be to bring the latest personnel and payroll systems to the business. Many employers are considering out-sourcing the administration of flex. Flex represents a major change and innovation for most employers.

The decision to introduce a fully developed flex package should only come after a thorough and objective review of the business case for its introduction including a diagnosis of:

- I. Financial impact (in other words, what are the direct and the hidden costs of benefits delivery?)
- II. Fitness for purpose (do benefits match business and HR strategy)
- III. Internal factors (how do benefits impact on employee behavior?)

#### IV. External factors (how do rewards benchmark with competitors?)

In a rapidly changing and competitive business world, companies that prosper will be those whose employees understand how they can contribute to the bottom line.

Employers are coming to view compensation as a 'reward' that supports the business goals of the organization.

Delivering a total compensation package that is both cost effective and competitive is a top priority. Flex can play an integral part. **(Carter, M.)**

#### **Staff retention what's a company to do?**

*Industrial light and magic (ILM), an American visual effects company founded by star wars director George Lucas wizards sign contracts that requires them to forswear any search for employment for three years. Whilst the majority of Irish companies haven't resorted to giving their employees iron handshakes just yet, the current skills shortage in the IT industry is putting considerable pressure on Irish Personnel Managers to respond with innovative staff retention policies.*

A new survey conducted by IT recruitment specialists Élan computing has proven that staff retention in the IT

industry has become particularly difficult as it has revealed that 27% of IT companies surveyed are suffering attrition rates of significantly more than 12 people per year.

Insiders estimate that on average IT professionals spend about three years in any one position and in any industry where a lost employee means lost Money, the issue of staff retention is becoming more developed and detailed to deal with specific needs of IT professionals, office manager with Élan computing, Mr. Tom Clancy says that "IT personnel, as distinct from another professionals, are interested primarily in career advancement in terms of promotion into senior roles in management or team leaders.

They also want career satisfaction in terms of new technologies because they want the state of art. Their work has to be interesting and it also goes without saying that competitive salaries must be paid and these salaries will usually reflect the responsibility of the position ".

One of the main ways in which personnel managers are trying to entice top IT people is through a system bonuses. The Élan computing survey also revealed that 65% of the

companies now have annual performance pay related bonuses and the majority of companies operate objective based bonuses and quarterly bonus schemes as well as a flexible benefits plan and profit share.

Mr. Clancy explains that an effective staff retention policy is one way of combating high attrition rates. " Having a retention policy will not only lower attrition but will also put out the right signal for people who might be interested in joining the company in Ireland in particular, where the market is small, it is highly important to have good retention policies because your own staff will then become advocates for your company and a happy workforce is a great advertisement ".

But companies who take financial resources have had to adopt alternative policies when monetary benefits are due to retain IT staff. These policies stress the need for employee recognition, environmental stability, independence and they also try to provide workers with lots of opportunities for promotion.

In the US, some companies offer "extraordinary performance awards" where employees who consistently excel might be

rewarded with small cash bonuses or they might be given vouchers or evenings out with their spouses. In the silicon valley where the jobless rate is less than 3 per cent, some IT companies have adopted the more conventional programs of flexible work scheduling whilst others have had to become more family - friendly by offering child care facilities and pre-tax programmes for child care.

Intrinsic to Lotus development of staff in Ireland, staff retention policies are accessible, working practices are flexible and there is on-going skills development. Lotus's employees have some opportunities to work from home, variable start time options, part-time working and job sharing. Lotus also invests in a minimum of five days training per employee per year and they also support a wide variety of education programmes. "Other areas that we would consider to be hugely important are good communications and appropriate reward mechanisms. Overall, staff retention is a critical area and we are constantly evaluating trends and strategies."

There has to be an atmosphere of motivation in the workplace and to motivate staff, I believe you have to be specific about praise. You must have a policy of

recognition where recognition is due ' and the channels of communication between managers and staff are constantly kept open".

Some companies have a very specific staff retention strategy, which actually begins the moment the job spec is being put together and for their employees they offer shares and further education options as well as heavily investing in training for their staff.

Emphasis is also placed on job satisfaction, 95% of IT staff start looking around for a new job when they become bored with a job, which has become "automatic".

The challenge of constantly learning leads to job satisfaction. The comfort zone of the regular and predictable day is not something that IT people necessarily want. Instead they are demanding varied work which is not only interesting but also stimulating. (Quinn, D. 1999)

## 2.3.6 Case studies

### Employee retention - A Costly oversight (Staffing, 1999)

A survey conducted regarding employment indicated that Southern California Employees Are Leaving Current Jobs for Better Opportunities

The opportunity to improve their current employment situation heads a list of reasons why employees are leaving their current positions.

Surprisingly, the majority of Southern California companies surveyed felt that employee retention was not a critical issue, according to statistics from the 14th Annual Employment Study commissioned by Irvine-based Thomas Staffing, a leading Southern California staffing Services Company. (Staffing, 1999)

When asked if employee turnover was a concern to their company, only 21 percent of the respondents indicated that it was a problem. "The survey results suggest two things," said Douglas M. Slack, president of Thomas Staffing. "First, companies don't realize or ignore how much money and resources they lose with employee turnover. Secondly, it may be that companies anticipate some level of

turnover and accept it as a normal part of business and perceive there is no solution to improve the situation."

With the companies surveyed who indicated employee retention was a problem, 50 percent said that employee retention has become an increasing concern over the past two years ``Companies who recognize employee turnover as a serious problem understand the profit ramifications of this issue," according to Slack.

The cost associated with training a new employee can be substantial. ``The training and knowledge given to a new employee is a substantial investment," said Slack. ``To continue to train new employees as a result of even a modest employee turnover rate can be very costly."

Another area of concern relating to employee retention is customer service. ``The negative impact employee turnover can have on service may create lost business and lead to a loss in potential earnings," continued Slack. ``In the business world, customer loyalty and satisfaction are the most important factors to a successful business. If the customer is not receiving the attention they generally require, they might seek other alternatives."

**(Staffing, 1999)**



``Companies should also address the impact employee turnover has on its existing staff," said Slack. ``In most cases, remaining employees must absorb additional duties and responsibilities when someone leaves the company. This can create a morale problem if employees feel overwhelmed due to the increased workload, leading to more employee turnover and an even greater decrease in customer service. It becomes a tough cycle to break.'' **(Staffing, 1999)**

The Window of Opportunity is Open Listed as the top reason in the survey for employee turnover is employees found better opportunities elsewhere. ``The demand for quality employees is on the rise and companies are offering creative benefit packages and other incentives to prospective employees.

People might not be looking to leave their current position, but when presented with an opportunity that is of greater benefit than their current position, the decision to change jobs becomes a reality," voiced Slack. **(Staffing, 1999)**

``Giving everyone a raise who thinks about leaving a company would be a financial challenge, so alternative

benefits to keep their current employees should be considered to generate a higher employee retention rate," said Slack. "For instance, if companies offer an on-site daycare programme for employees, this benefit might retain an employee who is in need of daycare and lessen the perceived value of other opportunities." (Staffing, 1999)

### Loyalty Isn't what it used to be

Loyalty to a company from an employee's perspective seems to be diminishing in today's business world. "With reorganizing, downsizing and layoffs from mergers and acquisitions, employees don't feel they have the job security they did in the past. The result has been people are more open to other opportunities," concluded Slack. "Motivation and opportunity is a combination that makes a person leave their current position, if an opportunity for higher compensation or the perception of a better work environment arises, it will most likely motivate a person to take advantage of the opportunity, especially if there is a perceived lack of appreciation from the current employer." continued Slack. (Staffing, 1999)

"Another major factor in retaining staff and improving loyalty is by emphasizing structured career planning, continuous professional development, and training.

Employers who are interested in helping their employees achieve the careers they want are more likely to keep staff motivated and keen to learn? Which obviously benefits employers by increasing staff retention".

[www.haysworks.com/content/clientchannels/it/advice/retain\\_staff.jsp?bhjs](http://www.haysworks.com/content/clientchannels/it/advice/retain_staff.jsp?bhjs)

### **Getting close to employees is a good thing**

Seventy-five percent of human resources professionals reported that staff retention would increase by 10% if the quality of the relationships between managers and their direct reports improved, according to another HR.Com online survey.

Similarly, a recent DDI study called **"Retaining Talent: A Benchmarking Study"** reports that an employee's relationship with their supervisor or manager and work-life balance are the most important determinants for staying with an organization. The study reports the top five factors affecting an employee's decisions to stay or leave are:

**(Bernthal)**

1. Quality of relationship with supervisor or manager.
2. Ability to balance work and home life.

3. Amount of meaningful work—the feeling of making a difference.

4. Level of cooperation with coworkers.

5. Level of trust in the workplace.

What may be surprising is that only 10% of human resources professionals reported that an increase in salaries would increase employee retention by 10%, according to the HR.Com survey.

Nearly 47 percent surveyed indicated that they do little or nothing to reduce employee turnover. "Companies need to invest time in getting close to their employees. They need to look at this as an opportunity to reduce employee turnover. This may require more time spent on employee issues and finding solutions to their concerns. It's an investment in people," said Slack. "Creating an open environment with their employees and getting to know their needs and concerns will create positive results."

**(Staffing, 1999)**

Interviews for the survey were conducted with human resource executives from 953 randomly selected companies (with a minimum of \$5 million in gross annual sales and employing at least 25 employees) in Los Angeles, Orange,

San Diego, Riverside, San Bernardino and Kern counties from September through November of 1998 by Market Research Associates, an independent research firm. Survey Conclusions. **(Staffing, 1999)**

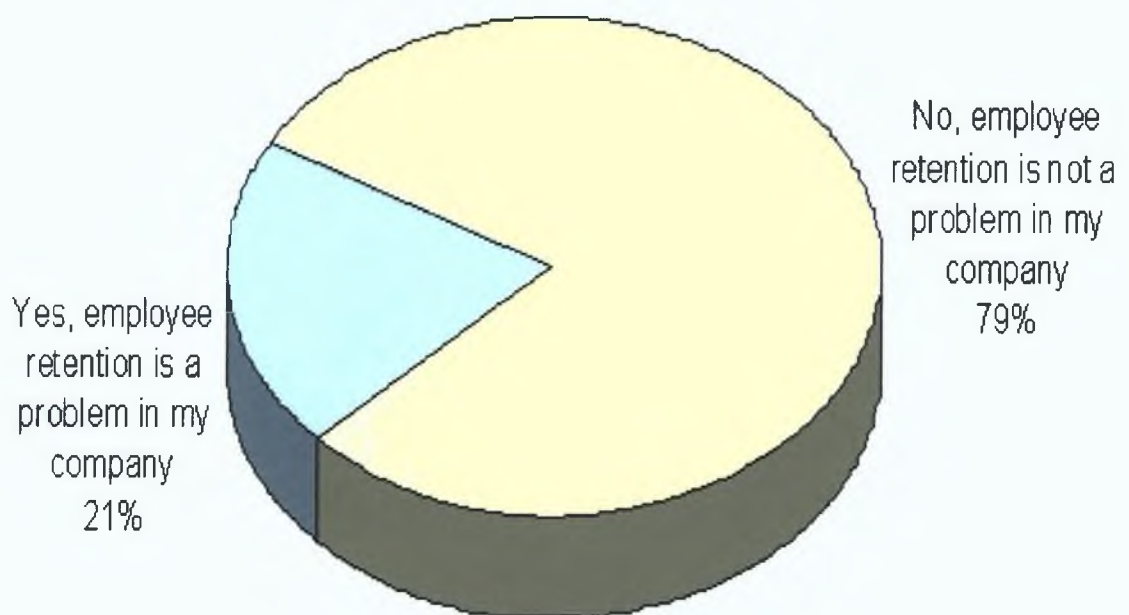
21% of respondents indicate employee retention is a problem in their company.

- o Respondents who work for companies in the transportation or automotive industries are most likely to indicate an area-wide employee turnover problem exists.
- o Respondents whose companies employ 250 or more people are the most likely to indicate employee retention is a problem in their company.
- o The greater the number of employees in a company, the more likely the respondents are to indicate the problem of employee retention exists within their company.
- o Among respondents who identify employee retention as a problem in their company, one-half feel this problem has increased over the last two years.

**Figure 2.11 Employee retention problems in company**

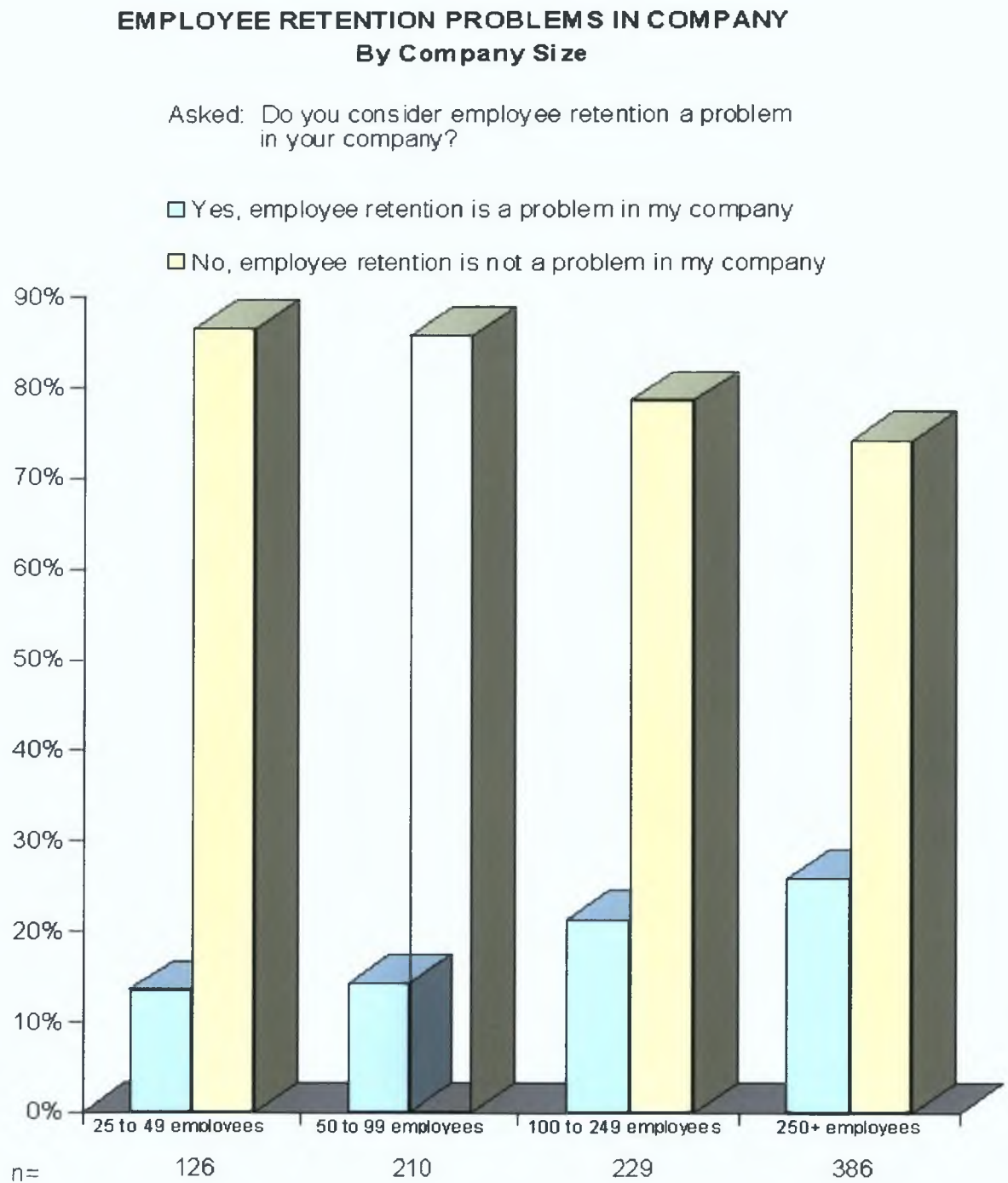
### EMPLOYEE RETENTION PROBLEMS IN COMPANY

Asked: Do you consider employee retention a problem in your company?

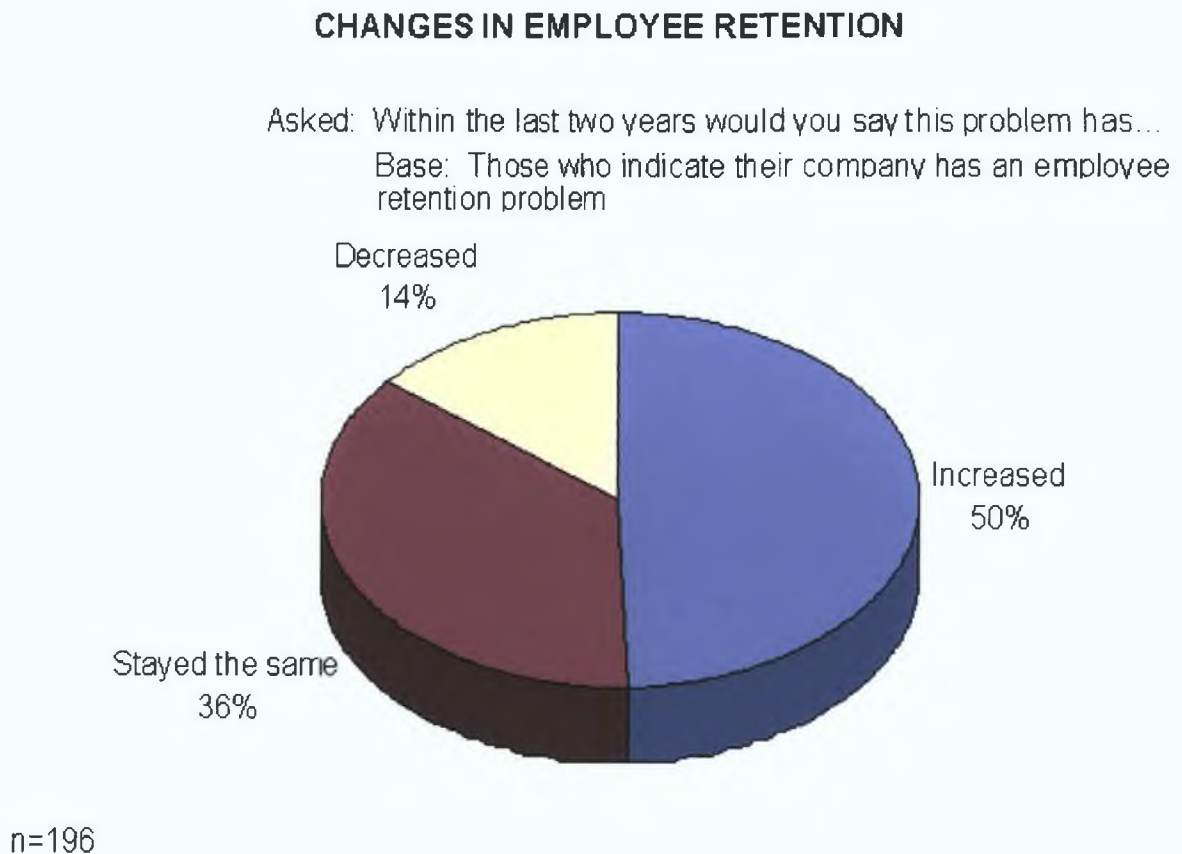


n=953

**Figure 2.12 Employee retention problems in company by size**



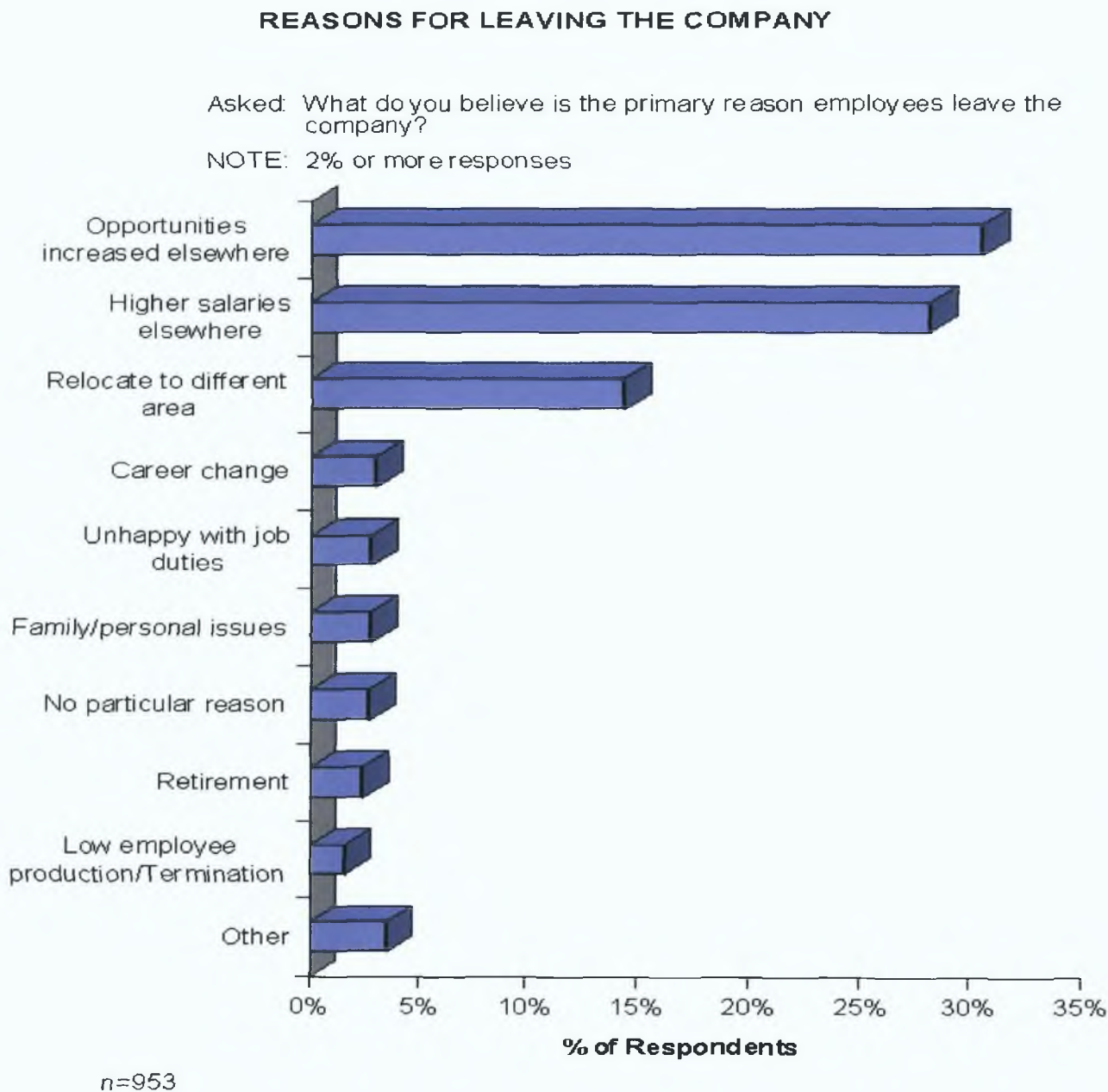
**Figure 2.13 Changes in employee retention**



• Better opportunities, higher salaries and relocation are key reasons for employee turnover.



Figure 2.14 Reasons for leaving company



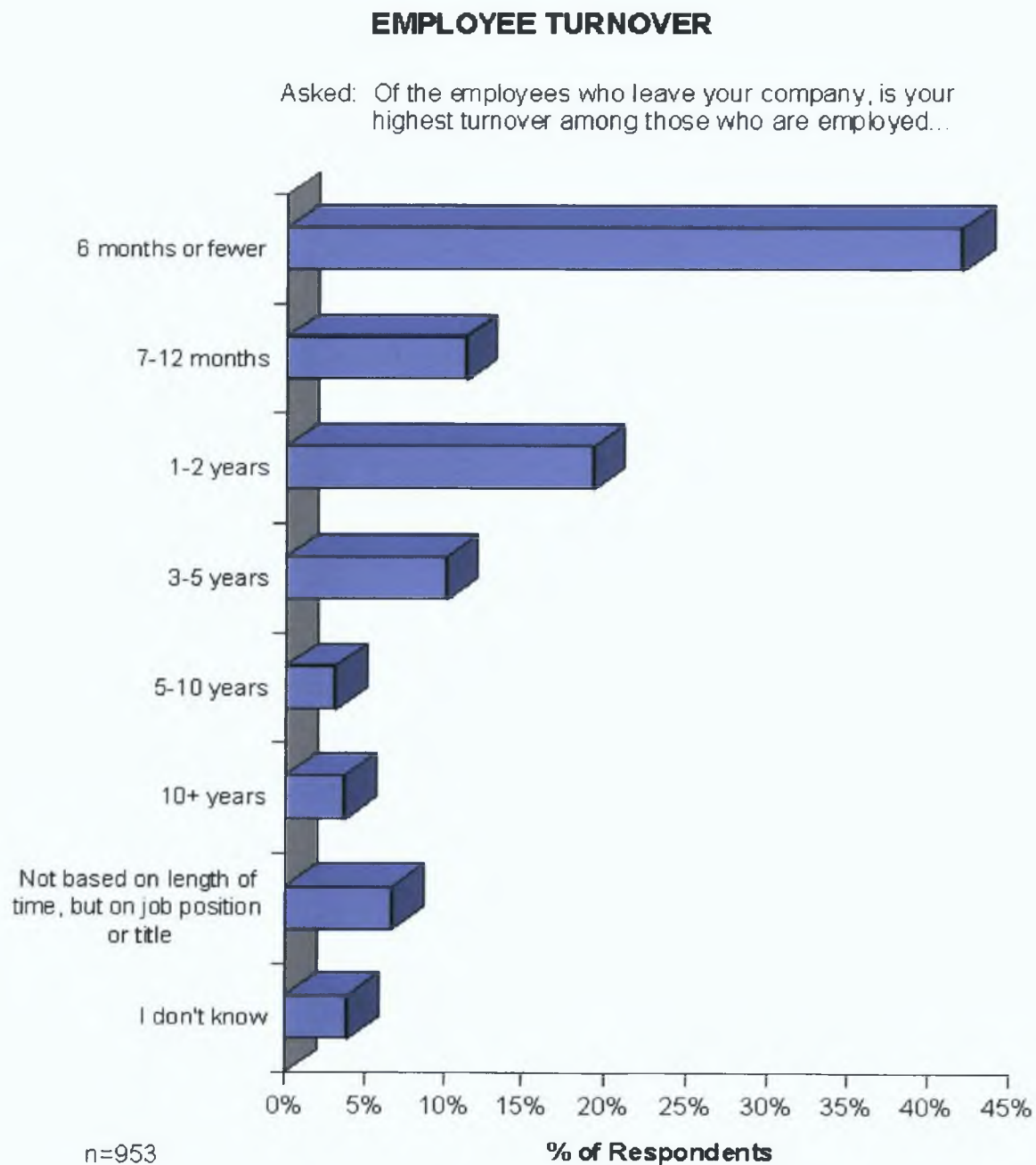
- New employees experience the greatest turnover.

- Respondents indicate employees who have worked with the company for six or fewer months are the ones most likely to leave the company; those with one to two years' experience are the next most likely to leave their positions.

- Transportation and automotive industries face highest turnover among new employees, those with six or fewer month's experience.

- In contrast, business services, banking, finance, consulting and insurance as well as medical, hi-tech or aerospace face the highest rate of turnover among employees with one to two years' experience.

Figure 2.15 Employee turnover



# **EMPLOYEE TURNOVER BY LENGTH EMPLOYED**

**Asked:** Of the employees who leave your company, is your highest turnover among those who are employed... (Staffing, 1999)

**Table 2.6 Employee turnover by length employed**

## EMPLOYEE TURNOVER BY LENGTH EMPLOYED

### By Business or Industry

|                 | <u>Total<br/>n=953</u> | <u>General<br/>Manfctr<br/>n=315</u> | <u>Finance/<br/>Business<br/>n=161</u> | <u>Medical<br/>Hi-tech<br/>n=141</u> | <u>Constr./<br/>Trade<br/>n=83</u> | <u>Transp/<br/>Auto<br/>n=40</u> | <u>Retail<br/>Entert.<br/>n=81</u> |
|-----------------|------------------------|--------------------------------------|--|--------------------------------------|------------------------------------|----------------------------------|------------------------------------|
| 6 mos or fewer  | 42%                    | 44%                                  | 37%                                    | 34%                                  | 51%                                | 60%                              | 47%                                |
| 7- 12 mos       | 11                     | 9                                    | 12                                     | 11                                   | 11                                 | 10                               | 23                                 |
| 1 - 2 years     | 19                     | 18                                   | 24                                     | 24                                   | 18                                 | 8                                | 16                                 |
| 3 - 5 years     | 10                     | 9                                    | 11                                     | 10                                   | 10                                 | 8                                | 4                                  |
| 5 - 10 years    | 3                      | 4                                    | 2                                      | 3                                    | 5                                  | 3                                | -                                  |
| 10+ years       | 4                      | 6                                    | 1                                      | 3                                    | 1                                  | 8                                | 1                                  |
| Don't Know      | 4                      | 4                                    | 6                                      | 4                                    | 2                                  | 5                                | 2                                  |
| Title, not time | 7                      | 7                                    | 7                                      | 11                                   | 2                                  | -                                | 6                                  |

- Almost one-half of respondents take a proactive approach to retaining employees.

- Respondents from companies in general manufacturing, construction or the wholesale trade are the least likely to take steps to encourage new hires to stay.

- To retain new hires, almost 30% of respondents say they offer additional employee benefits at the start of employment.

- Other popular incentives include more training and orientation for the employee at the start of employment.

## ENCOURAGING NEW HIRES TO STAY WITH THE COMPANY

(Staffing, 1999)

**ASKED:** Is your company taking any steps to encourage new hires to stay with the company?

**BASE:** Respondents who have largest percentage of turnover among those employed less than one year.

### By Business or Industry

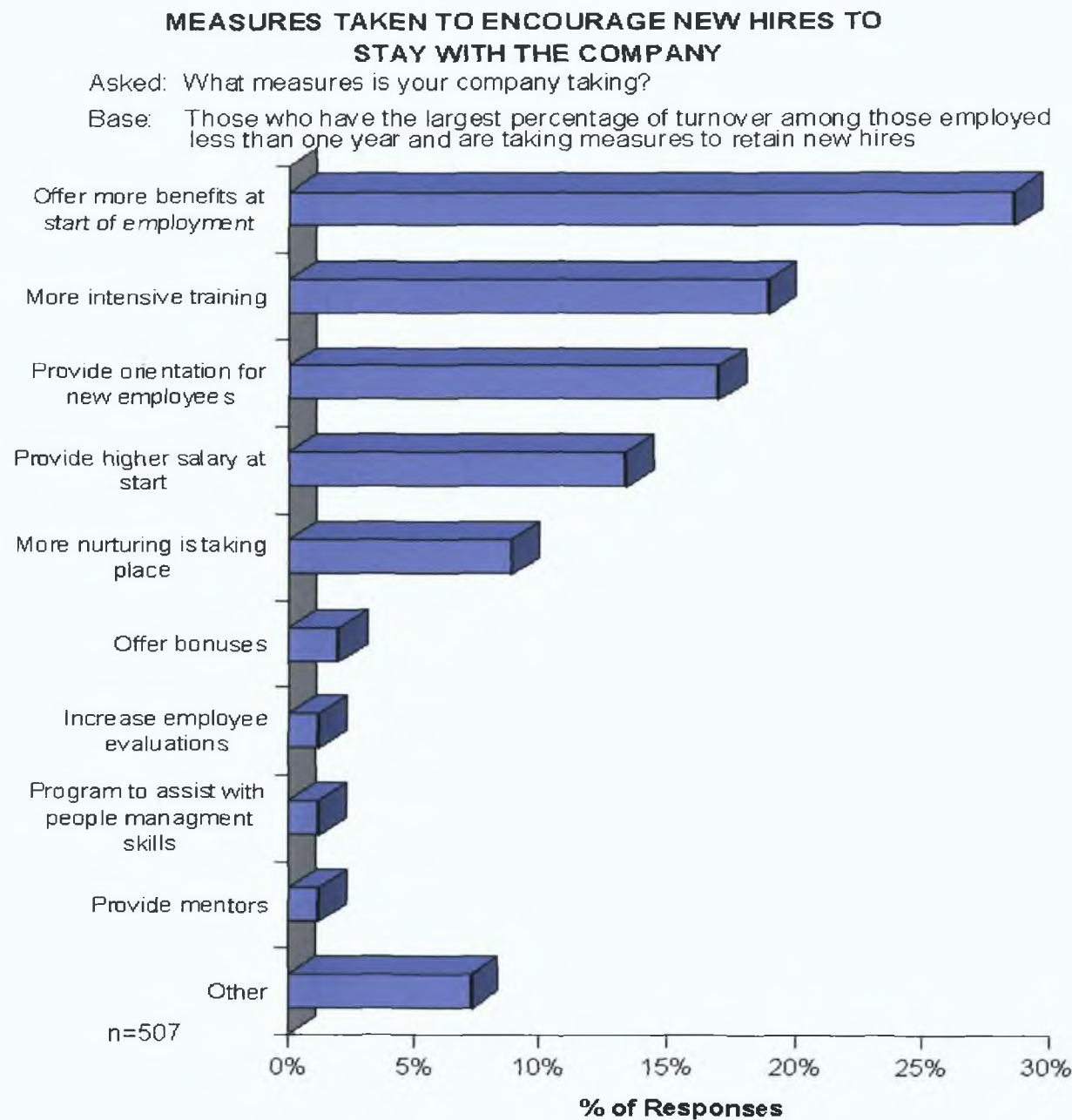
Table 2.7 Encouraging new hires to stay with the company

## ENCOURAGING NEW HIRES TO STAY WITH THE COMPANY

### By Business or Industry

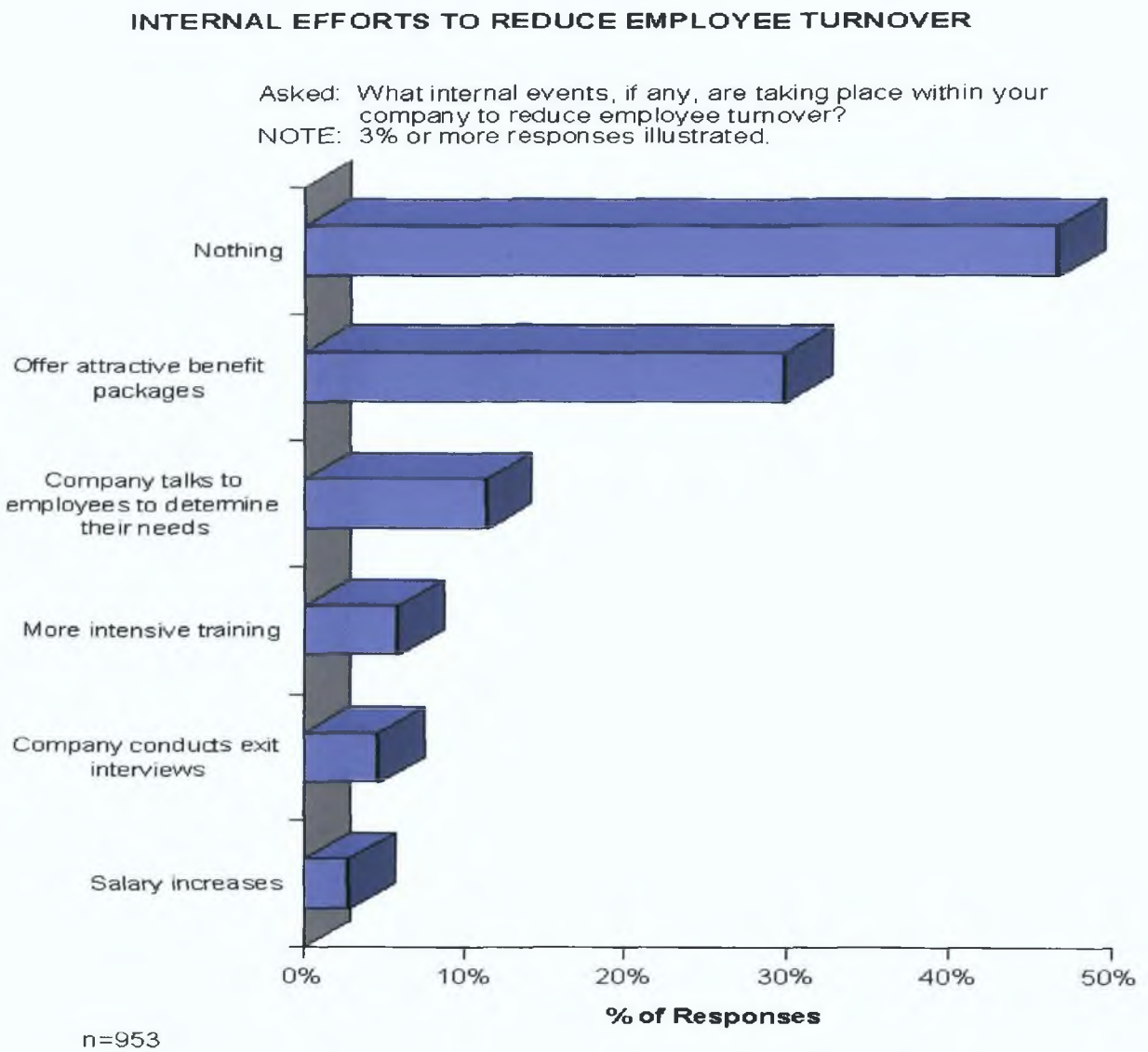
|                                     | <b>Total<br/>n=507</b> | <b>General<br/>Manfctr<br/>n=166</b> | <b>Finance/<br/>Business<br/>n=79</b> | <b>Medical<br/>Hi-tech<br/>n=62</b> | <b>Constr./<br/>Trade<br/>n=51</b> | <b>Transp/<br/>Auto<br/>n=28</b> | <b>Retail<br/>Entert.<br/>n=57</b> |
|-------------------------------------|------------------------|--------------------------------------|---------------------------------------|-------------------------------------|------------------------------------|----------------------------------|------------------------------------|
| <b>Yes, take<br/>measures</b>       | 49%                    | 40%                                  | 62%                                   | 48%                                 | 35%                                | 68%                              | 63%                                |
| <b>No, do not take<br/>measures</b> | 51                     | 60                                   | 38                                    | 52                                  | 65                                 | 32                               | 37                                 |

Figure 2.16 Measures taken to encouraging new hires to stay



- Many respondent companies do not make any effort to reduce employee turnover or find out why employees leave.

**Figure 2.17 Internal efforts to reduce employee turnover**





# INTERNAL EFFORTS TO REDUCE EMPLOYEE TURNOVER

(Staffing, 1999)

**ASKED:** What internal events, if any, are taking place within your company to reduce employee turnover?

NOTE: 3% or more of responses displayed.

## By Business or Industry

Table 2.8 Internal efforts to reduce employee turnover

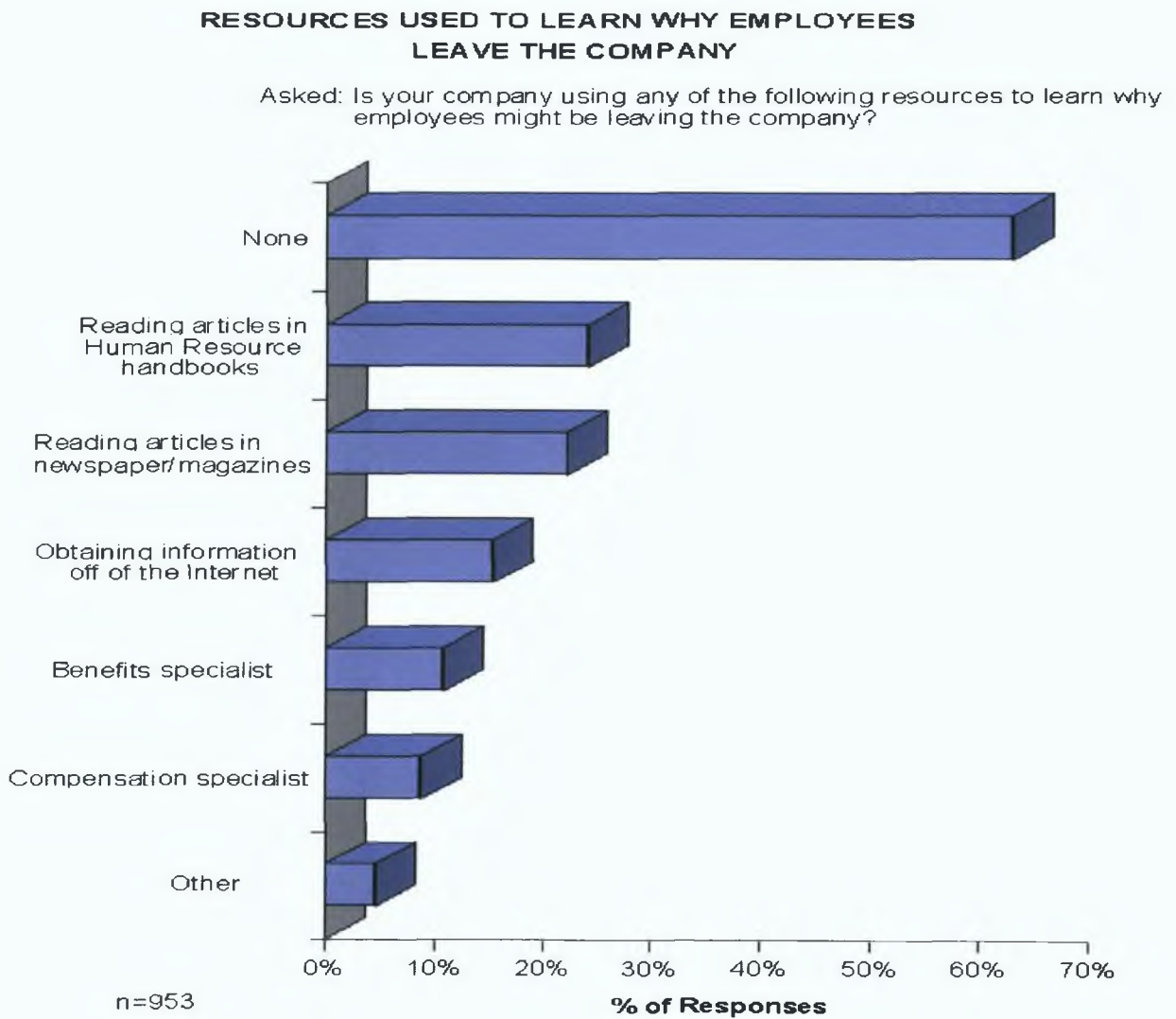
# INTERNAL EFFORTS TO REDUCE EMPLOYEE TURNOVER

|                            | <u>Total<br/>n=953</u> | <u>General<br/>Manfctr<br/>n=315</u> | <u>Finance/<br/>Business<br/>n=161</u> | <u>Medical<br/>Hi-tech<br/>n=141</u> | <u>Constr./<br/>Trade<br/>n=83</u> | <u>Transp/<br/>Auto<br/>n=40</u> | <u>Retail<br/>Entert.<br/>n=81</u> |
|----------------------------|------------------------|--------------------------------------|--|--------------------------------------|------------------------------------|----------------------------------|------------------------------------|
| Nothing                    | 47%                    | 49%                                  | 47%                                    | 40%                                  | 52%                                | 36%                              | 28%                                |
| Offer attractive benefits  | 30                     | 34                                   | 27                                     | 29                                   | 24                                 | 36                               | 33                                 |
| Company talks to employees | 11                     | 8                                    | 12                                     | 13                                   | 12                                 | 23                               | 15                                 |
| More intensive training    | 6                      | 6                                    | 5                                      | 6                                    | 10                                 | 8                                | 7                                  |
| Exit Interviews            | 5                      | 4                                    | 6                                      | 6                                    | 2                                  | 5                                | 5                                  |
| Raise salaries             | 3                      | 1                                    | 3                                      | 4                                    | 2                                  | 3                                | 5                                  |

• Most companies do not rely on any resources to understand why employees leave.

• The majority, 65% appear to be doing little or nothing about the subject.

**Figure 2.18 Resource used to learn why employees leave**

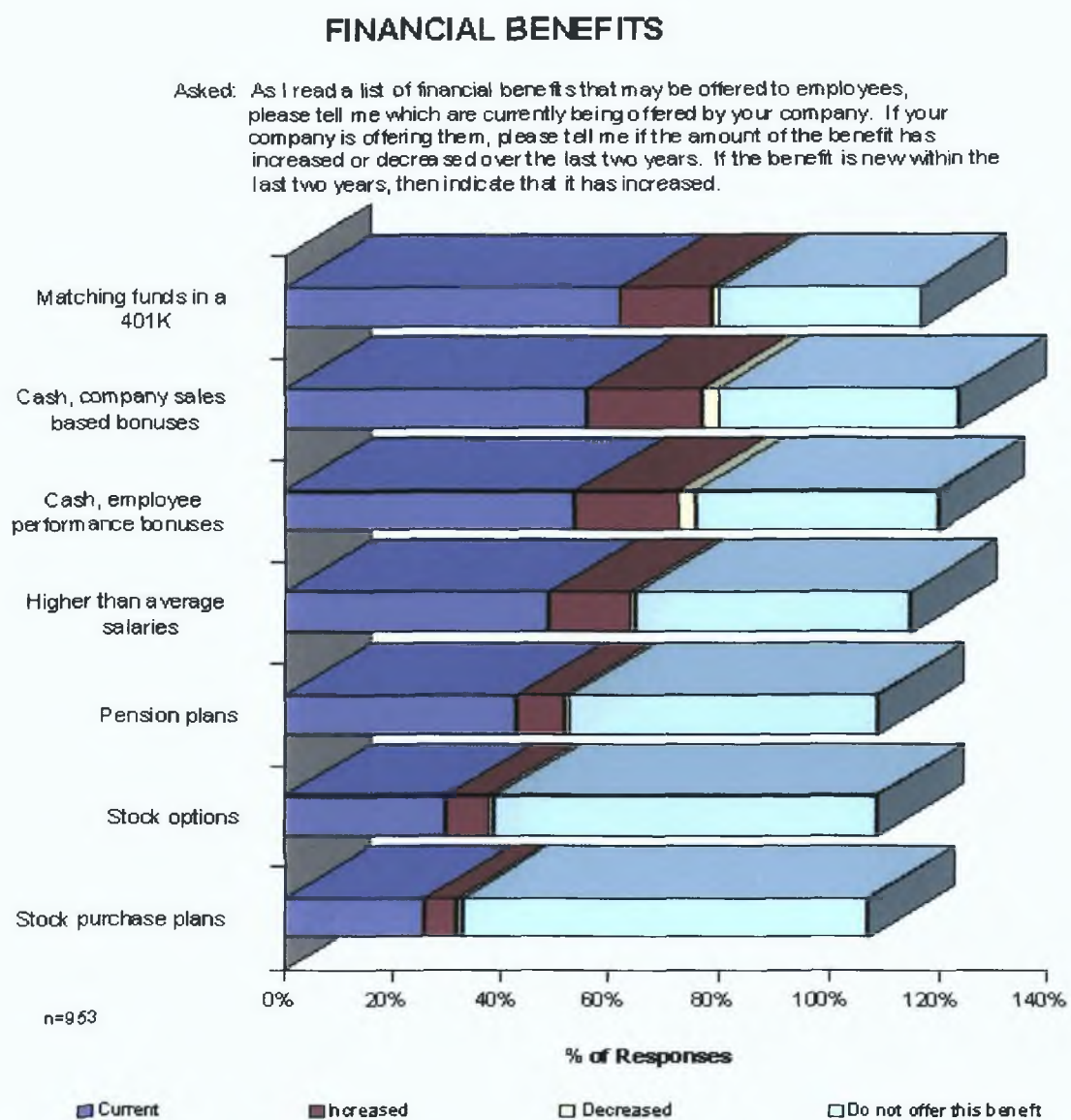


- Matching funds in a Pension Scheme is the most common financial benefit offered to employees.

- Matching funds in a Pension Scheme and cash-based bonuses are the most common financial benefits offered, whereas stock options and purchase plans are offered the least.

- Larger companies offer more financial benefits than smaller companies. Stock options and purchase plans are two benefits in particular that larger companies are more likely to offer.

Figure 2.19 Financial benefits



## FINANCIAL BENEFITS OFFERED TO RETAIN EMPLOYEES

**ASKED:** As I read a list of financial benefits that may be offered to employees, please tell me which are currently being offered by your company. If your company is offering them, please tell me if the amount of the benefit has increased or decreased over the last two years. If the benefit is new within the last two years, then indicate that it has increased.

**Table 2.9 Financial benefits offered to retain employees**

### FINANCIAL BENEFITS OFFERED TO RETAIN EMPLOYEES

#### By Business or Industry

|   | <u>Total<br/>n=953</u> | <u>General<br/>Manfctr<br/>n=315</u> | <u>Finance/<br/>Business<br/>n=161</u> | <u>Medical<br/>Hi-tech<br/>n=141</u> | <u>Constr./<br/>Trade<br/>n=83</u> | <u>Transp/<br/>Auto<br/>n=40</u> | <u>Retail<br/>Entert.<br/>n=81</u> |
|---|------------------------|--------------------------------------|--|--------------------------------------|------------------------------------|----------------------------------|------------------------------------|
| <b>Matching Funds in Pension Scheme</b> |                        |                                      |  |                                      |                                    |                                  |                                    |
| Currently                               | 62%                    | 58%                                  | 66%                                    | 65%                                  | 57%                                | 68%                              | 73%                                |
| Increase                                | 17                     | 17                                   | 14                                     | 22                                   | 15                                 | 18                               | 22                                 |
| <b>Cash, Sales Bonus</b>                |                        |                                      |  |                                      |                                    |                                  |                                    |
| Currently                               | 56                     | 54                                   | 65                                     | 48                                   | 71                                 | 40                               | 56                                 |
| Increase                                | 21                     | 19                                   | 23                                     | 17                                   | 25                                 | 17                               | 25                                 |
| <b>Cash, Performance Bonus</b>          |                        |                                      |  |                                      |                                    |                                  |                                    |

|                             |    |    |    |    |    |    |    |
|-----------------------------|----|----|----|----|----|----|----|
| Currently                   | 54 | 47 | 64 | 60 | 54 | 58 | 53 |
| Increase                    | 19 | 15 | 22 | 18 | 21 | 23 | 27 |
| <i>Higher Salaries</i>      |    |    |    |    |    |    |    |
| Currently                   | 49 | 44 | 56 | 50 | 42 | 40 | 54 |
| Increase                    | 15 | 11 | 15 | 19 | 15 | 5  | 26 |
| <i>Pension Plans</i>        |    |    |    |    |    |    |    |
| Currently                   | 43 | 34 | 48 | 45 | 41 | 40 | 56 |
| Increase                    | 9  | 7  | 7  | 9  | 8  | 8  | 10 |
| <i>Stock Options</i>        |    |    |    |    |    |    |    |
| Currently                   | 30 | 24 | 37 | 38 | 19 | 28 | 47 |
| Increase                    | 8  | 5  | 12 | 9  | 1  | 10 | 19 |
| <i>Stock Purchase Plans</i> |    |    |    |    |    |    |    |
| Currently                   | 26 | 19 | 30 | 36 | 17 | 23 | 38 |
| Increase                    | 6  | 4  | 6  | 7  | 2  | 5  | 17 |

# **ADDITIONAL BENEFITS OFFERED TO RETAIN EMPLOYEES**

ASKED: Please tell me which benefits are currently being offered by your company and if so, if the amount of the benefit has increased or decreased over the last two years.

## **By Business or Industry**

**Table 2.10 Additional benefits offered to retain employees**

|                                       | Total<br>n=953<br>===== | General<br>Manfctr<br>n=315<br>===== | Finance<br>Business<br>n=161<br>===== | Medical<br>Hi-tech<br>n=141<br>===== | Constr.<br>Trade<br>n=83<br>===== | Transp<br>Auto<br>n=40<br>===== | Retail<br>Entert.<br>n=81<br>===== |
|---------------------------------------|-------------------------|--------------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|---------------------------------|------------------------------------|
| <b>Paid Vacation</b>                  |                         |                                      |                                       |                                      |                                   |                                 |                                    |
| <b>Currently</b>                      | 96%                     | 96%                                  | 94%                                   | 98%                                  | 95%                               | 95%                             | 98%                                |
| <b>Increase</b>                       | 10                      | 8                                    | 6                                     | 16                                   | 8                                 | 8                               | 14                                 |
| <b>Paid Employee Health Insurance</b> |                         |                                      |                                       |                                      |                                   |                                 |                                    |
| <b>Currently</b>                      | 77                      | 78                                   | 70                                    | 85                                   | 70                                | 78                              | 79                                 |
| <b>Increase</b>                       | 18                      | 18                                   | 14                                    | 19                                   | 23                                | 15                              | 24                                 |
| <b>Paid Personal Time Off</b>         |                         |                                      |                                       |                                      |                                   |                                 |                                    |
| <b>Currently</b>                      | 71                      | 67                                   | 77                                    | 82                                   | 68                                | 45                              | 73                                 |

|   |           |           |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Increase</b>                                 | <b>7</b>  | <b>6</b>  | <b>6</b>  | <b>16</b> | <b>2</b>  | <b>-</b>  | <b>9</b>  |
| <b>Paid Education</b>                           |           |           |           |           |           |           |           |
| <b>Currently</b>                                | <b>63</b> | <b>63</b> | <b>71</b> | <b>74</b> | <b>51</b> | <b>40</b> | <b>56</b> |
| <b>Increase</b>                                 | <b>9</b>  | <b>10</b> | <b>9</b>  | <b>14</b> | <b>5</b>  | <b>8</b>  | <b>6</b>  |
| <b>Paid Health Insurance for Family</b>         |           |           |           |           |           |           |           |
| <b>Currently</b>                                | <b>60</b> | <b>59</b> | <b>57</b> | <b>66</b> | <b>55</b> | <b>55</b> | <b>69</b> |
| <b>Increase</b>                                 | <b>14</b> | <b>13</b> | <b>9</b>  | <b>13</b> | <b>21</b> | <b>10</b> | <b>22</b> |
| <b>Subsidized Health Insurance for Family</b>   |           |           |           |           |           |           |           |
| <b>Currently</b>                                | <b>51</b> | <b>47</b> | <b>60</b> | <b>45</b> | <b>48</b> | <b>48</b> | <b>72</b> |
| <b>Increase</b>                                 | <b>8</b>  | <b>7</b>  | <b>9</b>  | <b>9</b>  | <b>1</b>  | <b>5</b>  | <b>15</b> |
| <b>Subsidized Health Insurance for Employee</b> |           |           |           |           |           |           |           |
| <b>Currently</b>                                | <b>49</b> | <b>42</b> | <b>61</b> | <b>42</b> | <b>53</b> | <b>50</b> | <b>70</b> |
| <b>Increase</b>                                 | <b>9</b>  | <b>6</b>  | <b>9</b>  | <b>10</b> | <b>7</b>  | <b>5</b>  | <b>19</b> |
| <b>Lunch Provided by Company</b>                |           |           |           |           |           |           |           |
| <b>Currently</b>                                | <b>34</b> | <b>36</b> | <b>32</b> | <b>38</b> | <b>35</b> | <b>25</b> | <b>31</b> |
| <b>Increase</b>                                 | <b>5</b>  | <b>4</b>  | <b>7</b>  | <b>6</b>  | <b>4</b>  | <b>-</b>  | <b>1</b>  |



| Child care          |    |   |    |    |    |    |    |
|---------------------|----|---|----|----|----|----|----|
| Currently           | 12 | 7 | 16 | 15 | 11 | 10 | 21 |
| Increase            | 1  | - | 1  | 1  | 4  | -  | 4  |
| Elderly/Family Care |    |   |    |    |    |    |    |
| Currently           | 10 | 7 | 11 | 12 | 11 | 8  | 16 |
| Increase            | 1  | - | 1  | 1  | 1  | -  | 1  |

- Most respondents indicate their companies allow a casual dress code and provide a fun work environment.

- A casual dress code is permitted by most respondent companies.

- Respondents identify few additional benefits offered by their companies.

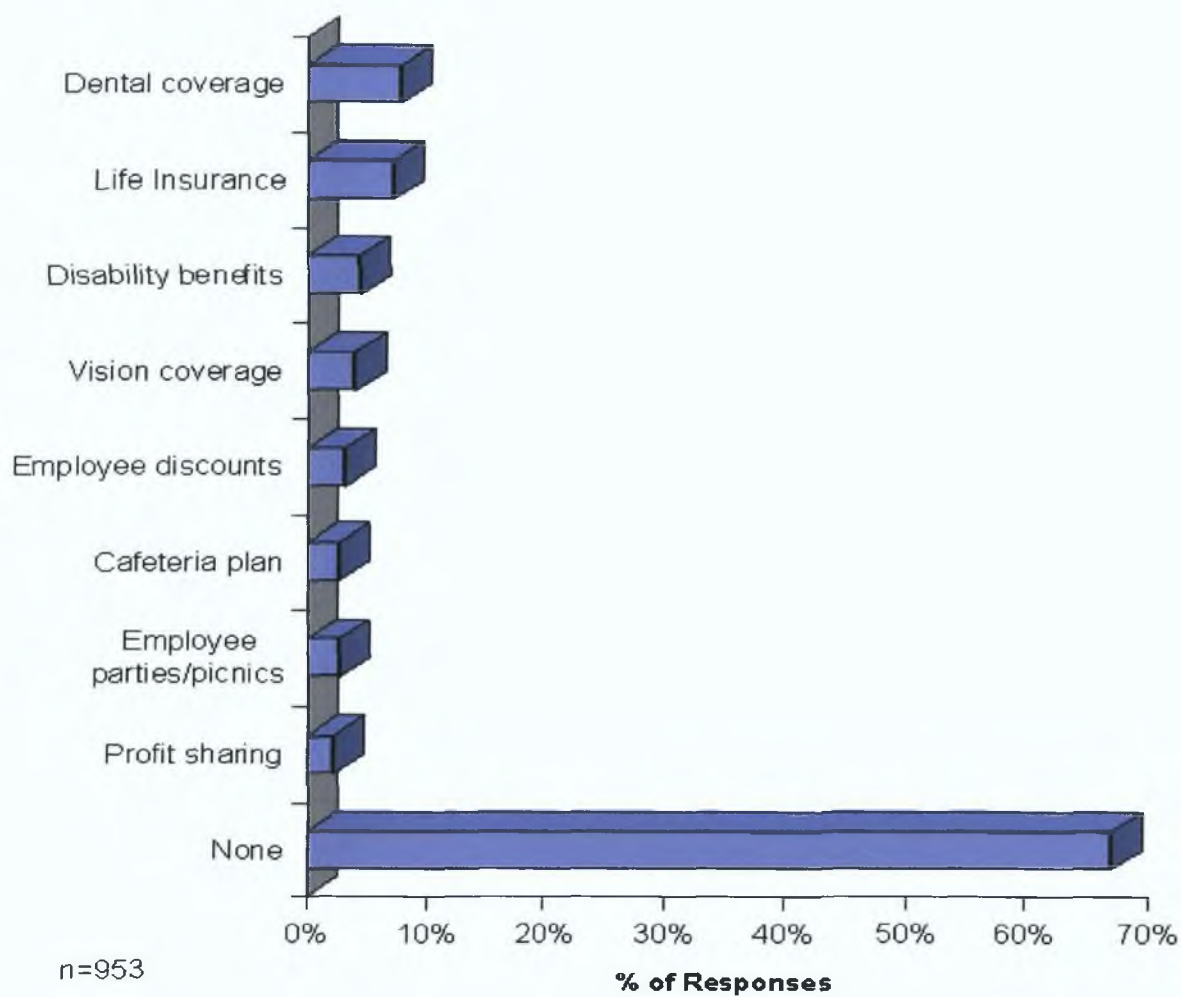
- Additional benefits available primarily focus on health and insurance coverage.

**Figure 2.20 Other benefits offered to employees**

**OTHER BENEFITS OFFERED TO EMPLOYEES**

Asked: Are there any additional benefits being offered by your company to attract and keep good employees that I have not mentioned?

NOTE: 2% or more responses illustrated.



## WORK ENVIRONMENT BENEFITS OFFERED TO RETAIN EMPLOYEES

**ASKED:** As I read a list of benefits associated with the work environment, please tell me which are currently being offered by your company. If your company is offering them, please tell me if the amount of the benefit has increased or decreased over the last two years. If the benefit is new within the last two years, then indicate that it has increased.

### By County

**Table 2.11 Work environment benefits offered to retain employees**

|                          | Total      | Los Angeles<br>n=276 | Orange<br>n=204 | San Diego<br>n=141 | River-Side<br>n=100 | San Bernardino<br>n=103 | Kern<br>n=70 |
|--------------------------|------------|----------------------|-----------------|--------------------|---------------------|-------------------------|--------------|
| <b>Casual Dress Code</b> |            |                      |                 |                    |                     |                         |              |
| <b>Currently</b>         | <b>84%</b> | <b>87%</b>           | <b>86%</b>      | <b>84%</b>         | <b>84%</b>          | <b>80%</b>              | <b>74%</b>   |

|                      |    |    |    |    |    |    |    |
|----------------------|----|----|----|----|----|----|----|
| Increase             | 12 | 12 | 15 | 9  | 5  | 8  | 21 |
| Fun work environment |    |    |    |    |    |    |    |
| Currently            | 81 | 81 | 83 | 83 | 84 | 75 | 76 |
| Increase             | 20 | 17 | 26 | 15 | 18 | 16 | 34 |
| Flexible Work Hours  |    |    |    |    |    |    |    |
| Currently            | 65 | 63 | 72 | 73 | 63 | 56 | 49 |
| Increase             | 16 | 15 | 20 | 14 | 13 | 13 | 21 |
| Employee Work Teams  |    |    |    |    |    |    |    |
| Currently            | 62 | 59 | 62 | 63 | 66 | 63 | 67 |
| Increase             | 17 | 16 | 24 | 12 | 8  | 22 | 26 |

## **Burger king; A CASE STUDY**

The hotel and catering sector, including the fast-food industry, is notorious for its high levels of staff turnover. Even the early recession of the early 1990s, research by the industry lead body found that turnover was running at an annual average rate of 27%. With the economic upturn, very high levels of turnover have returned to the industry.

As a major fast-food retailer, Burger King has had its share of problem in recruiting and retaining its staff and managers. In November 1997, with turnover among its branch management teams running at 39%, Burger King decided that it was time to take some action to improve retention rates. The difficulties experienced in keeping managers where putting pressure on the employees who remained, reducing morale, lowering productivity and threatening standards of customer service. "It was clear that the situation was not getting any better, and we needed to do something about it".

### **Identifying the problem**

The human resource team already had an idea of where the problem lay, but needed to confirm it through research among managers who were remaining with the organization

and, where possible, with those who had already left. In addition the team needed to show that reducing high levels of turnover would have a positive impact on the restaurants' profitability.

To analyze the problems, focus group composed of eight managers at different levels in the restaurant business were assembled, on a regional basis. The aim was to get answers to six basic questions:

- Why managers stay
- Why they leave
- Why people do not join the company
- Why people join
- How Burger King can retain its managers and
- How it can recruit managers

Georgina Day, Burger King's human resource officer, ran these groups herself, and was pleased with the frank responses that she received. "They were very honest. There were no real surprises in the answer we got, but they did provide the evidence to back up what we thought we already knew". She comments.

Research among the managers who had left the company proved more difficult. Burger King's area managers conduct exit

interviews with departing managers using a fixed set of questions, but the results tend to be disappointing because the managers give the most diplomatic or easy answer to the questions.

Underlying problems to do with management style or thwarted development opportunities, for example, may not be mentioned for fear of offending the "boss". It is necessary, therefore, to supplement the exit interviews with a follow-up from the human resource department.

Every two months, a human resource team telephones all the managers who have left the company in the previous two months. These interviews tend to get more useful results, but they succeeded in reaching only around 20% of the departed managers because many have moved from their previous addresses and some were unwilling to respond.

A further strand to the Burger King research looked more closely at those restaurants where the management teams have been stable. It compared the bottom-line results from these restaurants with those suffering higher levels of turnover to prove that improving retention would have measurable business benefits. The human resource team also

tried to analyze the factors that have led to better retention rates in these restaurants.

### **Devising retention strategies**

Analysis of the responses from the focus groups, exit interviews and follow-ups confirmed that the **three** main reasons:

**Why managers leave their jobs?**

**Pay, training and the way they are treated.**

It is these factors that Burger King wants to tackle through the comprehensive retention strategy. It is looking at ways to deal with these problems through a **four-pronged** approach: **dealing with pay benefits; training and development; organizational culture; and reward and recognition.**

**1) Pay and benefits;** Burger King acknowledge that pay is a short-term motivator but it believes that making salaries more competitive will aid the recruitment of new trainers and experienced managers and might deter some managers from leaving the company.

Burger King has a comprehensive benefits package for its managers, but it become clear through the research that not all the managers were fully aware of its contents. The



company has, therefore, issued all its managers with a letter from the director of operations detailing the benefits to which they are entitled a move that has received a positive response for little expenditure.

**2) Training and development;** The plans for improvements to training and development have two main elements Burger King feels that the exiting restaurant management development programme, which is used to train new and existing managers in the skills they need to run a restaurant, needs updating and improving in line with business needs.

The company's UK management committee has committed resources to developing this programme, and it was relaunched in January 1999. This programme is modular and each manager will receive a lump sum payment on completion of each module in recognition of the achievement.

In addition, Burger King believes that offering broader development opportunities will help to motivate managers to stay with the business. These will be developed as one of the outcomes of Burger King 's new competency-based system of performance management.

Management competencies were developed from models used by the organization in both the United States and Europe, and were first introduced into the recruitment process in October 1997.

The company was keen to introduce competencies into the performance management process as soon as possible so, rather than delaying their introduction while managers received comprehensive training, the area managers and restaurant managers attended a two-hour workshop to be given a basic understanding of the new system, behaviors and development actions. This, together with their previous experience and training in conducting appraisals, allowed area managers to be able to conduct the competency reviews with their restaurants in March 1998.

Having been through the process and gained a working insight into it, the managers will be offered more training in how to use the competency framework when they complete the process next time.

The feedback from the competency reviews has been very positive, and the collated results are being analyzed by

the human resources team to produce the detailed training plan that focus on the identified development needs.

The plan is not yet finalized, but it is likely that Burger King will need to devise new courses and training materials to address these needs. As part of its commitment to training, the company has recently expanded and re-launched "BK College" A training center based in London that is used for training by all Burger King outlets, including franchises.

A study in the US showed that only 16% of the populace engaged in a mentoring program tried for a fresh job inside a year and that 40% of employees would disappear if companies did not have a helpful training program.

**(Deloitte & Touche, 2002)**

**3) Organizational culture;** The third part of Burger King's retention strategy looked at the culture within the restaurants. Some of the research has suggested that staff, particularly assistant managers, find the management style can be autocratic. It is currently looking at ways to encourage more open and participative management, perhaps by offering area managers and restaurant managers more training in effective management styles.

**4) Reward and recognition;** The final part of the strategy addresses one of the main issues to come out of the focus groups and exit interviews-that managers needed to feel valued by the company, with public recognition of their day-to-day contribution.

Incentive schemes already operate in the restaurants through the two-year "BKGold" programme. This uses the findings of "mystery shoppers" to rank each restaurant in one of 40 league tables. Strong performance within each league is rewarded with CDs, vouchers and sports gear that are distributed among the restaurant staff.

Restaurant managers in the best performing stores at the end of each year of the incentive programme will be rewarded with trips to Miami, USA, in the first year and Sydney, Australia, at the end of second year.

The BK gold incentive programme looks at medium and long-term performance, but the focus group research found that managers want to have their good work valued on a day-to-day basis.

The company now is considering a new scheme that will immediately recognize and reward excellent individual performance.

Such a programme could work by using a points system, where credits are awarded for outstanding performance such as receiving a customer compliment, or exceeding the day's sales target- and these can be accumulated and exchanged for products in a catalogue, perhaps.

It is possible that such an incentive and recognition scheme could top up salaries by the equivalent of £600 a year. But the purpose of the programme is as much to make managers feel valued as to improve productivity.

The proposed new scheme would also have the advantage of providing recognition for assistant managers- a group where turnover is high and that is not adequately covered the exiting BK gold programme.

#### *Targets for improvement;*

Some of these measures are still under discussion within Burger King, but Georgina Day is hopeful that they will be implemented in stages over the next year. Her aim is to reduce turnover in the branch management teams by 10 percentage points in the next 12 to 18 months.

The measure proposal will cost money, but Georgina Day concludes that the investment in reducing turnover will bring hot bottom line benefits. "To deliver Burger King's mission statement to be the best hamburger restaurant business in the world needs high calibre people "she says, "and they cost money.

It's that simple. In the business we need to treat them as though we do want them let's reward them, let's recognize them, let's train them, let's develop them, let's value our people." (**Employee Development Buletin, 1998**)

### **Novo Nordisk    Pharmaceuticals    A CASE STUDY**

The UK affiliate of large Danish pharmaceutical company, Novo Nordisk Pharmaceuticals is the market leader in diabetes care. In the UK it is mainly engaged in sales and marketing, but also conducts and analyzes data from clinical research trails.

The company employs 100 permanent staff, of whom the vast majority are "knowledge" workers- those whose knowledge and experience directly contribute to the profitability of the company.

Retention for such a group is a key issue, not only because skills shortages and intense competition within the

pharmaceuticals industry make such individuals difficult to replace, but because when they leave they take part of the organization's knowledge base with them.

Since it was established in July 1997, Novo Nordisk Pharmaceuticals Human Resource Department, under the leadership of its director Vanessa Mallet, has been addressing the issue of staff retention in areas of the organization.

Mallet has been much influenced by the work of Stephen Bean at the Institute for Employment Studies has worked to identify the intrinsic and extrinsic (or "push" and "pull") factors that cause staff to leave the organization.

### **Extrinsic factors**

**Pay and benefits:** A benchmarking exercise convinced Novo Nordisk Pharmaceuticals to increase its pay bill by 12% to bring the salaries towards the upper quartile for the industry. Benefits have been enhanced too-better cars and improved maternity pay, for example however, it is a relatively small company and it can not pay the bonuses and share options that is offered by the pharmaceutical giants. This means that the intrinsic factors influencing labour turnover assume even greater importance.

### **Intrinsic factors**

The extrinsic factors, mainly to do with pay and benefits, are those that entice employees away to another job. However, Vanessa Mallet sees more scope for dealing with the intrinsic factors in labour turnover, which she describes as those which "drive the sales rep to scan the job pages of the Thursday telegraph, or encourage the data coordinator to take the head-hunter's call seriously".

The company has taken a very broad approach, receiving all its policies and practices so that it can tackle the retention problem on several levels at once, examine some of the work that has been done, before showing how these general approaches have been tailored to particular group in the workplace.

**Communications and employee involvement:** More openness and better communications were felt to be a key way of making Novo Nordisk Pharmaceuticals a better place to work. Several initiatives have been taken in this area including the establishment of staff committees to provide a channel for upward communication on both day-to-day problems and strategic issues. Focus groups and a human resources project group were formed to sound out staff on plans for



the future, including appraisals and personal development plans. Information and communication technology (such as e-mail and an intranet) have been harnessed to disseminate quickly and effectively. Information about the business is now more openly available to staff, with Novo Nordisk Pharmaceuticals board agendas and minutes published whenever possible, together with regular newsletters. All these activities are aimed at removing barriers to effective performance, and ensuring that all staff understand the aims and direction of the business and feel like an important of it.

**Cross-functional working:** It is one of the Novo Nordisk Pharmaceuticals fundamental that every manager should actively support cross-unit working relationships. The UK Company has been developing this method of working as a way of broadening roles and increasing job satisfaction, particularly for sales staff.

**Career development:** A new appraisal system and framework for planning personal development has been developed. The appraisal system is competency based so that staff understands what is required of them and how they can achieve their targets. All employees are encouraged to take

responsibility for their career development, but the HR department is trying to ensure that the company's structures provide the necessary opportunities for staff to develop their skills and gain wider experience through training or work.

**Flexibility:** The Company is gradually moving towards a more flexible way of operating, both in terms of working time and company structure. Part-time working is common and more staff is being employed on fixed-term contracts. The company has some staff defining their own hours, and some people work term time only. It is now considering making working hours more flexible for all staff.

**Succession planning:** Appraisals, personal development plans and discussion with directors are used to identify the key roles in the organization, the key people (who are not necessarily in these positions) and the young talent. Resources are diverted, if necessary, to ensure that these important players are retained, and there is a particular emphasis on their career development-through international assignments or more management experience, perhaps- so that they can grow into the key roles in the business.

**(Employee development Bulten, 1998)**

## **2.4 International and national labour markets**

### **2.4.1 International review**

An article by Sandrine Cazes and Alena Nesporova notes the disappearance of the life-long employment system following the economic reforms carried out in the late 1980s and early 1990s in nine transition countries (Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Russian Federation, Slovenia and Ukraine).

Analyzing both cross-country and time series data for the 1990s, the authors conclude that labour turnover trends follow a counter-cyclical pattern in transition countries, which is the opposite of the pattern observed in advanced industrialized countries. At the same time , job stability as measured by job tenure- i.e. the length of time that currently employed individuals have spent with their present employer- follows a pro-cyclical pattern in transition countries, which is again the opposite of what happens in the advanced industrial countries.

The job-tenure profiles of different categories of workers in the transition countries reveal both similarities and

contrasts with those observed in the industrialized countries. The longer job tenures of women compared to those of men in the transition countries do not necessarily indicate a better labour market position for women workers. Indeed, according to the authors, this is explained by women's stronger attachment to their jobs because of their fear of re-employment difficulties and because of their concentration in low-paid, though more secure, public-sector jobs.

<http://www.ilo.org/public/english/support/publ/revue/index.htm>

#### **2.4.2 International comparison of unemployment rates: how comparable are they?**

Comparative unemployment rates are used frequently in international analyzes of labour markets and are cited often in the press. In the United States, the comparative levels are considered to be an important measure of U.S. economic performance relative to that of other developed countries. Comparative unemployment rates also provide a springboard for investigating the economic, institutional,

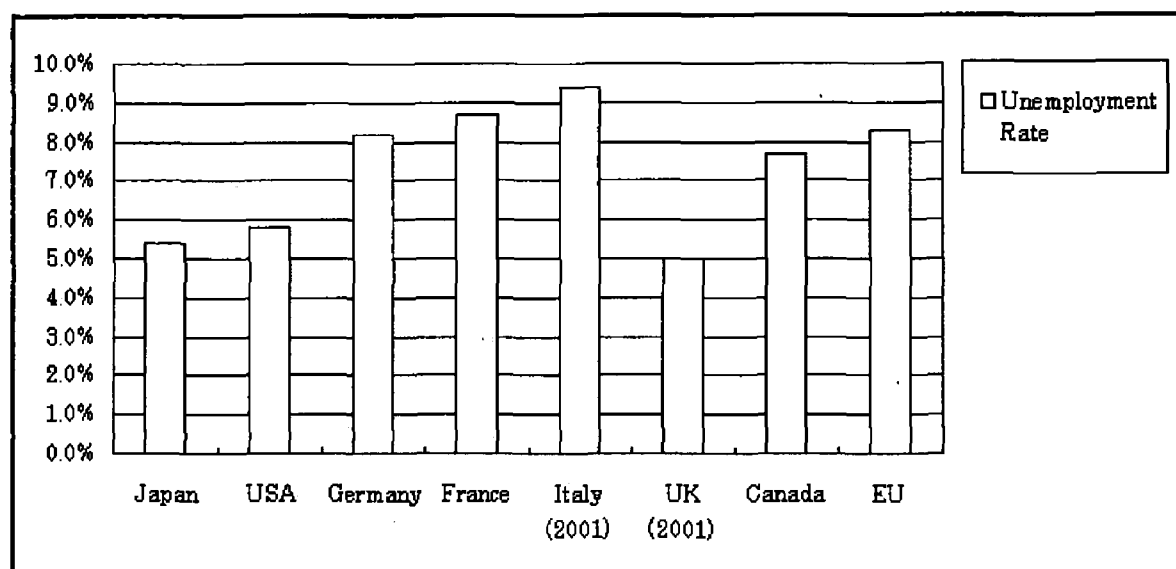
and social factors that influence cross-country differences in joblessness.

The Bureau of Labour Statistics (BLS) has adjusted foreign unemployment rates to U.S. concepts since the early 1960s. Three other organizations-the Organization for Economic Cooperation and Development (OECD), the International Labour Office (ILO), and the Statistical Office of the European Communities (Eurostat)-also adjust national data on unemployment to a common conceptual basis. The resulting "standardized" or "harmonized" rates are intended to provide a better basis for international comparison than the national figures on unemployment offer.

**Table 2.12 Comparison of unemployment rates 2002**

|          | <b>Country</b>      | <b>Unemployment rates %</b> |
|----------|---------------------|-----------------------------|
| <b>1</b> | <b>Japan</b>        | <b>5.4</b>                  |
| <b>2</b> | <b>USA</b>          | <b>5.8</b>                  |
| <b>3</b> | <b>Germany</b>      | <b>8.2</b>                  |
| <b>4</b> | <b>France</b>       | <b>8.7</b>                  |
| <b>5</b> | <b>Italy (2001)</b> | <b>9.4</b>                  |
| <b>6</b> | <b>UK (2001)</b>    | <b>5.0</b>                  |
| <b>7</b> | <b>Canada</b>       | <b>7.7</b>                  |
| <b>8</b> | <b>EU</b>           | <b>8.3</b>                  |

**Figure 2.21 Comparison of unemployment rates 2002**



**Notes:**

These unemployment rates are based on the ILO/OECD Guidelines.

The unemployed are defined as persons of working age who are without work, available for work and actively seeking employment: unemployment is expressed as a percentage of total labor force including all members of the armed forces.

EU: only countries shown - Germany, France, Italy, United Kingdom, Belgium, Finland, Netherlands, Portugal, Spain and Sweden - are included in the area total.

**Source:OECD (2003)**

**Unemployment rates in industrial countries:**

**Table 2.13 Unemployment rates in industrial countries in 1998**

|           | <b>Industrial Countries</b> | <b>1998</b> |
|-----------|-----------------------------|-------------|
| <b>1</b>  | Australia                   | <b>8.4</b>  |
| <b>2</b>  | Austria                     | <b>4</b>    |
| <b>3</b>  | Belgium                     | <b>8.9</b>  |
| <b>4</b>  | Canada                      | <b>8.6</b>  |
| <b>5</b>  | Denmark                     | <b>7</b>    |
| <b>6</b>  | Finland                     | <b>13.6</b> |
| <b>7</b>  | France                      | <b>12</b>   |
| <b>8</b>  | Germany                     | <b>10.7</b> |
| <b>9</b>  | Iceland                     | <b>3.4</b>  |
| <b>10</b> | Ireland                     | <b>9.3</b>  |
| <b>11</b> | Italy                       | <b>12</b>   |
| <b>12</b> | Japan                       | <b>4</b>    |
| <b>13</b> | Luxembourg                  | <b>3.4</b>  |
| <b>14</b> | Netherlands                 | <b>4.6</b>  |
| <b>15</b> | New Zealand                 | <b>7.5</b>  |
| <b>16</b> | Norway                      | <b>2.6</b>  |
| <b>17</b> | Portugal                    | <b>6.5</b>  |
| <b>18</b> | Spain                       | <b>18.9</b> |
| <b>19</b> | Sweden                      | <b>6.7</b>  |
| <b>20</b> | Switzerland                 | <b>4.2</b>  |
| <b>21</b> | United kingdom              | <b>6.2</b>  |
| <b>22</b> | United States               | <b>4.7</b>  |



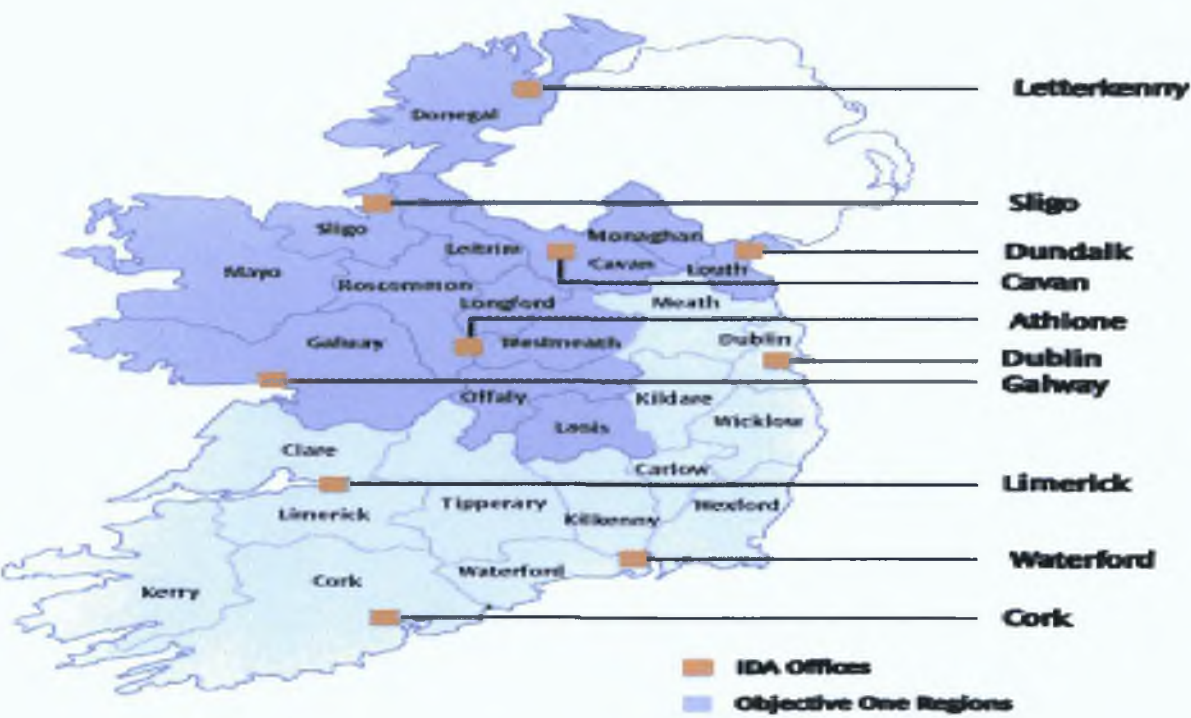
2.4.3 Irish environment

IDA Ireland

IDA Ireland has nine offices outside Dublin, strategically located across the regions, six being in Objective One regions.

A significant increase in IDA staff resources will be located in the Regions over the next year, following the relocation by IDA of strategic elements of its business to Athlone and Sligo, in Objective One regions, and to Waterford.

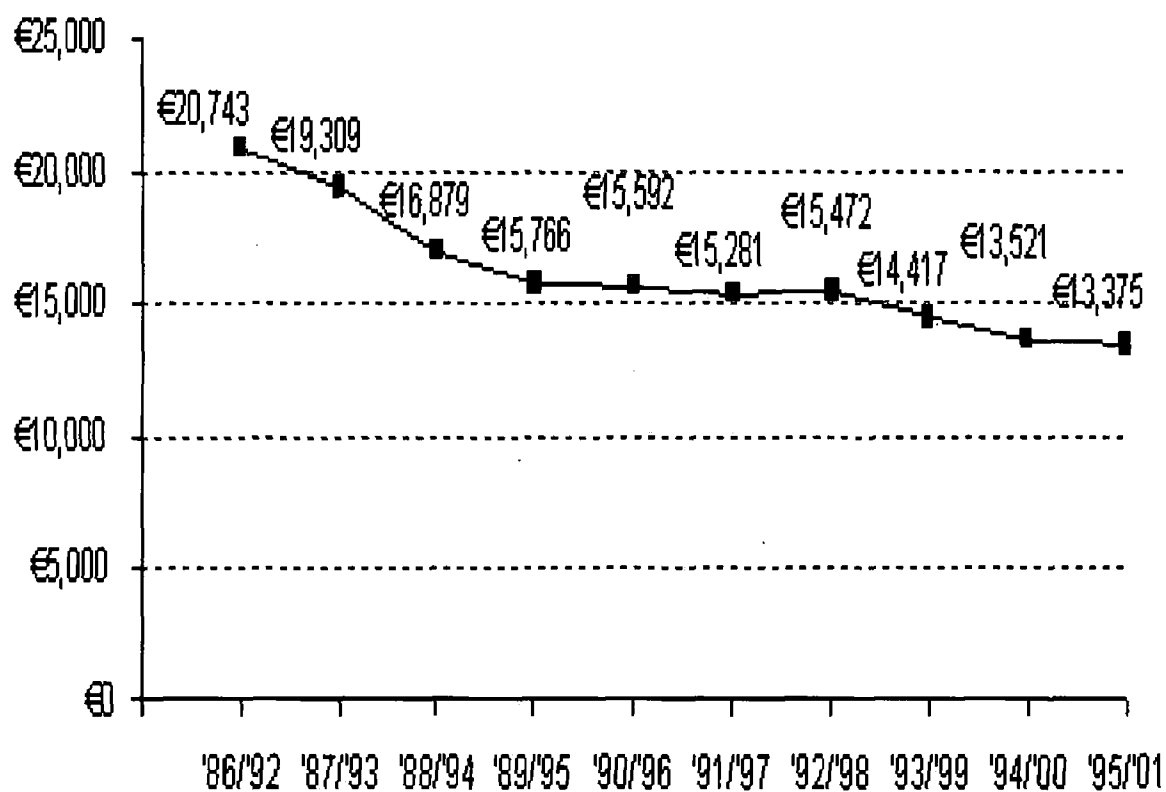
Figure 2.22 IDA offices in Ireland



*New Greenfield jobs negotiated for Objective One regions as % of total Greenfield jobs negotiated*

Cost per job sustained

Figure 2.23 Cost per job



Constant 2001 prices

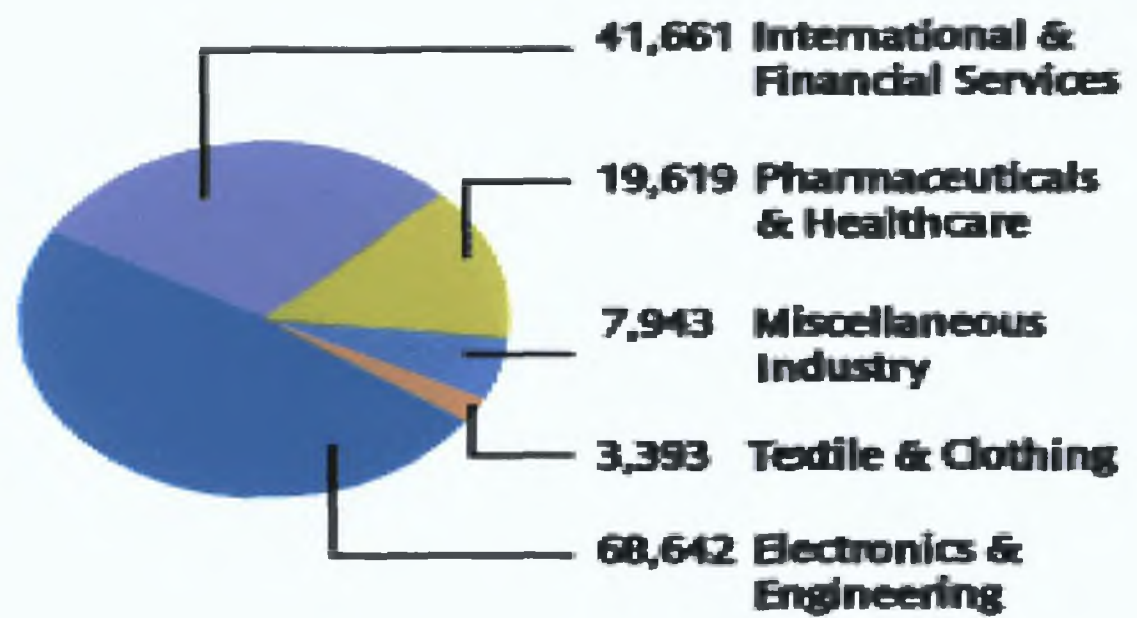
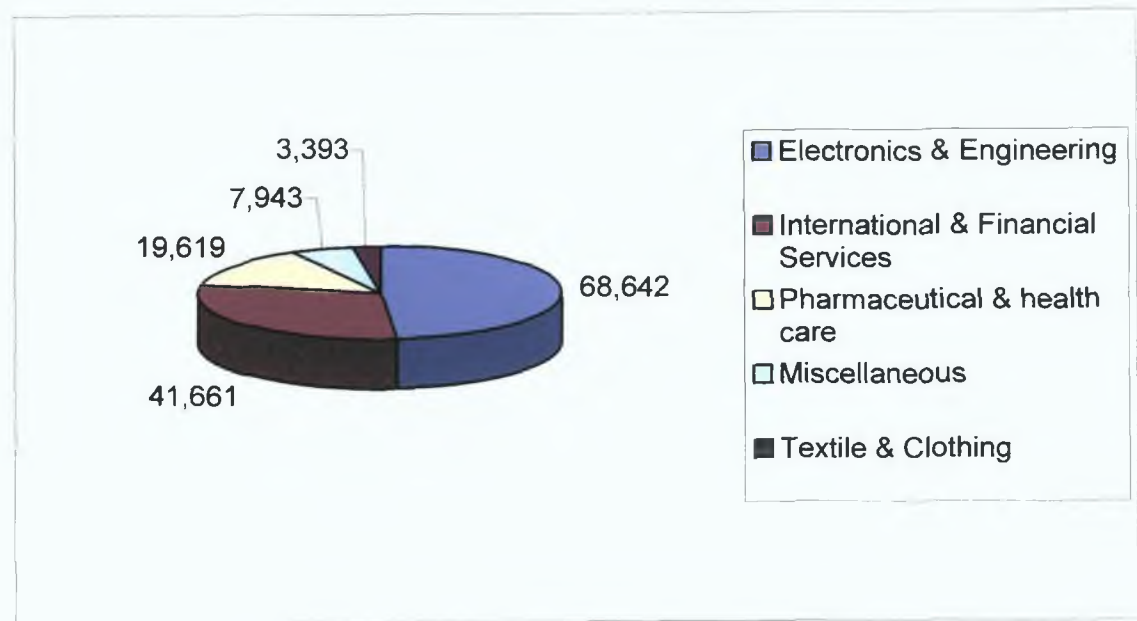
Source: Forfas Employment Survey 2001

Note: The cost per job sustained is calculated by taking into account all IDA Ireland expenditure to all firms, in the period of calculation. Only jobs created during, and sustained to the end of each seven year period are credited in the calculations.

#### **Total employment by sector**

141,258 people are employed in IDA supported companies. In addition to continuing to develop the sectors that best match Ireland's competitive capabilities, IDA is focusing significant resources on establishing Ireland as key e-business platform in Europe.

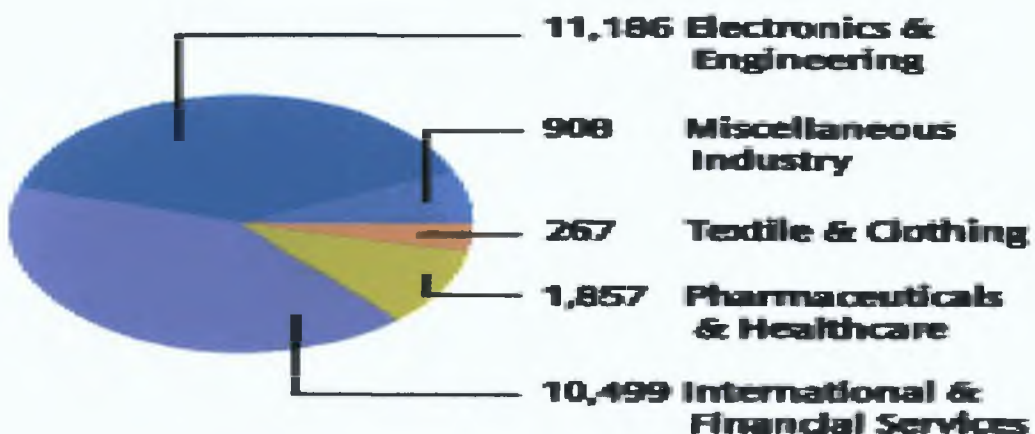
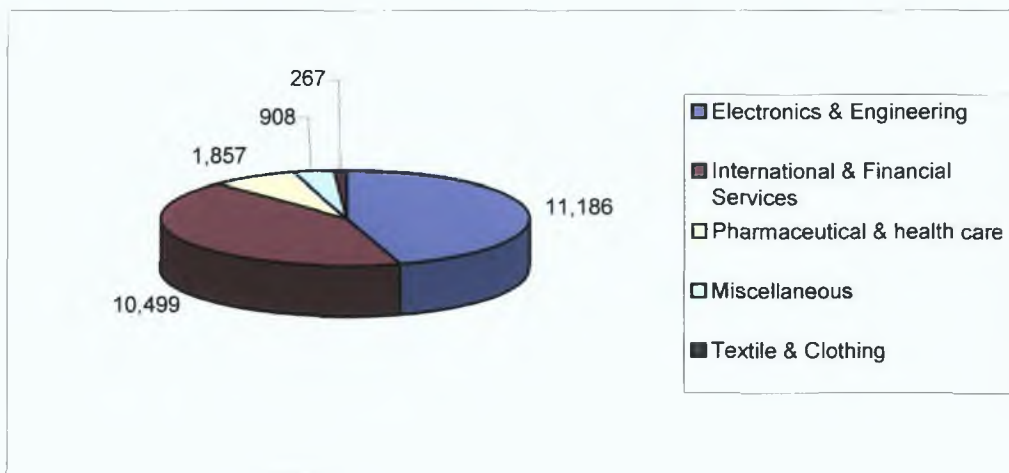
Figure 2.24 Employment by sector



### New jobs by sector

Over 24,700 new jobs were created in 2000. The main sectors were Electronics and Engineering and International and Financial Services.

**Figure 2.25 New jobs created by main sectors in 2000**



## **Employment in IDA supported Companies** **(IDA studies, 2001)**

### **Summary of IDA Results 2001**

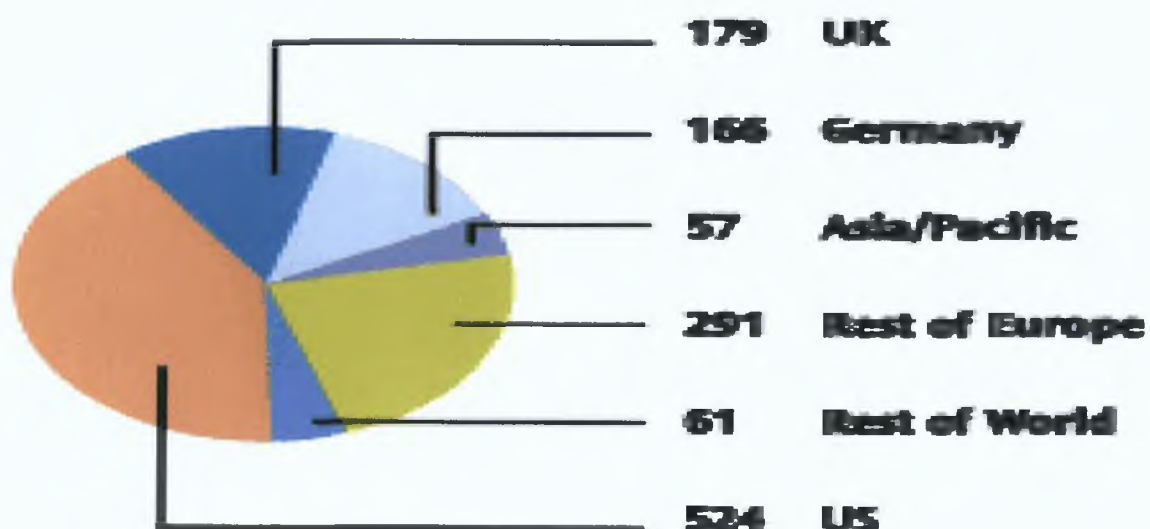
According to IDA the year 2001 was one of the toughest years for them for a long time because of exceptional circumstances in global economies.

During 2001 a total of 13,500 new jobs were created in IDA supported companies which was a strong result by average standards, but lower than the record-breaking previous four years. But 17,500 jobs were also lost mainly because of the impact of the global slowdown of the IT sector, leading to the first net decline in employment in overseas companies in over ten years.

Forty investment projects - both new green-field projects and expansions - were negotiated by IDA during the year and the key aim of having 50% of all new jobs approved in green-field projects locate in Objective One Regions was substantially achieved. But total numbers were much reduced.

There are now 1,237 IDA supported companies in Ireland employing 138,000 people. They account for €47 billion worth of exports annually and spend €14.2 billion in the Irish economy.

**Figure 2.26 New IDA supported companies in Ireland**



## Highlight 2001

**Table 2.14 IDA highlight 2001**

|  |                  |
|--|------------------|
| Total new IDA supported jobs filled<br>-of which first time jobs | 13,514<br>11,245 |
| Total full time IDA supported<br>employment                      | 138,009          |
| Change in full time employment - IDA<br>backed companies         | -4,021           |
| Number of IDA supported companies                                | 1,237            |
| Projects fully agreed for IDA support                            | 40               |
| Corporation Tax paid (estimated) by IDA<br>supported companies   | c. €1.9 billion  |
| Total IDA grants paid  | c. €109 million  |



# Employment in IDA supported companies

Table 2.15 Employment in IDA supported companies

|                                    | 1991   | 1992   | 1993   | 1994   | 1995   | 1996   | 1997    | 1998    | 1999    | 2000    |
|------------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| New Jobs filled                    | 6,904  | 7,075  | 8,216  | 9,873  | 11,725 | 13,206 | 14,733  | 16,058  | 17,831  | 24,717  |
| Number of Companies                | 847    | 857    | 876    | 911    | 965    | 1,044  | 1,111   | 1,173   | 1,288   | 1,278   |
| Full time Employment               | 75,018 | 76,218 | 78,915 | 83,859 | 90,459 | 97,668 | 107,466 | 116,301 | 124,843 | 141,258 |
| Net change in full time Employment | +1,278 | +1,200 | +2,697 | +4,944 | +6,600 | +7,209 | +9,798  | +8,835  | +8,542  | +16,415 |
| % Net change                       | +1.7%  | +1.6%  | +3.5%  | +6.3%  | +7.9%  | +8.0%  | +10.0%  | +8.2%   | +7.3%   | +13.1%  |
| Job Losses                         | -5,626 | -5,875 | -5,519 | -4,929 | -5,125 | -5,997 | -4,935  | -7,223  | -9,289  | -8,302  |
| Job Losses as % of Total Jobs      | 7.5%   | 7.7%   | 7.0%   | 5.9%   | 5.7%   | 6.1%   | 4.6%    | 6.2%    | 7.4%    | 5.9%    |
| Temporary Employment               | 3,444  | 4,288  | 5,334  | 9,047  | 11,542 | 9,392  | 13,325  | 14,952  | 15,517  | 14,633  |

Source: Forfás Employment Survey

### Economic impact of IDA supported companies

The data in the table below originates from the new and more comprehensive "Annual Business Survey of Economic Impact", undertaken by Forfás with support, in data collection, from the Survey Unit of the Economic and Social Research Institute (ESRI). The data cannot be compared with the former Irish Economy Expenditures Survey which was the previous basis for compiling this table.

**Table 2.16 Economic impact of IDA supported companies**

| Current 2000 prices - € million      |        |        |                          |
|--------------------------------------|--------|--------|--------------------------|
|                                      | 1999   | 2000   | %<br>Change<br>1999/2000 |
| Sales                                | 42,856 | 52,660 | +22.9                    |
| Exports                              | 38,235 | 47,016 | +23.0                    |
| Direct Expenditure in the<br>Economy | 11,609 | 14,213 | +22.4                    |
| of which:                            | 3,950  | 4,684  | +18.8                    |

|   |              |              |              |
|---|--------------|--------------|--------------|
| <b>Payroll costs</b>                        |              |              |              |
| <b>Irish materials</b>                      | <b>4,700</b> | <b>6,072</b> | <b>+29.2</b> |
| <b>Irish services</b>                       | <b>2,959</b> | <b>3,457</b> | <b>+33.2</b> |
| <b>Direct expenditure as %<br/>of sales</b> | <b>27.1%</b> | <b>27.0%</b> | <b>-0.1</b>  |

*Source: Forfas Annual Business Survey*

Note: The survey calculates companies which employ more than 10 people.

IDA Ireland is an autonomous state sponsored agency funded through government grant and supported by European Union Programmes. The agency reports to the minister for the Enterprise, Trade and Employment.

**Figure 2.27 IDA effort through the world**



#### **2.4.4 Unemployment and retention strategy in Ireland:**

There has been a spectacular increase in unemployment in the 1980's and 1990's throughout the OECD (Organization for Economic Co-operation and Development). This has been outstandingly evident in some European countries such as Spain and Ireland where unemployment rates are 18% and 15%

respectively. Taking into consideration that Ireland has qualified high levels of emigration in the past thirty years this number is even more astounding, and has led to the decrease of unemployment becoming a principal objective of successive Irish governments. Many expressive speeches have been made concerning this predicament without there being a obvious perception of the causes of unemployment. Conventionally espoused reasons of unemployment can be categorized into two distinct, but interdependent phenomena:

(i) Structural rigidities that exist in the labor market. Commentators have put forward three influences in relation to structural rigidities in the labor market;

- a. **Rigid real wage,**
- b. **Inflexible labor demand and**
- c. **Inflexible labor supply.**

(ii) A changing global economy.

### **Rigid real wage**

This is the typical understanding of unemployment where the real wage rate is positioned above the equilibrating actual wage rate. There are two likely clarifications for this,

one is stress from trade unions and a reluctance on the part of employers to decrease wages to their 'clearing level' for the reason of appeal to acquire efficiency gains. In the context of the first reason, studies have revealed that there is no encouraging relationship between the strength of trade unions and unemployment. On the other hand, it appears, that non-centralized, across-the-board wage agreements have forced rigidity on the labor market and may be grounds for the rise in unemployment.

Consecutively to lessen labour costs by reducing turnover costs firms pay an efficiency wage also called high real wage to dishearten workers from being inefficient or on the lookout for higher remunerated work. As yet, there is very little proof to propose that efficiency wages are a basis for unemployment although it must be said that the growing sectors of the economy are those that would normally be estimated to have efficiency wages.

### **Inflexible labor demand**

Two factors that have a propensity to make labour demand rigid to amend in the real wage are employment protection legislation and the impact of activities in the product market. The former have a tendency to reduce job creation

as they object to firms from hiring new workers. High firing costs make employers alert about hiring workers with little knowledge. As regards the latter, defectively competitive product markets select supernormal profits over augmented employment. This denotes that market prices are high and employment levels are decreased. This predicament can be diminished through effectual competition policies.

### **Inflexible labor supply**

This is a very grave problem in Ireland and it is, in the real perspective, one of the chief reasons why unemployment is so high. The foremost issues concerned here are the level and duration of unemployment benefits and the high levels of taxation.

The 'replacement ratio' is identified as the percentage of an individual's take home income substituted by unemployment income. Many observers propose a replacement ratio in excess of 80% represents acute inefficiencies in the tax and social welfare system directing to the discouragement of people from working.

Data show that one-fifth of families with three or more children face replacement ratios in excess of 100%. Marginal rates of taxation are very elevated in Ireland, predominantly for lower income workers that is up to 100%

for some individuals and this critically disheartens potentially lower income labour from looking for jobs.

Over half of Ireland's jobless workers are regarded as long term unemployed, which is more than one year without employment. Causes such as a loss of skills and incentive lead employers to look upon the long-term unemployed as unemployable. One of the key reasons that so many drift from short-term to long-term unemployment is the availability of high unemployment benefits.

The other incident that is frequently assumed to be a foundation for high unemployment is the transforming global economy and this can be segmented into the factors that are mentioned below. In truth, these factors are not precisely causing unemployment. It is more a case of economies not succeeding to fine-tune to these changes.

- i. Increasing international trade, and
- ii. Rapid technological change.

i. **International trade**

In neo-classical theory, amplified international trade will direct to job losses in certain quarters and job creation



in other quarters with no general consequence in relation to employment. The highest effect should be an increase in living standards due to competence gains. The predicament for countries like Ireland is that some product and labour markets are rigid and this is leading to unemployment. However, there is not a significant deal of proof to support this and, in fact, there has been intensification in employment, taking place from economic growth, that are directly due to an enhanced trade balance.

ii. **Technological change**

The long-term consequence of technological transformation should be increased living standards. However, for states like Ireland, there may be present short-term effects such as amplified unemployment ensuing from the labour market's incapability to become accustomed to technological change. States like the US and Japan have been subjected to huge technological change and so far have in spite of everything managed to become accustomed to keeping employment low. In order to be competent to adapt immediately to these amendments the economy must be able to upgrade the skills of the labor force and redesign organization. This had been a grave predicament in some OECD countries and has led to elevated unemployment.

Probable policy resolution to the unemployment in Ireland can be short and long term heading to the most fundamental manpower source in other words retention of the staff.

Short-term solution to the setbacks are tough to put into practice and it ought to be deduced that in the presence of many policy solutions, significant numbers are going to continue to be unemployed through the next ten years. On the other hand, it is by and large better to acquire reasonable progress than no progress altogether.

From the time of independence there has over and over again been a propensity on the part of the Irish populace to perceive governments as the key to all of their problems. Of course, there are, many features that limit the power of governments, not least the reluctance of the electorate to encourage required therapies.

With reference to short-term solutions, the strategic areas are:

- (i) Infrastructure,
- (ii) Disincentive impression of taxation and public expenditure, and
- (iii) The moderation of restrictive practices.

At the same time as the EU structural funds have been precious in making available additional funding for the growth of the economy's infrastructure, a dependency mentality has been formed. With the extension of the EU, the funds were set to dry up in the late 1990's, and this has tested Ireland's ability to take care of itself.

One of the main problems with the scheme of tax incentives/disincentives in Ireland is they are frequently conflicting in operation e.g. a tax inducement is given to encourage manufacturing such as the 10% corporation tax rate, but its impact in refining the relative attractiveness of manufacturing is invalidated by such procedures as Section 23 relief for construction. There are also many taxes in the Irish system which encourage 'rent-seeking' proceedings and these need to be eliminated or, at least, abridged.

There is a requirement to promote competition and smash down restrictive practices in professions (law, medicine, etc.) and in monetary services. This will promote competence, and bring about employment chances. It has been pointed out that government directive of various services may limit entry and restrict employment opportunities.

In view of long-term options, it is helpful to keep an eye on whether there are any other countries, which present a replica of what Ireland may wish to attain. The range of probable options can be elucidated into four broad categories.

**The first two models** the Korean and American models- are very pushy but fundamentally for independent trade community, they are not quite suitable for a country that is part of a big organization such as the EU. **The third option- the Scandinavian model-** would be to augment the labour strength of production, not in the market sector, but through publicly funded activities. Output growth would carry on being strong in the market sector, but the resultant income gain could be used to fund pro-active manpower strategy.

### Retention strategy in Ireland

Five years of fast economic development have changed the face of the country. Employment levels have risen ahead joblessness levels have plunged. Even the most unenthusiastic of commentators recognize that Ireland is thriving. But there is substantial evidence that one very

major and considerable group in Irish society that is over 55 are not sharing as completely as they may in the newly established economic opulence.

### **Staff retention – an increasingly important issue facing Irish business**

The majority of Irish companies said that providing development opportunities is the top method of retaining staff. This was the key finding in a comprehensive survey carried out by Price Water-House Coopers in Ireland – HR Benchmarking 2000. This survey is part of a major International Study carried out by Price Water-House Coopers in 29 countries covering almost 1,000 organizations and almost 3 million employees.

Speaking about the survey, Bernadette Breen, Senior Manager, Global HR Solutions, Price Water-House Coopers in Dublin said: "Predictably, staff retention emerges as the major HR issue in Ireland. However, it is interesting that HR practitioners in Ireland rated development opportunities much higher than pay and perks as the key to retaining staff. This is a major shift in emphasis for the HR

profession who now must make more time and resources available to create a climate which fosters such opportunities". **(Global HR Solutions)**

The results showed that "providing development opportunities" was identified by 92% of companies as the top method for retaining staff. Other measures for retaining staff were: **(Global HR Solutions)**

1. Improving working conditions - 62%
2. Increasing base salaries - 56%
3. Changing organization culture - 54%
4. Increasing bonus practices - 50%
5. Increasing fringe benefits - 49%
6. Correct job descriptions - 36%

The extent of the recruitment and retention issue facing Irish organizations is clearly evident from the recent ESRI survey of vacancies in the private sector in Ireland. Overall, 27% of companies had current vacancies, but this was over 50% in the manufacturing sector.

**Table 2.17 Vacancies in private sectors in Ireland**

| <b>Job</b>                           | <b>%</b>   | <b>Region</b>                     |
|--------------------------------------|------------|-----------------------------------|
| <b>Computer professionals</b>        | <b>15%</b> | <b>Dublin higher</b>              |
| <b>Computer technicians</b>          | <b>14%</b> |                                   |
| <b>Science technicians</b>           | <b>12%</b> | <b>Rest of country<br/>higher</b> |
| <b>Engineering<br/>professionals</b> | <b>11%</b> |                                   |
| <b>Engineering technology</b>        | <b>11%</b> | <b>Rest of country<br/>higher</b> |
| <b>Security</b>                      | <b>11%</b> | <b>Rest of country<br/>higher</b> |

As well as facing an increasing number of vacancies, companies also identified a problem with retention. A fifth of companies reported difficulties in retaining staff, but again was higher in manufacturing and transport sectors. As we hear so much about the employment difficulties of the IT

sector, it is interesting to see that the greatest difficulty is in retaining clerical staff. Most HR professionals can identify with the difficulties of retaining good clerical and administrative staff, yet in publicity terms this does not get much attention.

**Table 2.18 Jobs where it is difficult to retain staff**

| <b>Jobs where it is difficult to retain staff</b> | <b>%</b>   |
|---|------------|
| <b>Clerical</b>                                   | <b>21%</b> |
| <b>Unskilled</b>                                  | <b>17%</b> |
| <b>Semi-skilled</b>                               | <b>15%</b> |
| <b>Skilled trades</b>                             | <b>14%</b> |
| <b>Technical sales</b>                            | <b>8%</b>  |
| <b>Computer Specialists</b>                       | <b>7%</b>  |

Companies were asked to nominate from a list of given reasons, and competition from other companies was the most common answer. We can see around us that benefits are increasing, employment advertising is on the up, and it takes a lot longer to find the required specification.



**Table 2.19 Reasons for difficulties in retaining staff**

| <b>Reasons for difficulties in retaining staff</b> | <b>%</b>   |
|--|------------|
| <b>Competition from other firms</b>                | <b>52%</b> |
| <b>Wages lower than others</b>                     | <b>40%</b> |
| <b>No career progression</b>                       | <b>21%</b> |
| <b>Long unsociable hours</b>                       | <b>14%</b> |
| <b>Unattractive conditions</b>                     | <b>9%</b>  |
| <b>Other Reasons</b>                               | <b>24%</b> |

There is no single cause of staff turnover. For each individual, it is a very personal decision to leave their current position to get another one or follow other interests. It is clear that while employees are attracted to better opportunities, many organizations have a lot of 'dissatisfiers' that serve to lower morale and cause frustration. Work carried out in the US to examine the practices of Retention Leaders highlighted some key actions to help retention. (Williams, 1998)

- Manage people, not retention
  - Support human performance in every way
  - Respond to employee feedback
- Build a tradition of excellence
  - High value on integrity, ethical behaviour
  - Define standards of business excellence
- Conflict resolution
  - Step by step process available
  - Legitimate alternative avenues
- Take stock, then action
  - Segment retention figures
  - Solutions linked to pockets of turnover
  - Employee surveys
- Focus on high performers
  - Monitor satisfaction levels
  - Performance-related rewards
  - Recognize superior results – in an individualized way
- People management viewed as a strategic business issue
  - Employees drive financial performance
  - Knowledge is the competitive advantage
  - Lowering turnover increases profits
- Relentless search for continuous improvement

- o Feedback cycle
- o Action taken

"What comes through continually is the critical significance of how managers manage their staff. The manager-employee relationship is key to understand and support the performance of the individual. There is also a strong pattern of using feedback – at individual and organization level. Like the work on feedback in Graphite HRM, action has to be taken as a result. If an organizational or 360 degree feedback process is used, its success is dependent on the willingness of the business and individuals to take action." (Willaims, 1998)

We recommend that organizations devise a retention strategy, based on where they are experiencing high levels of retention. (Williams, 1998)

Identify the most valuable resources to retain  
employee

- Be real, avoid myths
- Move from traditional ways of thinking
- Develop retention plans
- Conversations with key employees
- Evaluate vulnerability, risk assessment
- Plan and action

This serves to lock in the employee at an development and emotion level and take action to manage out the 'dissatisfiers.'

As our unemployment levels drop the Irish economy will in effect hit full employment. Yet the economy has continuing to grow at an estimate of 6% this year 2002, which means continuing pressure on jobs. This situation is further contributing to an employee's market,' leading to higher levels of staff turnover in many organizations.

Staff retention has moved from a concern solely of HR departments to a priority of business owners and line managers as growth and service levels are threatened by lack of personnel.

(The above section of the thesis is based on 'National Survey of Vacancies in the private Nonagricultural Sector 1998, ' a report prepared for FAS and Forfas by James Williams and Gerard Hughes. **(Copyright The Economic and Social Research Institute Dublin, 1999.)**

### **Why Is retention important?**

Labour force involvement rates are distressingly low for those in older age groups:

1. 55 per cent for the 55-59 age group

2. 36 per cent for the 60-64 age group

3. 9 per cent for those aged 65 and over

Involvement rates for women in all cases are considerably lower than those for men in the same age grouping.

These statistics are to some point, a legacy of leaner economic times. It was older workers who had a propensity to be the first victims of economic decline when times were hard in the 1980s, and in 1990s many people in the 40s and 50s were unneeded. Countless numbers of those people never were successful in reintegrating themselves into work force. And when the surge of economy reco, they were not proficient to take benefit from it.

Nowadays people are living more complete and improved lives than ever. The over 55s have a huge amount to offer in terms of expertise and knowledge and they want to partake. Society seriously requires those skills and that experience. And in spite of that this precious resources are left idle.

Evidently there are a lot of retired people with sufficient pension who have put their working times behind them and who have no wish to go back to work. But there are tens of thousands who would have to partake, who would have to be a

factor, who would be keen to return into world of work. The reason that keeps them away is that they run into a wall of hard barriers.

- A lack of computer skills can close off a wide range of employment opportunities for them.
- Women who left public service several years ago because of marriage bar face major observance if they choose to come back to their jobs, being forced to start again at the bottom of the ladder and losing their original gratuities.
- Employers may be prejudiced against older job applicants.
- Job opportunities based on 40 hour a week may be unattractive to people who for various reasons, may want to work for much shorter working hours.
- People are effectively force to retire at 65 even though they may be on top of their job and ready, willing and able to continue for at least another five years.

The economy should decelerate considerably this year, even if there was no breakdown in the tech industry. From now on one should anticipate growth rates of around 5-7 per cent, rather than 10 per cent a year that one has to become used to.

The ground for this is uncomplicated. The economy's resources are on the rise at a sufficient rate to permit the economy to grow at around a 5 per cent pace. Although a better term is its "natural" rate of growth but it is also known as the "trend" rate of growth.

Why is it said that trend growth is around 10 per cent? The rate at which an economy can grow is ascertained, by merely two factors. These are rates of increase in workforce and rates of productivity increase. This is identical for any organization, if you think about it. Any company can grow its output by either escalating its workforce or amplifying the productivity of the workforce.

In case of the republic of Ireland, the rate of potential increase in workforce relies initially on the increase in working-age population and secondly, on the percentage of the working-age population that are in fact available for work.

There is no real way of knowing just how many people can immigrate to any country per year, but one can analyze that level of immigration has been very continuous over the past three years, at the instance when unemployment becomes very low and the economy scoring, so despite some recent

suggestions, it barely seems likely that there will be any noteworthy increase from now on predominantly given the high level of house prices here, which must by now be a real deterrent to probable immigrants.

So if the work force is to increase any faster than a 2 per cent pace at which the working population is set to rise per year, then one would need to see a higher percentage of the adult population actually working, but unemployment is now at a very low level and few extra workers can be found from the ranks of the unemployed.

It may be also difficult to increase the percentage of women working out side the home. As recently as 1997, 42 per cent of women were in paid employment but last year that proportion has risen to 48 per cent. Although the percentage of women working is still lower than the EU average, it is now much closer than it was and child care facilities far less readily available than they are in other countries, which will reduce the potential increase to about 0.5 per cent per year.

They say that in order to retain people, a company must satisfy three basic groups of conditions:



There must be things that satisfy people such as proper compensation, adequate job scope, met expectations, and acceptable stress levels.

There must be things that create commitments such as sense of justice and fair employment security, a belief that the job held is valuable and useful, and belief that the company invests in people.

The labour market has its own influences on employee's decisions to leave or stay.

### **The role Of pay in retention**

The result of exit interviews can suggest that pay is a significant factor in voluntary resignations. However, as personnel professionals recognize, it is seldom this straightforward. Blaming poor pay is an easy and diplomatic way for employees to rationalize their decisions to leave a company where they are unhappy. Many employees who change jobs will end up on a higher pay rate, but this is usually the out come of the resignation, not the cause.

As Steven Bevan from the institute for employment studies points out in his most recent work on retention. Research evidence suggests that people seldom resign because of the

level pay, but more often because they view the pay system itself as inequitable.

### **Broader solutions (Bevan)**

Bevan identifies ten areas where action can be taken to improve retention.

- Recruitment and selection
- Instruction and training
- Job design / content
- Job satisfaction
- Career progression
- Development opportunities
- Supervision and management
- Pay and benefits
- Retention and bonuses
- Flexible working conditions

# **CHAPTER THREE**

## **The Methodology**

### **3.1 Introduction**

This chapter outlines the methodology that has been used during the course of this research and how I have aimed at achieving the aims and objectives mentioned earlier in my dissertation.

The questionnaire was the method used of collecting data because I believe this method to be the most effective to get accurate information and gain the desired result.

In this study the questions were kept clear and unambiguous to provide an adequate frame of reference.

Simple language was used to avoid jargon. Questions were short and the use of leading and presumptive questions were avoided.

### **3.2 Quantitative research methods-background**

The decision to put into practice a quantitative example is taken on the basis that it would supply the examiner with the means to look for the facts and causes of the communal phenomenon in an organizational situation, without regard to the prejudiced state of the person. Effectively the act of examining realism will not impact on the research issues being tested.

This allows the testing and investigation of the inter-relationships among variables involved in the communal phenomenon of the completion of a planned organizational transformation. In this respect the communal world of the organization is looked upon as being bound by certain permanent laws in a sequence of causes and effects. In addition, these variables can take on dissimilar values that are capable of being observed and calculated.

### **3.3 Justification of methodology selection**

Quantitative study is objective; qualitative study is subjective. Quantitative research looks for explanatory regulations; qualitative research endeavors at in-depth explanation. Quantitative research measures what it supposes to be a fixed reality in the hope of developing universal rules. Qualitative research is a searching of

what is understood to be a dynamic reality. It does not maintain that what is exposed in the process is worldwide and, thus, replicable.

### **3.4 Research instruments**

This study is investigative and will focus on measuring the phenomenon of Retention. As the objective is to determine if there is any association between the dissimilar variables the systematic survey technique will be assumed. This will involve choosing surveying a model of subjects drawn from the D. Managers of different organization that lately are concerned with retention issues. The compilation method assumed will be use questionnaires, as well as closed questions as suggested by the positivistic approach.

#### **Questionnaires**

Questionnaires are related with both phenomenological and positivist methodologies. Taken as a whole the tactic being used in this research is to investigate in a positivistic fashion. The questionnaire employed is composed of a series of structured, thought-out, closed questions planned to extract trustworthy and utilizable information from a selected array of respondents. The facts are composed of statistics on insight and approaches, when

congregated will contribute to being coded and computer processed for facilitation of scrutiny.

In the subsequent table the reflection supporting the design of the questionnaires is demonstrated. Hussey and Hussey (1997) identify the main decisions to be made when using the questionnaire as follows: **(Hussey, 1997)**

**Table 2.20 Designing the questionnaire**

- |        |  |
|--------|--|
| (i)    | Sample size  |
| (ii)   | Type of questions  |
| (iii)  | Wording of questions and ensuring that they are intelligible and unambiguous |
| (iv)   | Layout and instructions/ guidelines  |
| (v)    | Wording of any accompanying letter   |
| (vi)   | Method of distribution and return of completed questionnaires                |
| (vii)  | Test for validity and when they should be applied                            |
| (viii) | Methods of collating and analyzing the data collected                        |
| (ix)   | Any action to be taken when questionnaires are not returned                  |

### **Advantages of questionnaires**

The chief advantages related with the questionnaires method of research investigation are:

- 1) Other layouts are labour exhaustive and costly in terms of time and labor.
- 2) The document can be finished at the respondent's peace and expediency.
- 3) Better assurance of anonymity is achievable
- 4) The phrasing and presentation is consistent, comparisons are assisted by the fact that each respondent are given the identical designed layout.
- 5) There is no interviewer bias present
- 6) The respondent may consider the question, check with records or obtain advice from a colleague as suitable.
- 7) Questionnaires can be circulated more extensively and for the fee of a stamped return envelope a response acquired.

### **Disadvantages of questionnaires**

The most important disadvantages that come across when applying the questionnaire method are:

1. Respondents experience the drill is not justifiable but a subterfuge to acquire entry for a number of other intentions.
2. Respondents sense that information will be exercised against them in some manner.
3. Respondents are suffering from assessment exhaustion, fed up with happening to be "a guinea pig" or is "sophisticated" having concluded many analogous questionnaires.
4. Respondents respond "normatively," the respect they think they ought to, rather than spell out their true feelings.
5. Respondents view the questions as too common and ambiguous.
6. Low response rates.
7. Are deficient in range of feedback, as only recorded reactions are documented, no verbal or behavioral patterns are looked upon.

These disadvantages can be attend to in a variety of approaches consisting of:

- A well-written cover letter or opening statements can establish the scenario and lessen suspicion.



- The exclusion of pointlessly sensitive questions, or insertion of these at the end of the questionnaire can be helpful.
- Guarantee the respondents of anonymity
- Make an exclusive deal for co-operation or assure the respondent of the significance of the research.
- Give surety to the respondent that there are no correct or incorrect answers.
- Enhance appeal in the questionnaire by making the questions read well, interesting or thought provoking.

It is by using the questionnaire method as well as informal interviews with a selected sample from the population being researched that we were able to gain a clearer insight into the issues and causes surrounding the phenomenon of retention in Ireland compared with organizations globally over the last few years.

### **Will your employees stay or go?**

In this section, we identify from international research and a literature review why employees leave an organization. We examine the main factors affecting their

decision. We determine whether financial reward is the deciding factor or whether there are deeper organizational issues at play.

**Top ten reasons**

The Kepner-Tregoe report asked respondents why they thought their co-workers left organizations? Forty-four percent said, "More money was among the top three common reasons". While "other departure reasons cited were: limited opportunity for advancement (33%), not feeling valued (26%) and conflict with supervisor/ manager (16%)."

So what do other HR professionals cite as being the common reasons employees leave an organization. A 2000 Strategic Human Resource Management (SHRM) survey of HR professionals cited the following as the predominant reasons employees left their organizations.

**Top reasons employees leave**

- 1. Career opportunities elsewhere.....78
- 2. Better compensation/benefits package.....65
- 3. Poor management.....21
- 4. Accompanying a relocating spouse/partner.....18
- 5. Returning to school.....15

|  |    |
|--|----|
| 6. Retirement.....                               | 14 |
| 7. Job security fears.....                       | 10 |
| 8. Poor relationship with co-workers.....        | 10 |
| 9. Child-care issues.....                        | 8  |
| 10. Perceptions of discriminatory treatment..... | 5  |

**SHRM survey of HR professionals. (2000) Business Week. (May 15, 2000)**

Financial rewards remain close to the top, but they are not all prevailing. Career opportunities and quality style management remain crucial to determining who remains within an organization.

In determining why employees leave you can also look at the response to the question, "what makes employees stay?" University of Limerick research on knowledge Workers found that the most factors which attract knowledge employees are interesting work, salary and opportunity to develop skills. It is interesting to note that the most important factors influencing work effort are, sense of achievement and salary level. Employees may be attracted to organizations for particular reasons, but other factors may evoke their level of work commitment. If these are reasons that Irish

knowledge workers remain with employers, then they will leave the organization, if these needs are not met.

It is a common myth that people go where the money is. A challenging work environment, career opportunities, or able management can often be deciding factor and money. Matching people to positions, teams and managers is the new challenge. Money only brings you to a level playing field; it doesn't distinguish your company from your competitors. Some argue that offering stock options and bonuses does not hold employees, but gives them the freedom to pursue opportunities elsewhere.

What solutions are there to this problem, how can we retain employees in our organization? How do we satisfy the needs of these employees and indeed what are their needs?

Some contemporary international research suggests solutions that are practical, effective and successful.

### **How to retain your talent**

Kepner-Tregoe have examined "those organizations recognized for their proficiency in retaining talented employees." In this research they isolated "the practices key to reducing turnover rates, especially among high-performing employees".

The Kepner-Tregoe seven key drivers of retention success are:

- 1) Retention leaders don't manage retention; they manage people/ it is about the entire context in which your employees are expected to perform.
- 2) Retention leaders have a culture of caring, balanced with the tradition of excellence. Caring is not emphasized at the expense of business results or vice versa.
- 3) Retention leaders have a stair-stepping process for conflict resolution
- 4) Retention leaders first take stock, then take action
- 5) Retention leaders keep their eye on the high performance
- 6) Retention leaders view people management as a strategic business issue

- 7) Retention leaders are relentless in their pursuit of continuous improvement. They keep asking questions, soliciting feedback, and taking actions to maintain a high level of satisfaction among all their workers.

Harvard Business Review outlined in recent article "Employee Retention: What managers Can Do", the steps that Managers can take to retain employees. Recent reports cite manager-employee relationships are core to the retention process. As mentioned earlier "research by the Saratoga Institute has shown that 50 percent of work-life satisfaction stems from the relationship a worker has with his or her boss". Also "the Gallup Organization's multi-year study of 80,000 managers in 400 companies found that an employee's relationship with his/her direct boss is more important for retention than company-wide policies such as pay and perks."

These are the steps manager can take, according to the Harvard Business Review research. It suggests that while there are many approaches, they generally fall within **three categories:**

### **A) Create a great environment**

An organization's culture and policies can be tremendous influence on employees but often the work environment in a particular department or work unit is of more concern to an individual. What should you be aware of in creating a healthy work environment for your employees?

No jerks allowed- in essence this means not condoning behavior such as lack of respect for individuals. Instead, friendly relations should be encouraged. "Ordinary human virtues such as courtesy and respect - plus the recognition that workplaces are social settings, and that managers who take an interest in employees can engender an appealing atmosphere. Freely dispensing information about the business, about financial performance, about strategies and plans, tells employment that you trust them with the data, and you respect their ability to understand and contribute to the business as a whole."

### **B) Create great jobs**

The key challenge here is to allow autonomy for your employees, to let people stretch, and to be flexible in work arrangements.

### **C) Ask early, ask often**

Organizations should not wait until the exit interview to discover the problems employees face, nor should they assume that what's challenging for one person is also challenging for the next. Managers should be prepared to sit down with employees and ask them what management needs to do to retain them and challenge them.

A Report from the Centre for Organizational Research looks at what organizations and managers should do to retain employees and also gives the reasons why they should be doing this.

### **The market-driven approach to retaining talent**

Peter Cappelli introduced an alternative approach to talent retention centred on the concept that long-term, across-the-board employee retention and loyalty is neither possible nor desirable. Instead, organizations should design highly targeted retention programmes for particular employees or groups of employees. Market forces are now operating both inside and outside the organization.

What are Cappelli's views on the following most common retention mechanisms?



## **1) Compensation**

Compensation may be a futile effort to retain people since golden handcuffs are today routinely bought out by golden hellos. Such retention mechanisms, he believes, can result in wage inflation rather than long-term employee retention. However, compensation can shape who leaves and when they leave. Some examples of these methods include paying "hot skills premiums to employees whose expertise is crucial and in short supply". Paying signing bonuses in stages can also retain employees at least for the duration of the project or task you wish them to complete.

## **2) Job design**

Compensation is appropriate for retaining people in the short-term but what do you need to retain employees in the long-term? Cappelli suggests that job design can be a fundamental instrument, "by thinking carefully about which tasks to include in which jobs, companies can exert considerable influence over retention rates." For projects involving teams, Cappelli advocates defining jobs to influence when people will leave. In such specific cases there can be clear termination dates allowing for focused work during tenure and clearly planned training and development.

### **3) Job customization**

"In addition to tailoring jobs to particular categories of employees, companies can also tailor them to the needs of individuals." Job customization then gives rise to individualized benefits. Cappelli believes that "the market is very creative in providing individualized rewards, companies should be equally creative."

### **4) Social ties**

The notion that loyalty to a still exists is disappearing in today's society, but loyalty to challenges or teams is not. "By encouraging the development of social ties among key employees, companies can often significantly reduce turnover among workers whose skills are in high demand." However, Cappelli warns that creating a community feeling can be detrimental to possible restructuring in the future, particularly with key employees. It becomes a traumatic event. Creating social ties within teams improves the likelihood of members remaining with the project to fulfillment date.

### **5) Location**

"Large businesses have another good mechanism for managing retention: Location. By carefully choosing the sites for various groups of employees, they can influence turnover rates. " An example of this locating a long-term R&D team

in a more rural community to avoid inevitable high rates of turnover in other locations.

## **6) Hiring**

"When companies go out recruiting they often focus on attracting precisely those people who will be the most difficult to retain. By shifting their sights to workers who can do the job but are not in high demand, organizations may be able to shelter themselves from market forces."

Cappelli sees that both internal and external forces are working on employees. It is the pull of opportunities elsewhere that ultimately drives retention. People leave because there is somewhere else to go. So, often our attempts at retaining employees with reward systems are largely futile. People no longer experience the same level of loyalty to organizations as was common in the past when life-long employment security was possible. People however still form loyal relationships with people, so organizations can place an emphasis on team building and employee interaction.

Does this mean that a committed workforce is no longer achievable? No. What it does mean is that it cannot be bought. A committed workforce is the result of a particular organization's culture and values.

# CHAPTER FOUR

## Data Analysis

This chapter presents the findings of the fieldwork conducted in Republic of Ireland regarding the Retention problem in number of organizations in Ireland.

The chapter is divided into two sections that present the result of the survey as well as data analysis

### 4.1 Data analysis

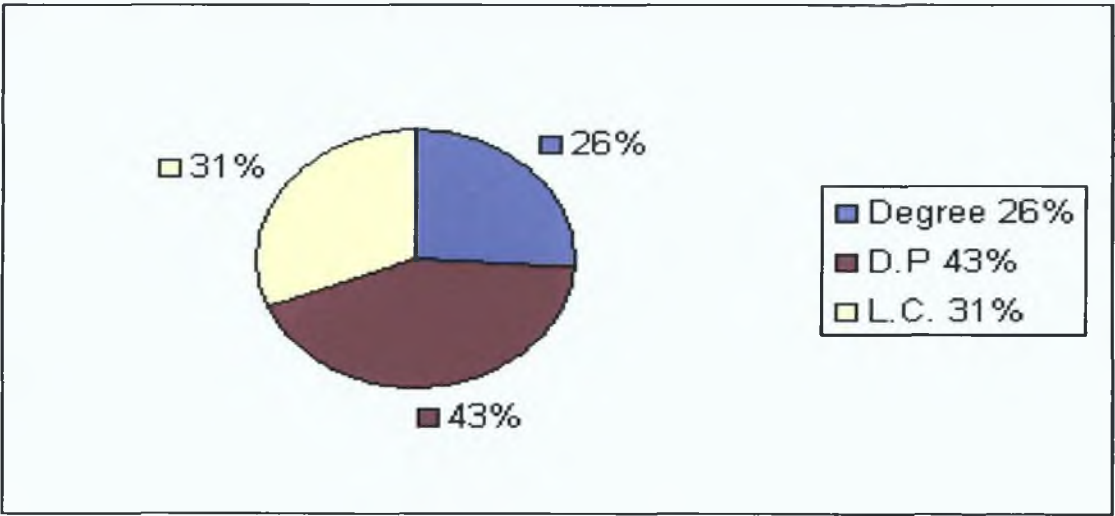
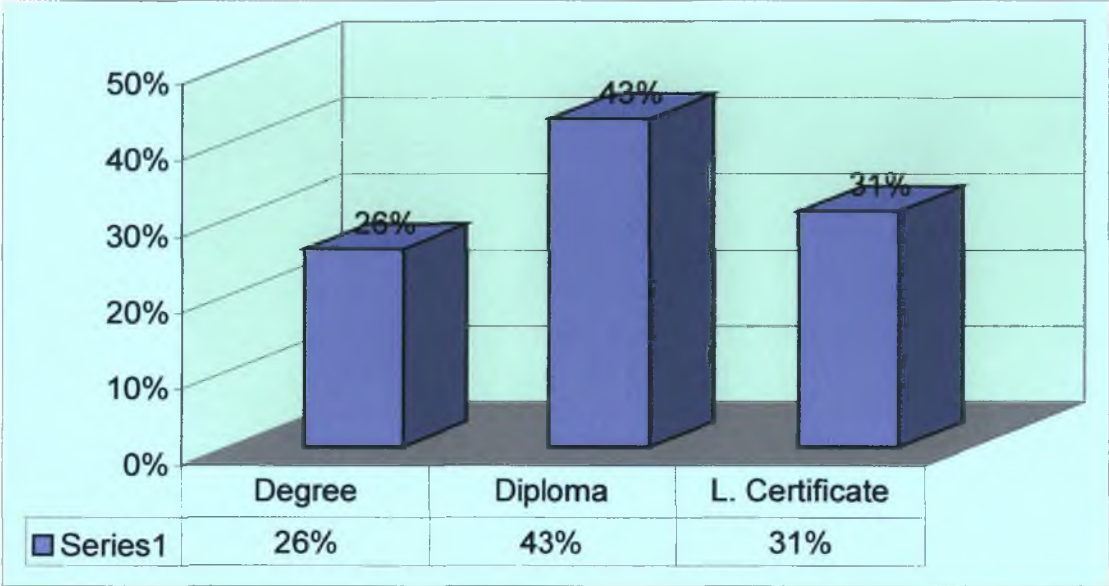
1) What was the highest educational standard achieved?

Among the respondents the following information emerged.

**Table 2.21 Questionnaire analysis (40 Tables)**

|                     |     |
|---------------------|-----|
| Degree              | 26% |
| Diploma             | 43% |
| Leaving certificate | 31% |

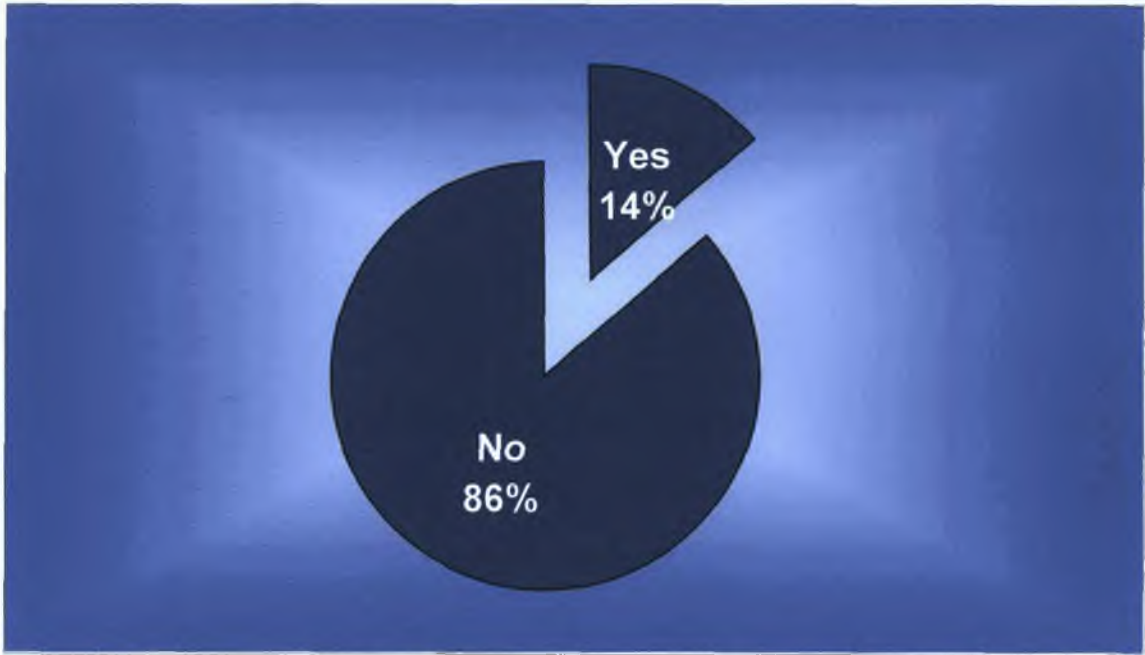
Figures 2.28 Questionnaire (41 Graphs)



69% of respondents who are dealing with the issue of retention are educated to third level.

2) Do you feel a better working relationship would exist if all Management were Irish?

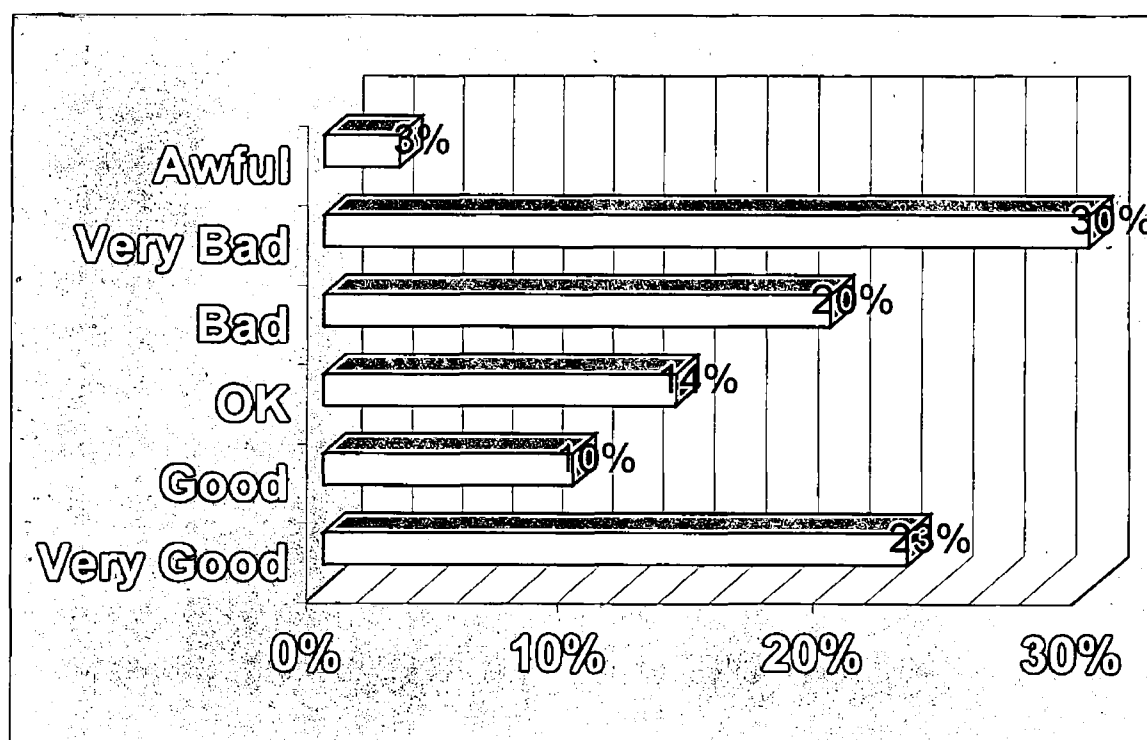
|     |     |
|-----|-----|
| Yes | 14% |
| No  | 86% |



The nationality of management has no significant role to play in why individuals might leave an organization.

3) Do you consider management to be effective?

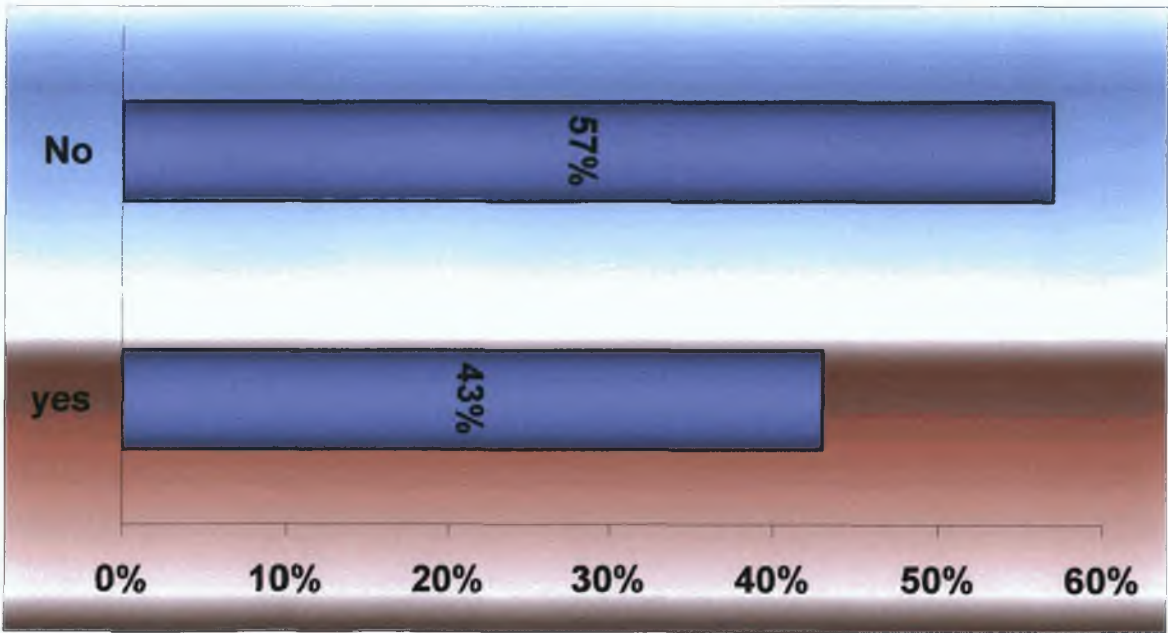
|           |      |
|-----------|------|
| Very Good | 23%  |
| Good      | 10%  |
| OK        | 14%  |
| Bad       | 20%  |
| Very Bad  | 30%  |
| Awful     | 3%   |
| Total     | 100% |



Ineffective management is a significant factor in creating high retention.

4) Does the company have too much influence over your life outside normal working-hours with regards to housing/medical/social activities?

|     |     |
|-----|-----|
| Yes | 43% |
| No  | 57% |

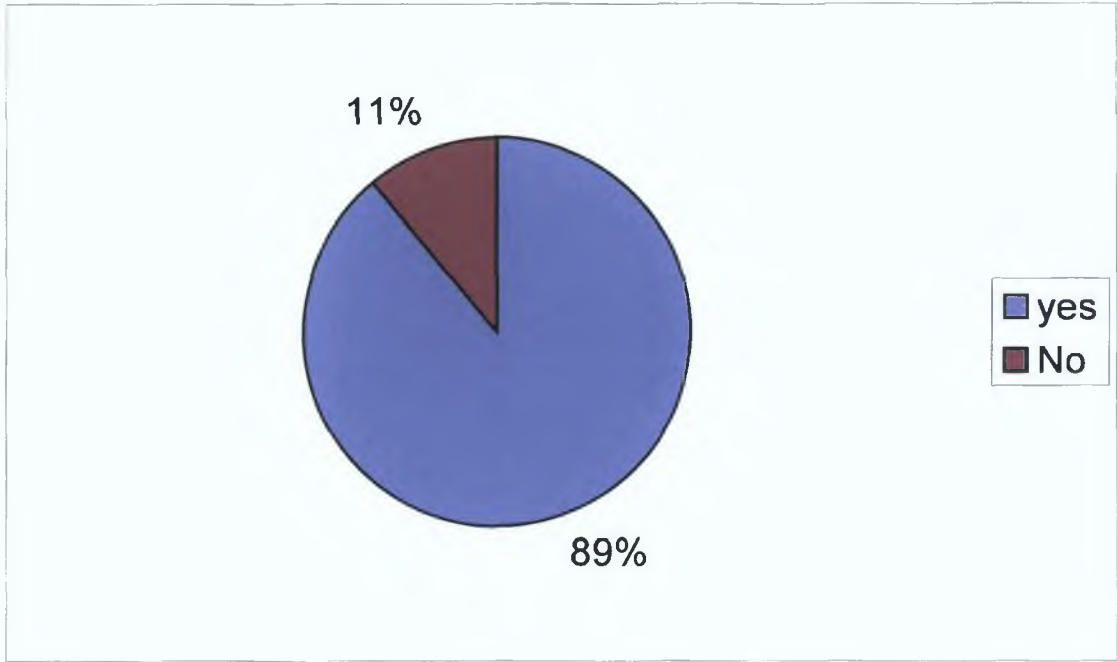


The organizations surveyed had a significant influence on life outside of work.



5) Should middle management be given more responsibility in the decision making process?

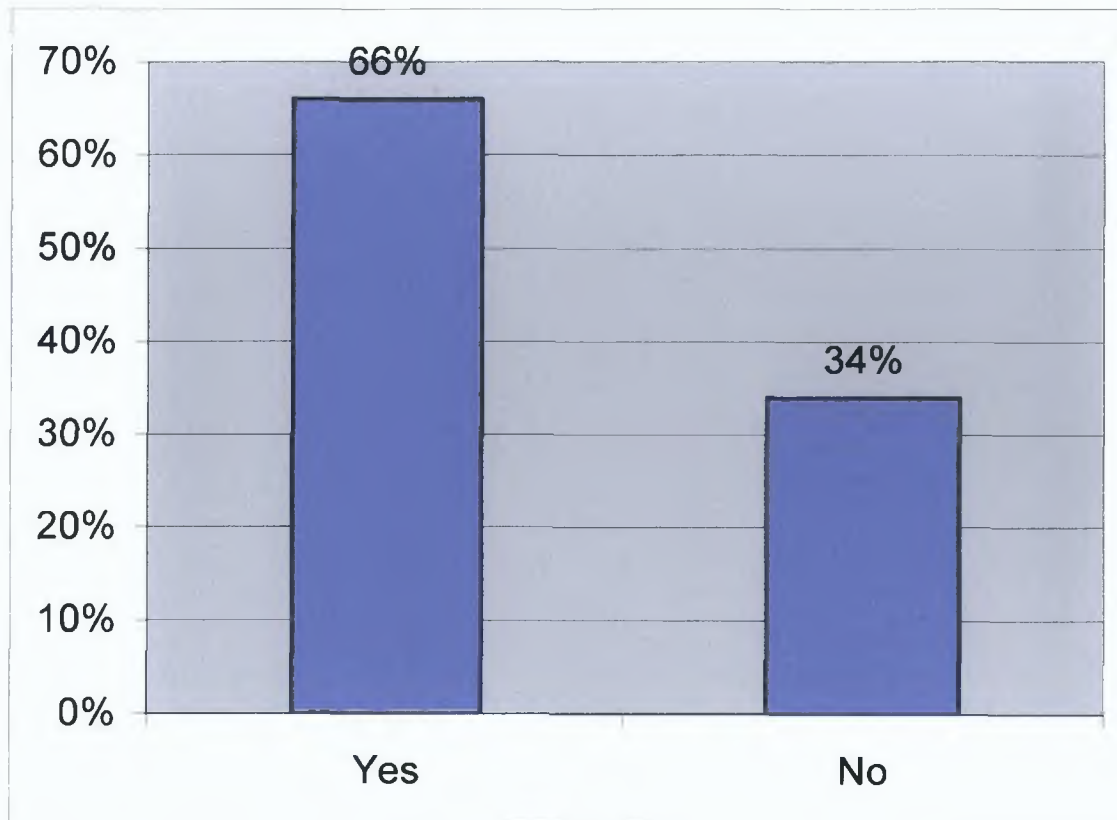
|     |     |
|-----|-----|
| Yes | 89% |
| No  | 11% |



Middle management should have a greater say in the decision making process.

6) Do you think there are too many levels in your organization?

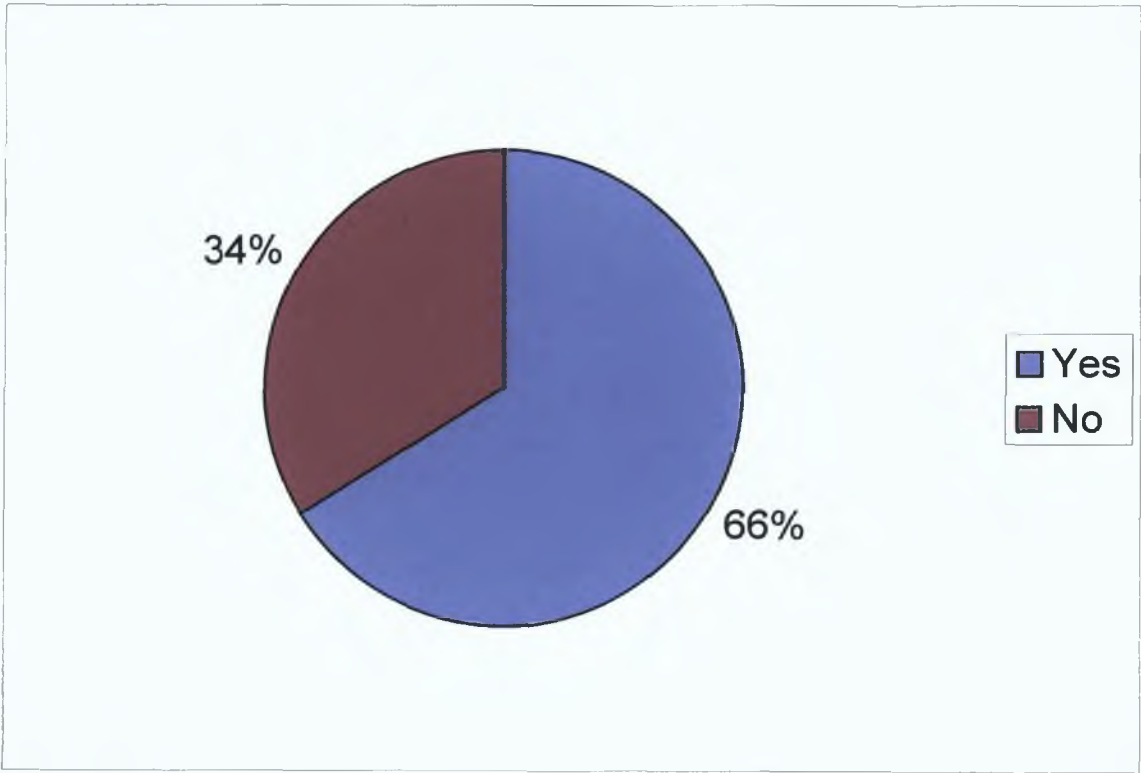
|     |     |
|-----|-----|
| Yes | 66% |
| No  | 34% |



The organizations are perceived as being hierarchical by the majority of respondents.

7) Is there a perception of equality/single status among the workforce?

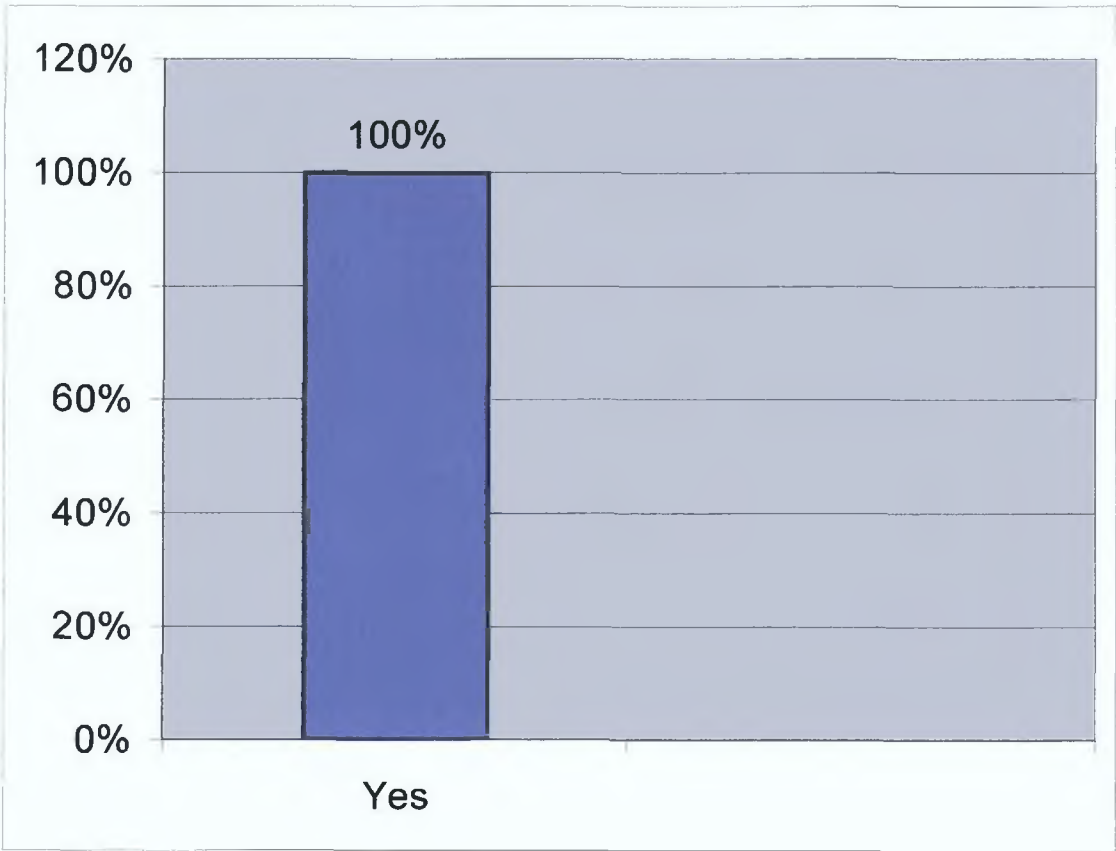
|     |     |
|-----|-----|
| Yes | 66% |
| No  | 34% |



A significant proportion of the organizations surveyed (34%) express a view that equality of opportunity is not as it should be.

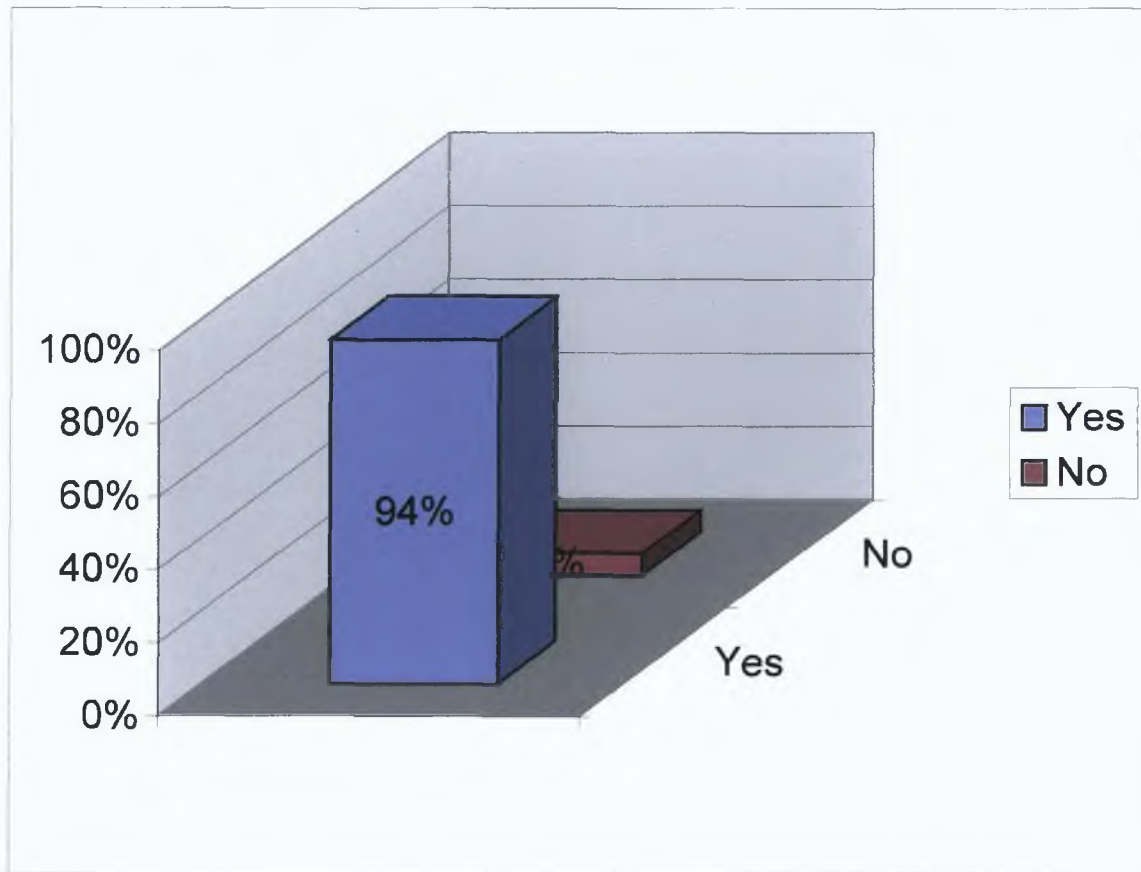
8) If you answered yes to the above question, do you believe this is because of the culture and values of your organization?

|     |      |
|-----|------|
| Yes | 100% |
|-----|------|



9) Is there a perception of "them and us" in the work environment?

|     |     |
|-----|-----|
| Yes | 94% |
| No  | 6%  |



There is a highly significant "them and us" culture in the workplaces surveyed.

10) As a regular full-time employee, do you feel you are treated any different than a part-time employee?

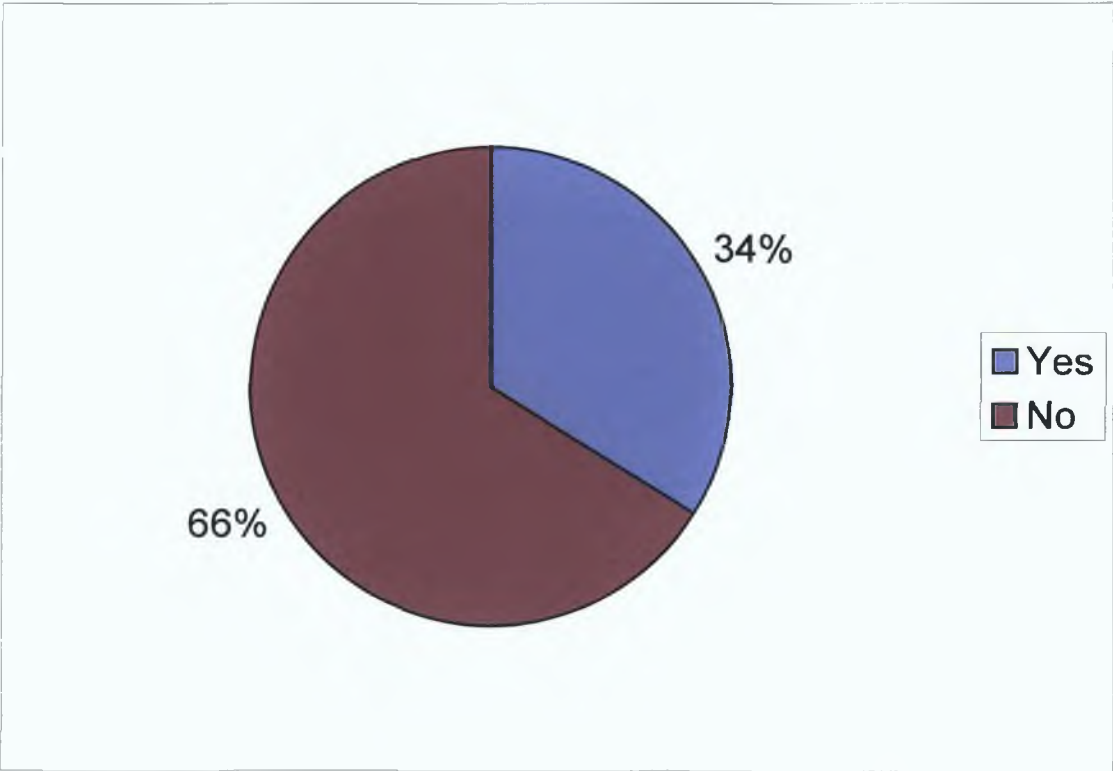
|   |      |
|---|------|
| Male workers (Particularly Younger Ones) seem to stay less longer in jobs | 50%  |
| Married women are the most loyal employees                                | 50%  |
|   | 100% |



Young male workers are the category most likely for high turnover rates while married females are the group who are most loyal. This would concur with other major research.

11) If there a mission statement and do you identify with it?

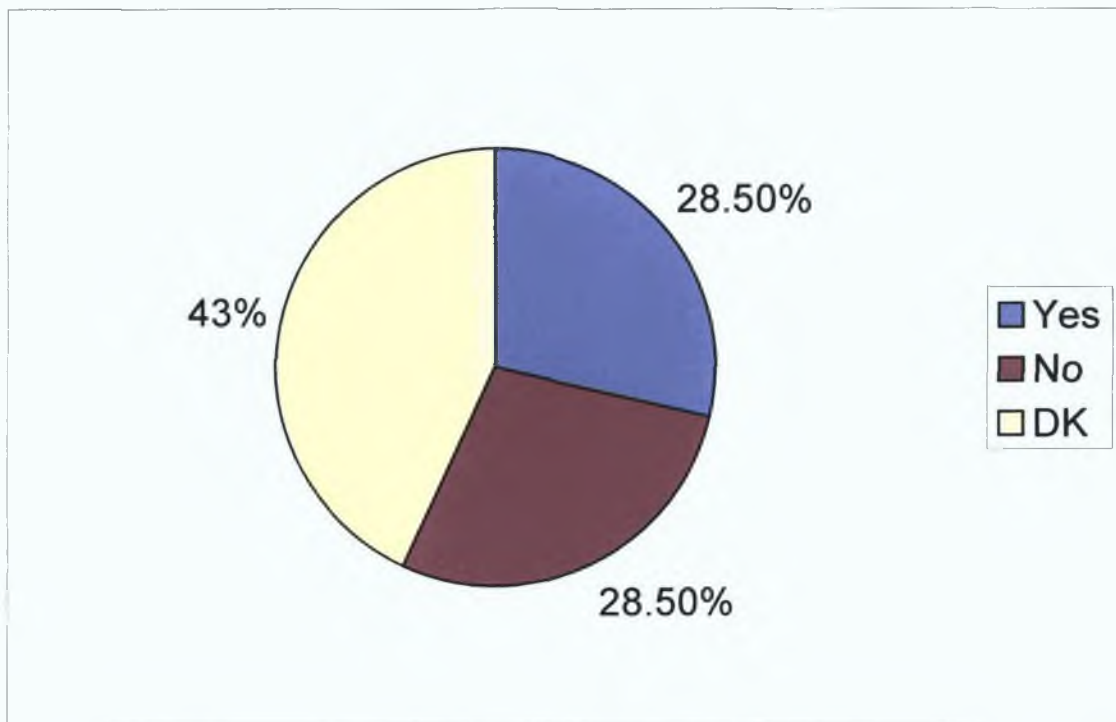
|     |     |
|-----|-----|
| Yes | 34% |
| No  | 66% |



A significant % of workforce do not identify with their mission statement.

12) Does your organization emphasize shared goals?

|            |       |
|------------|-------|
| Yes        | 28.5% |
| No         | 28.5% |
| Don't Know | 43%   |
| Total      | 100%  |

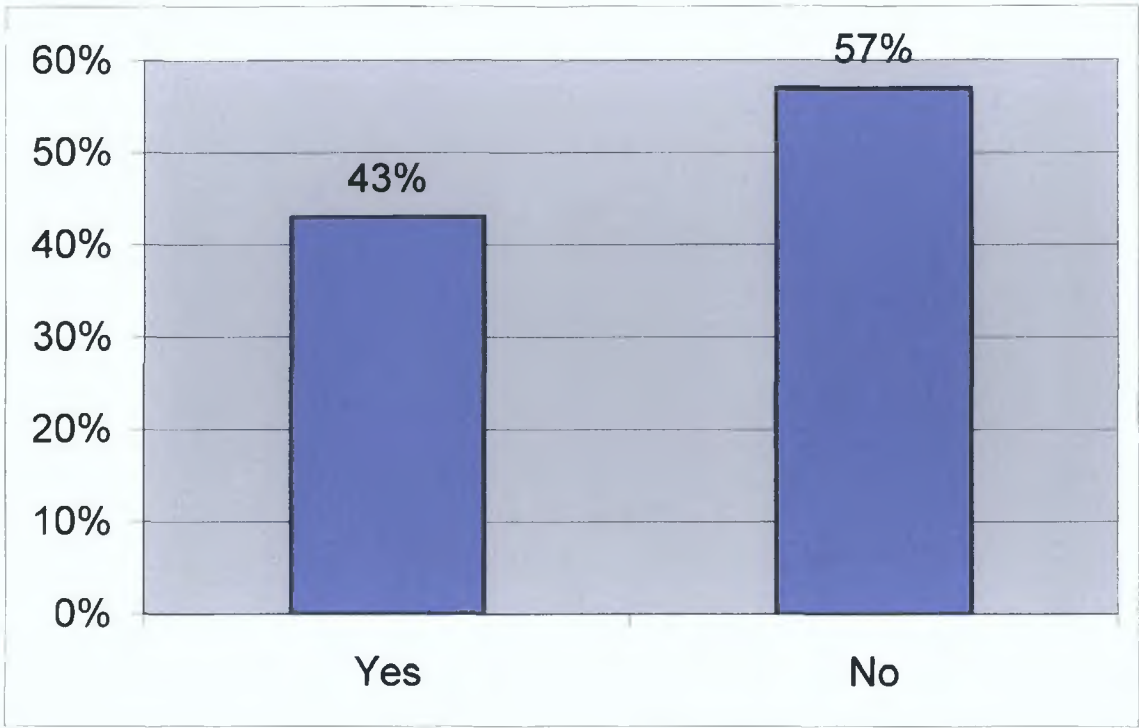


Shared goals as a retention strategy are not transparent enough when and where they exist, no communication is also a real problem as well as "being in" or ownership.



13) Is the concept of the shared goals reflected in your pay/benefits?

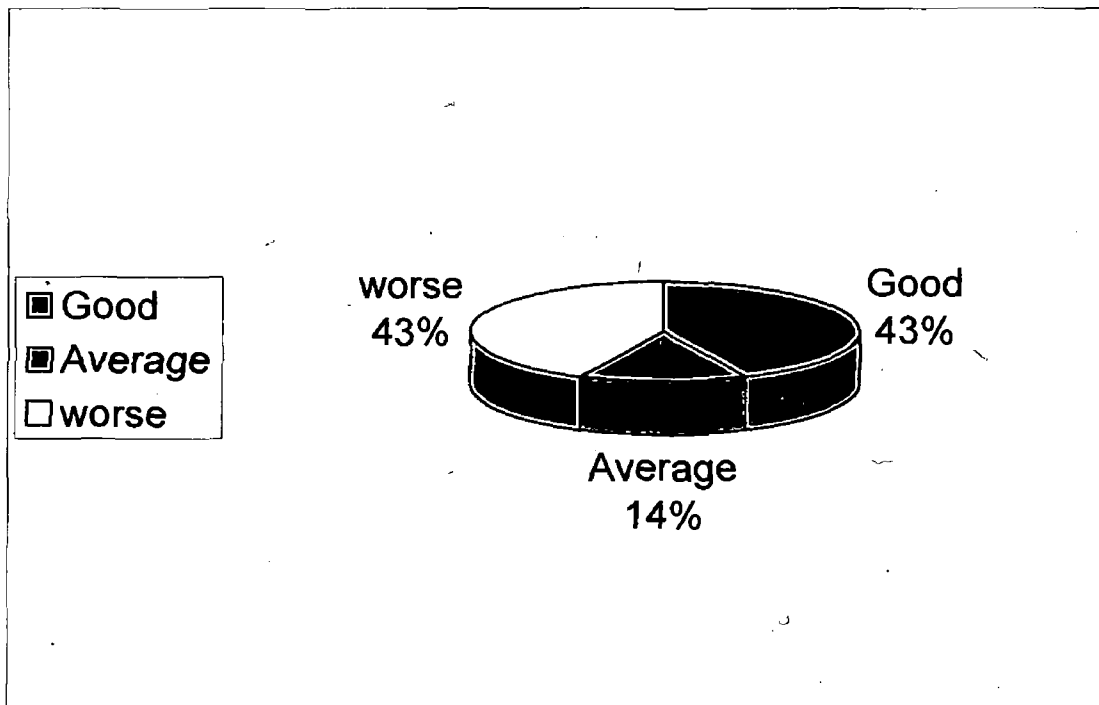
|     |     |
|-----|-----|
| Yes | 43% |
| No  | 57% |



The pay/reward systems also reflect this pervasive view and it is the belief of the majority of respondents that this could be improved.

14) How do you rate your pay/benefits relative to other companies?

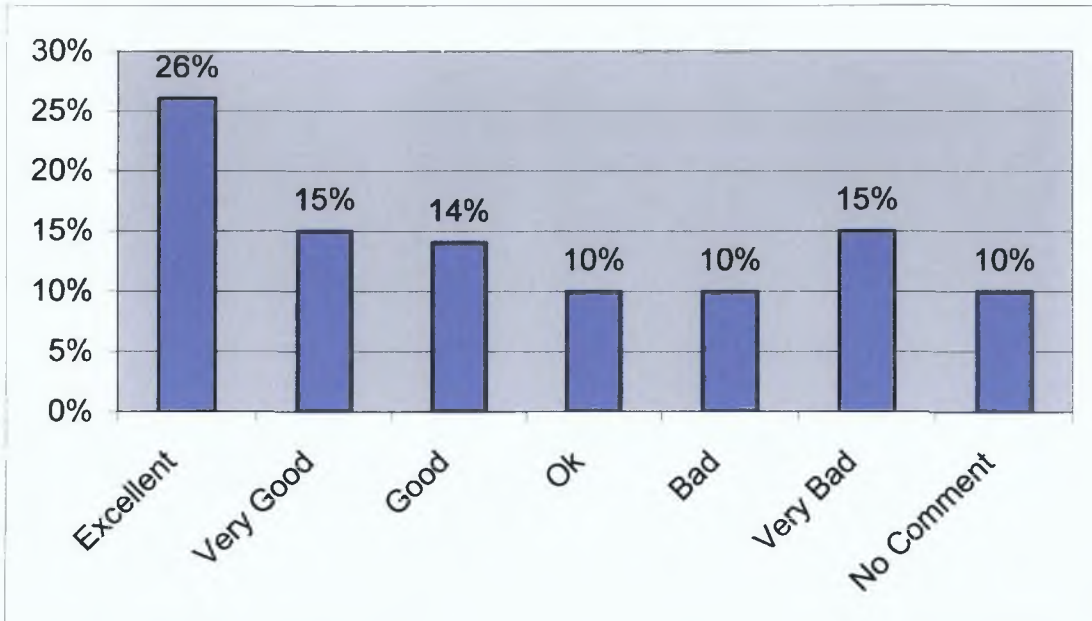
|         |     |
|---------|-----|
| Good    | 43% |
| Average | 14% |
| Worse   | 43% |



This would be consistent with other data in pay and benefits when compared with other organizations.

15) How would you rate morale/motivation?

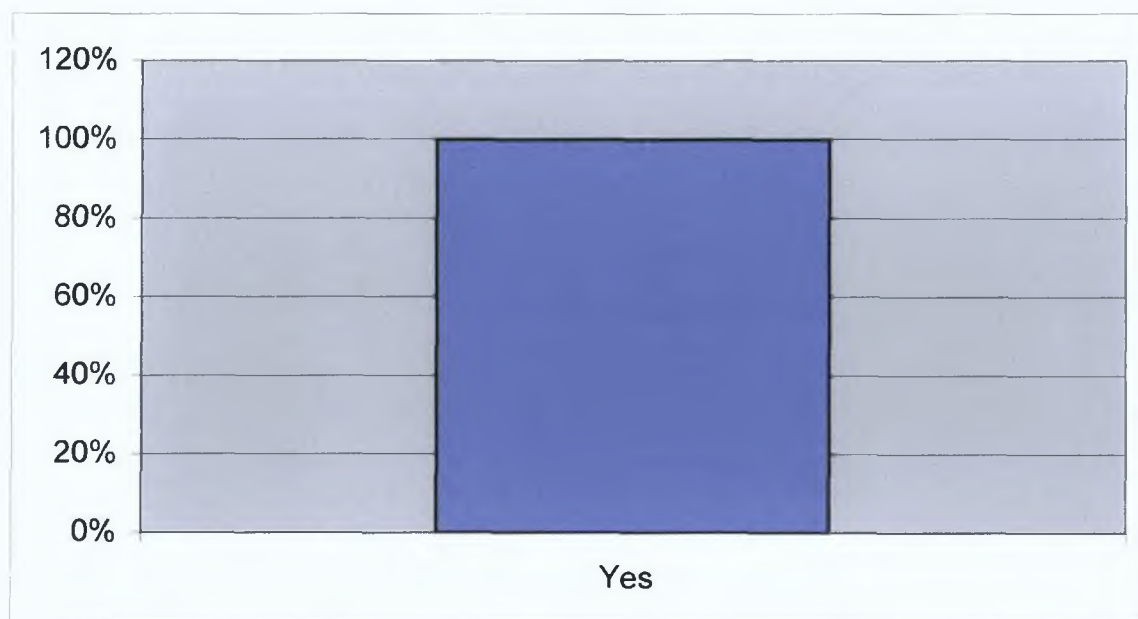
|            |      |
|------------|------|
| Excellent  | 26%  |
| Very Good  | 15%  |
| Good       | 14%  |
| OK         | 10%  |
| Bad        | 10%  |
| Very Bad   | 15%  |
| No Comment | 10%  |
| Total      | 100% |



Moral/Motivation levels have significant room for improvement in all of the organizations surveyed.

16) Do you think your morale is directly linked to your pay/benefits?

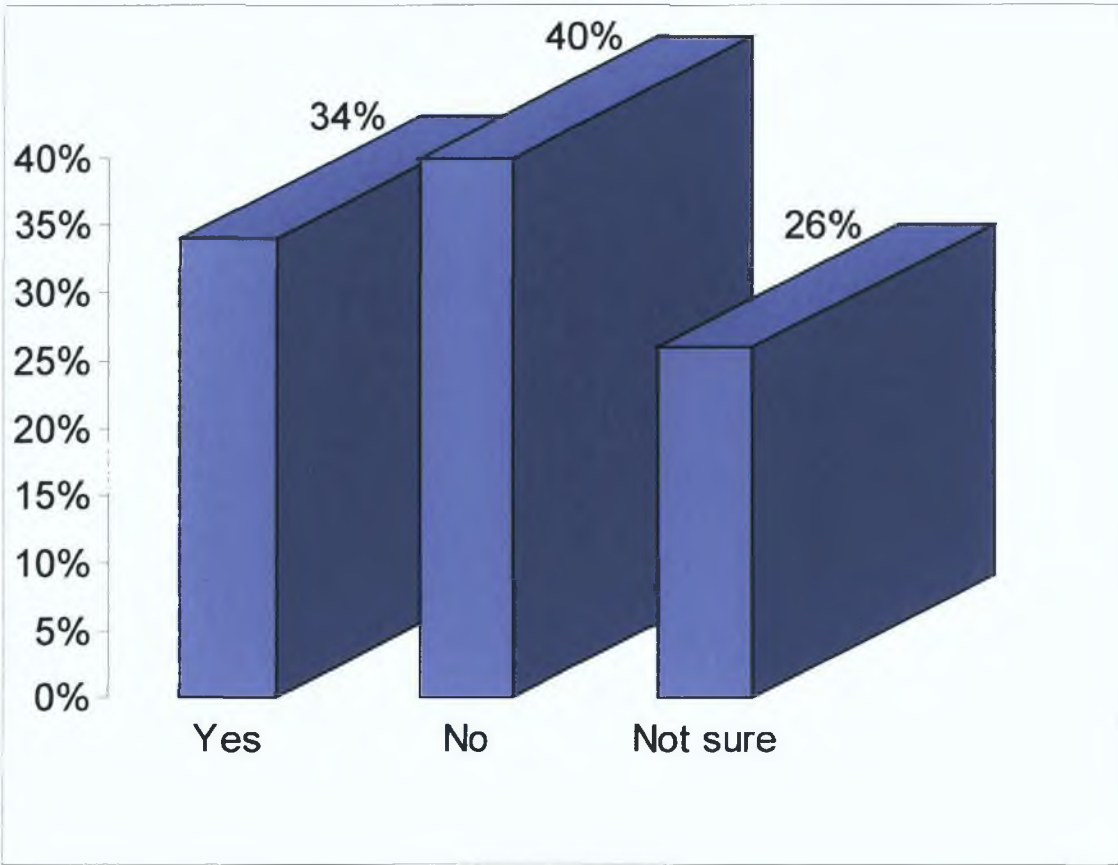
|     |      |
|-----|------|
| Yes | 100% |
|-----|------|



The issue of pay and dissatisfaction with it (pay) we believe can be directly linked to poor morale and consequently higher turnover rates.

17) Does your organization foster loyalty in the work environment?

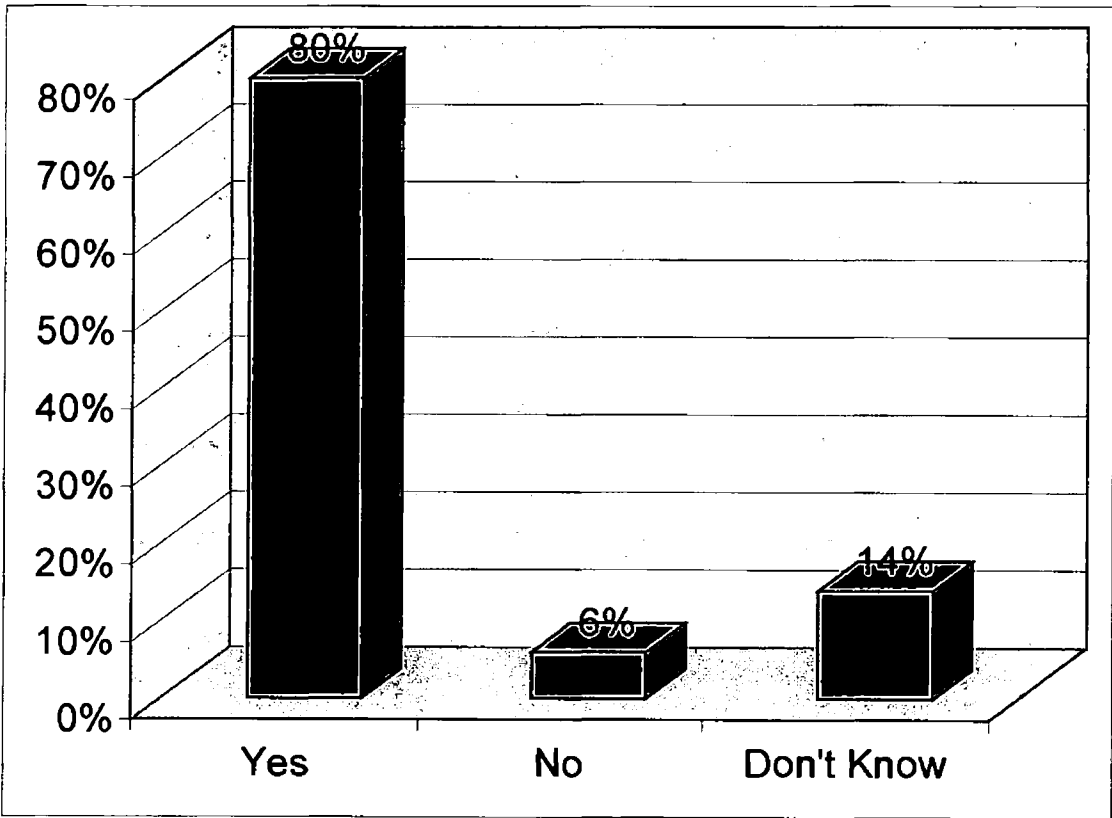
|          |     |
|----------|-----|
| Yes      | 34% |
| No       | 40% |
| Not Sure | 26% |



Loyalty is not seen as a high enough priority by the population surveyed.

18) Do you believe the organization is entitled to 100% commitment from all employees?

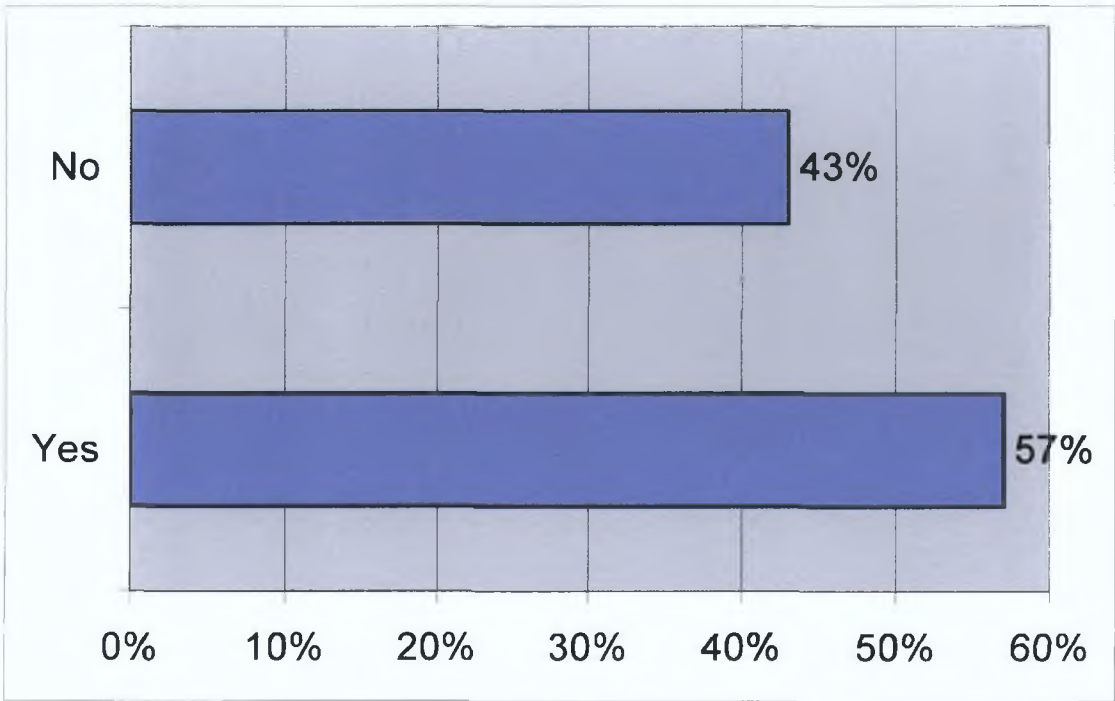
|            |     |
|------------|-----|
| Yes        | 80% |
| No         | 6%  |
| Don't Know | 14% |



The respondents however, believe that the organization entitled to high commitment 80%

19) Do you have a performance appraisal/review system in operation in your organization?

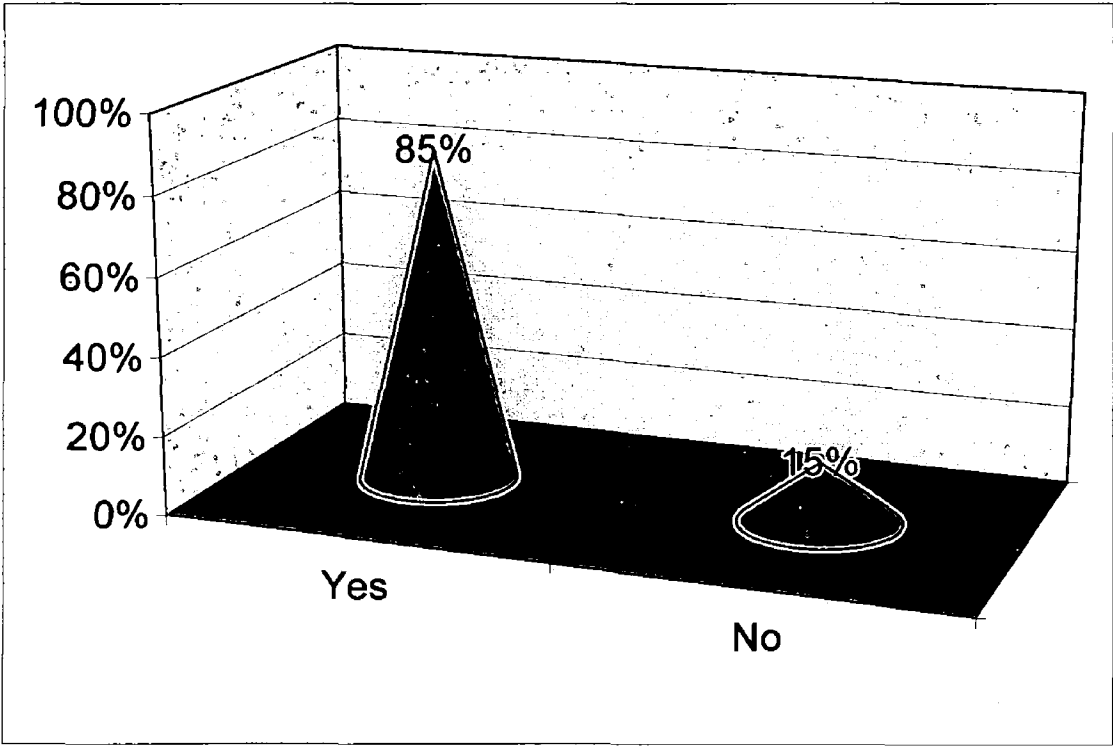
|     |     |
|-----|-----|
| Yes | 57% |
| No  | 43% |



A significant number of companies have no performance review system, again a direct contributor to high turnover rates as empirical research bears out.

20) Do you feel that the performance appraisal/review system is used adequately with regards to those who are not performing to a suitably high standard?

|     |     |
|-----|-----|
| Yes | 85% |
| No  | 15% |

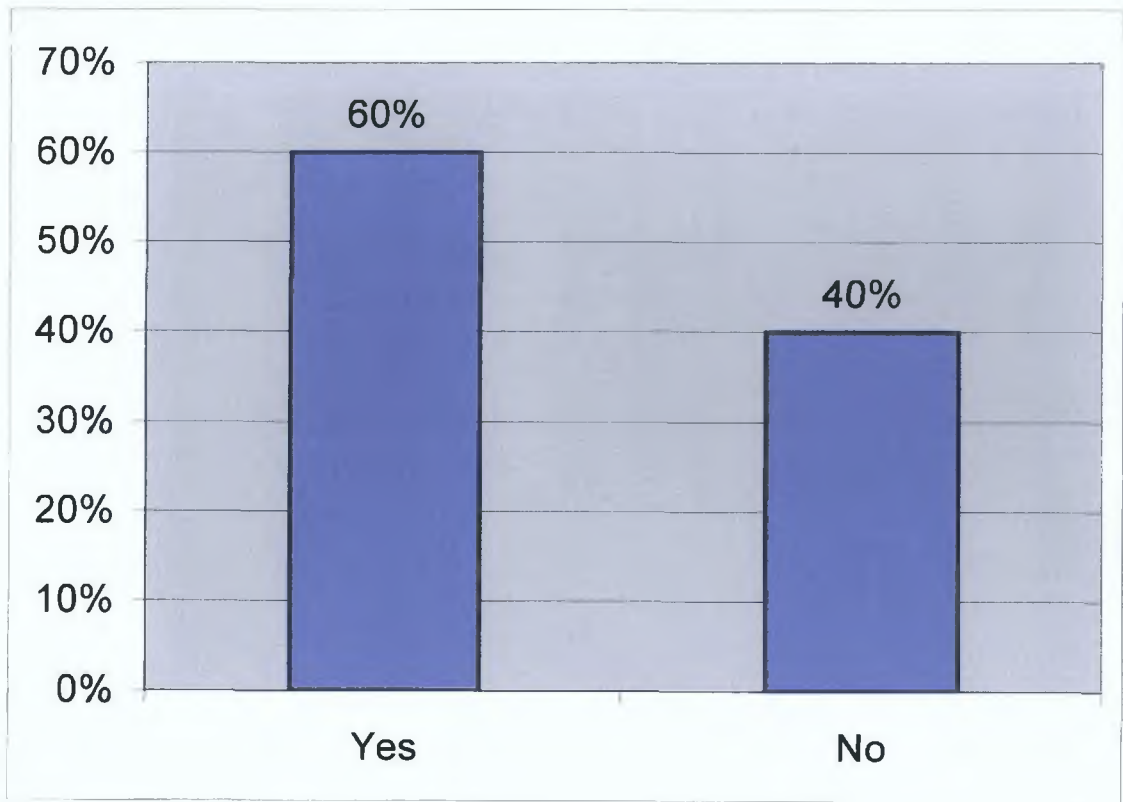


Where the review system is in place the perception is that it is not used adequately. This is a significant finding.



21) Is exceptionally high performance by individuals rewarded?

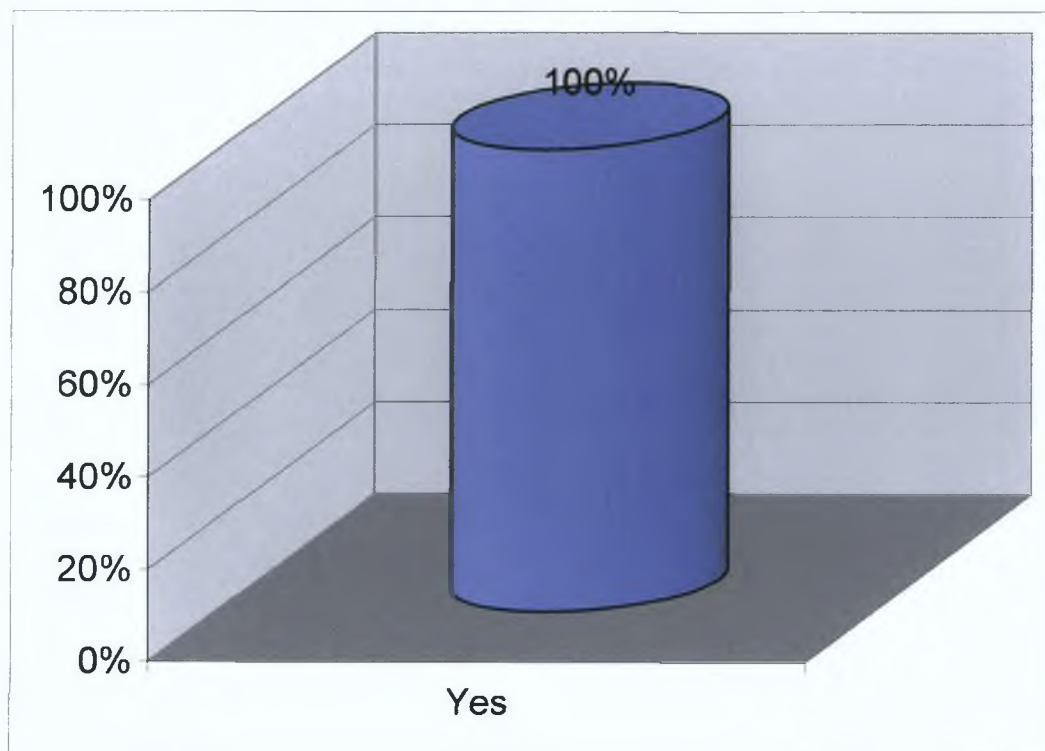
|     |     |
|-----|-----|
| Yes | 60% |
| No  | 40% |



High performance is only rewarded in 60% of organizations, which again will and does lead to Motivation/Commitment/Turnover issues.

22) Do you think a performance appraisal/review system is a worthwhile practice?

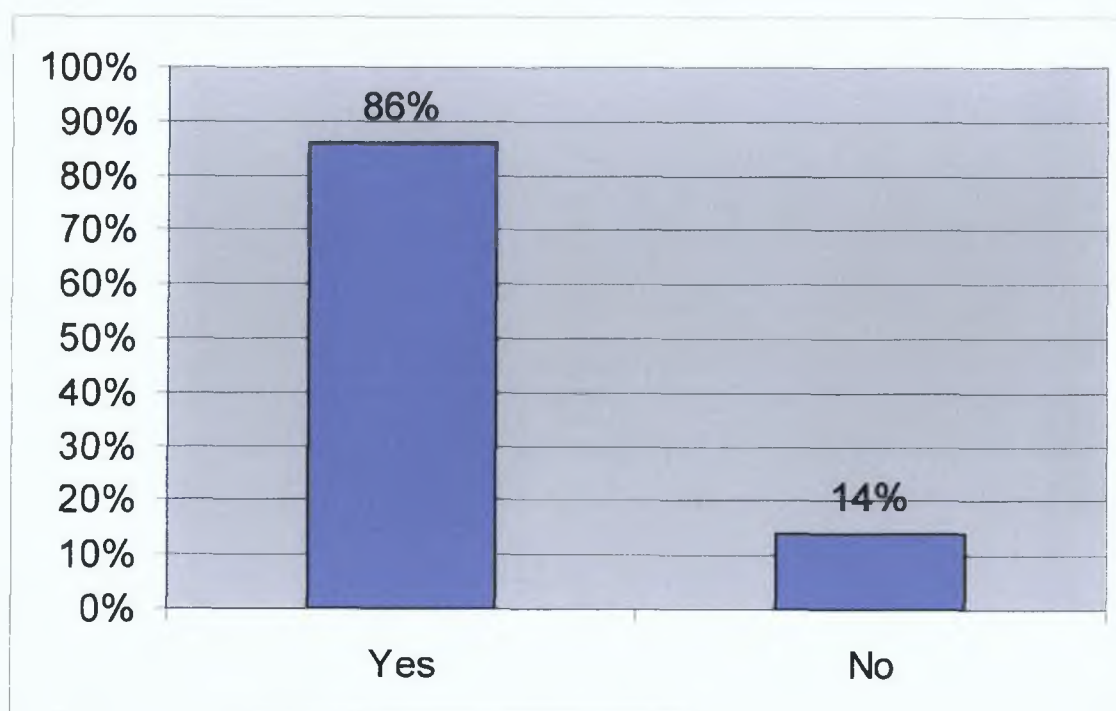
|     |      |
|-----|------|
| Yes | 100% |
|-----|------|



All respondents feel a performance/appraisal system is worthwhile, but could be insignificantly improved.

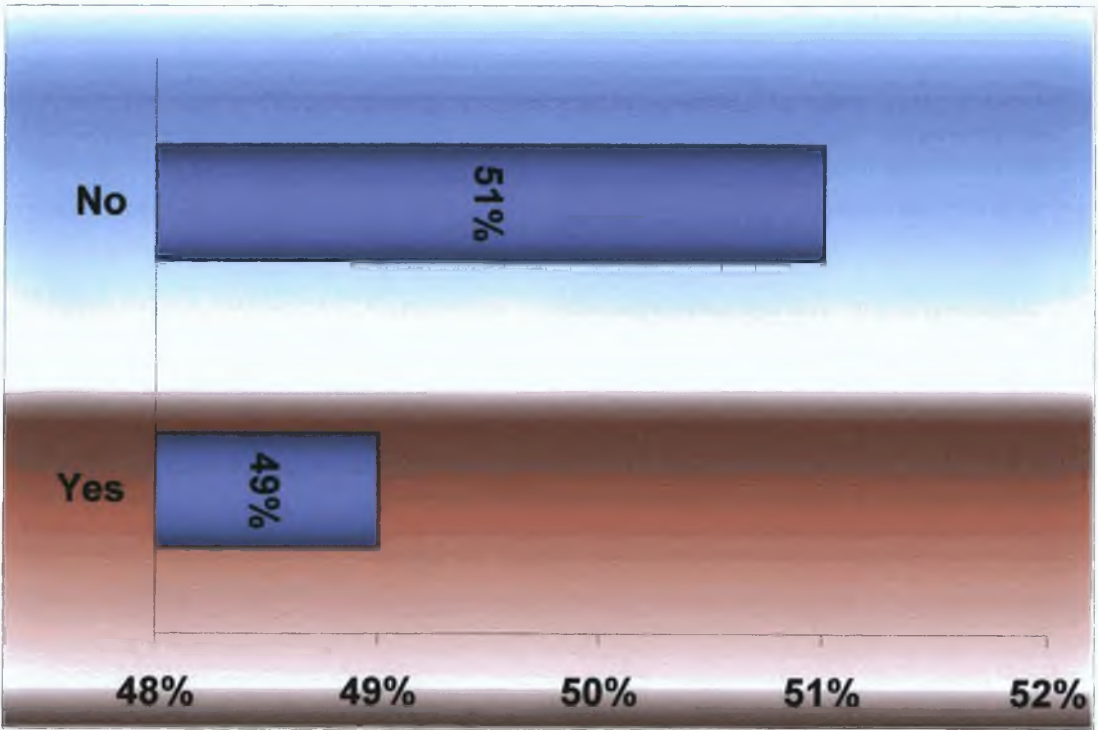
23) Do you feel performance appraisal/review is directly linked to your pay/benefits?

|     |     |
|-----|-----|
| Yes | 86% |
| No  | 14% |



24) Does the present system of communication provide you with a suitable voice to air your views with regards to criticism or praise of the organization?

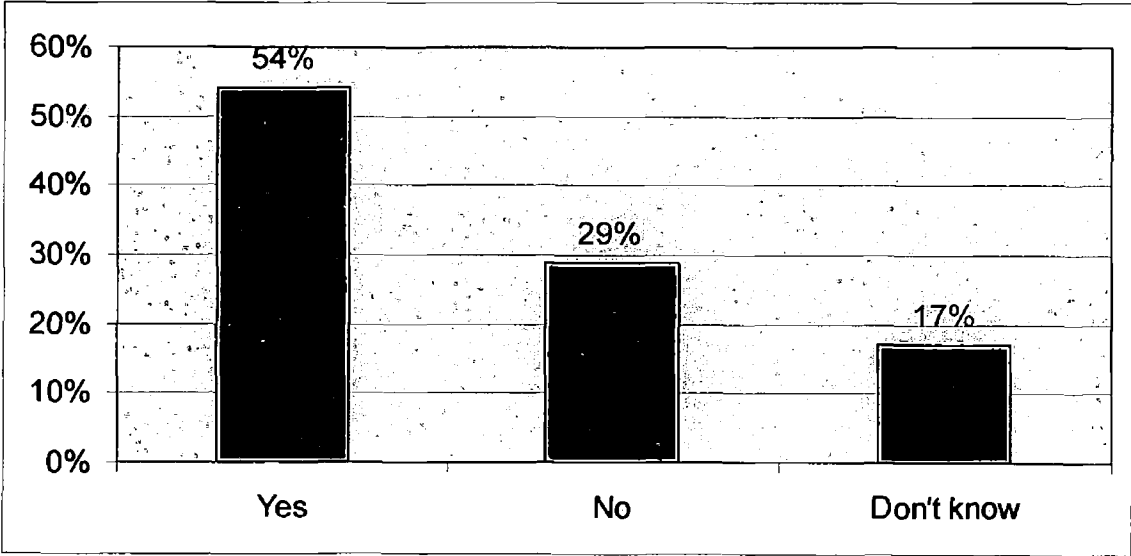
|     |     |
|-----|-----|
| Yes | 49% |
| No  | 51% |



The communication systems are felt to be inadequate for the majority of organizations surveyed.

25) Do you think that the system of communication between management and employee works effectively in achieving an overall clear understanding in your organization?

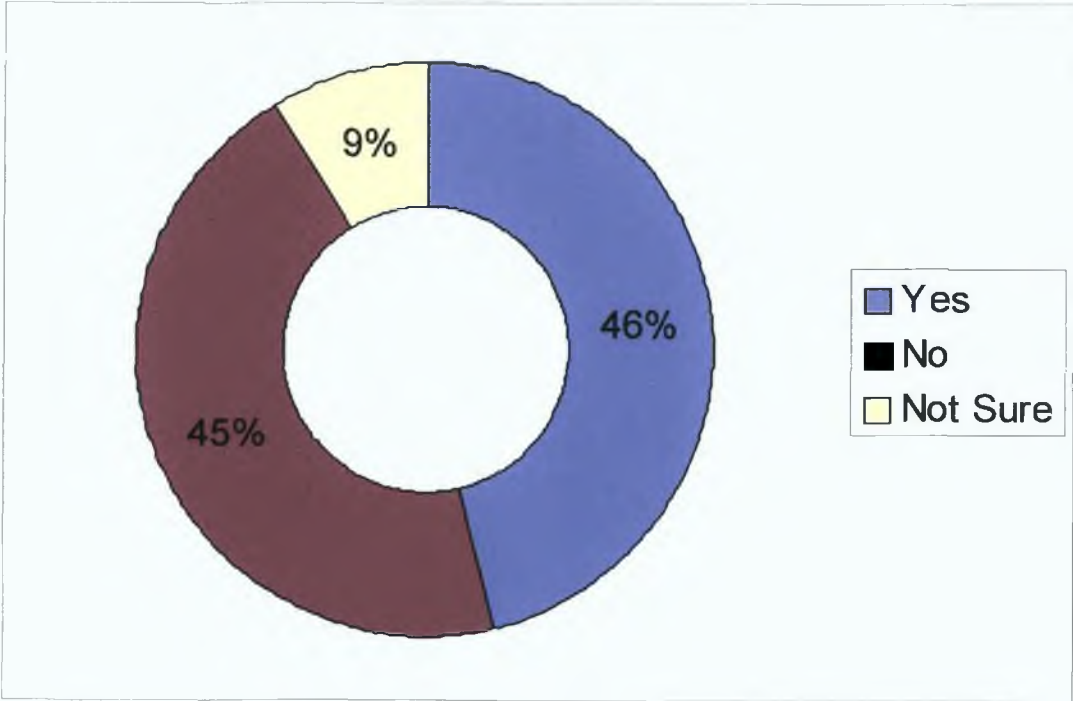
|            |      |
|------------|------|
| Yes        | 54%  |
| No         | 29%  |
| Don't know | 17%  |
| Total      | 100% |



Again poor communication has direct causal link to retention rates.

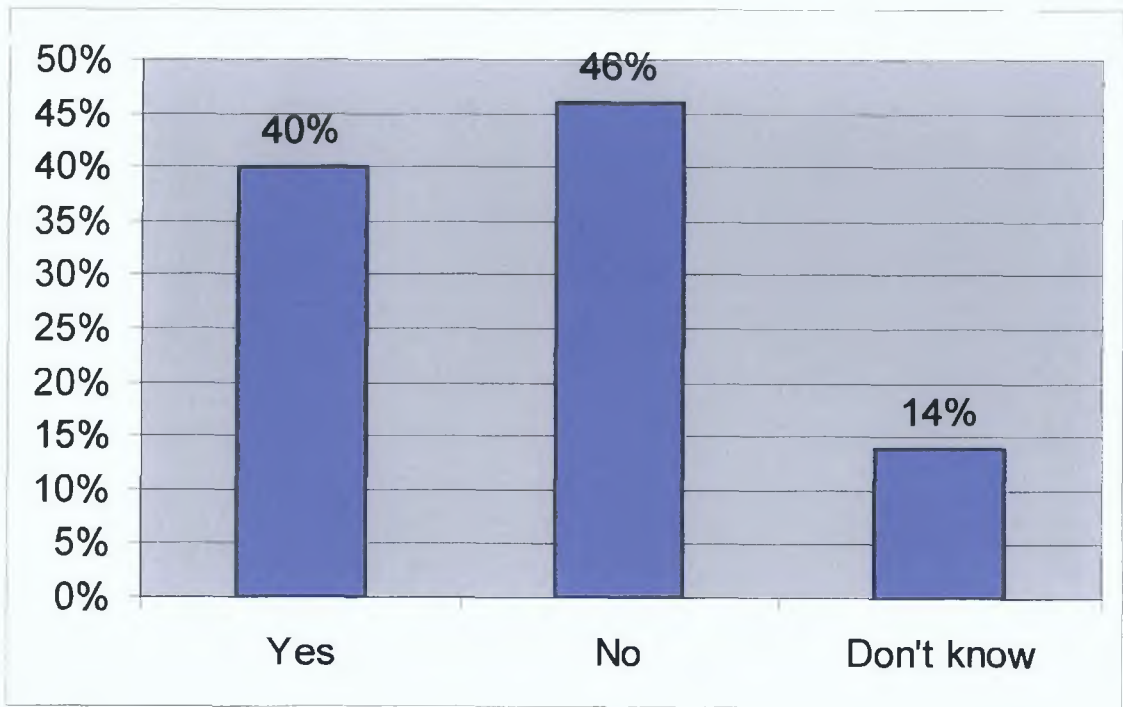
26) Is the communication system effective with regards to the time it takes issues to be solvers?

|          |      |
|----------|------|
| Yes      | 46%  |
| No       | 45%  |
| Not Sure | 9%   |
| Total    | 100% |



27) Do you think there are adequate avenues of advancement/promotion in your organization?

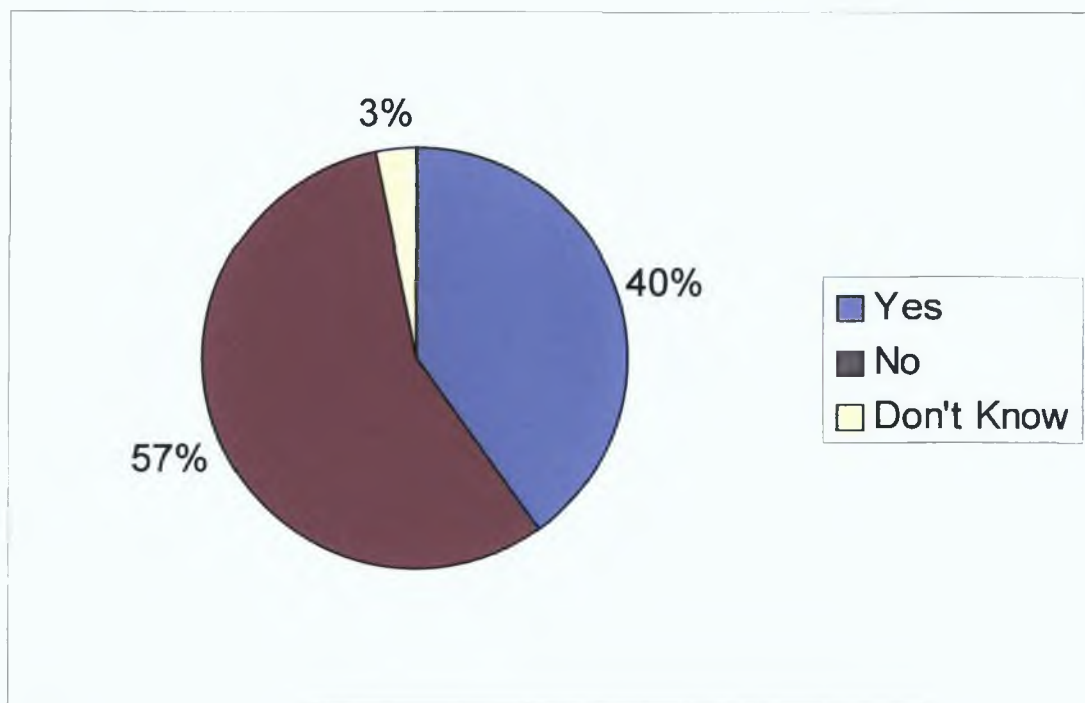
|            |      |
|------------|------|
| Yes        | 40%  |
| No         | 46%  |
| Don't know | 14%  |
| Total      | 100% |



Promotion opportunities, as another key retention tool is inadequate as perceived by the respondents in the survey.

28) Does your job provide opportunities for self-development (e.g. new skills, training courses etc.)?

|            |      |
|------------|------|
| Yes        | 40%  |
| No         | 57%  |
| Don't Know | 3%   |
| Total      | 100% |

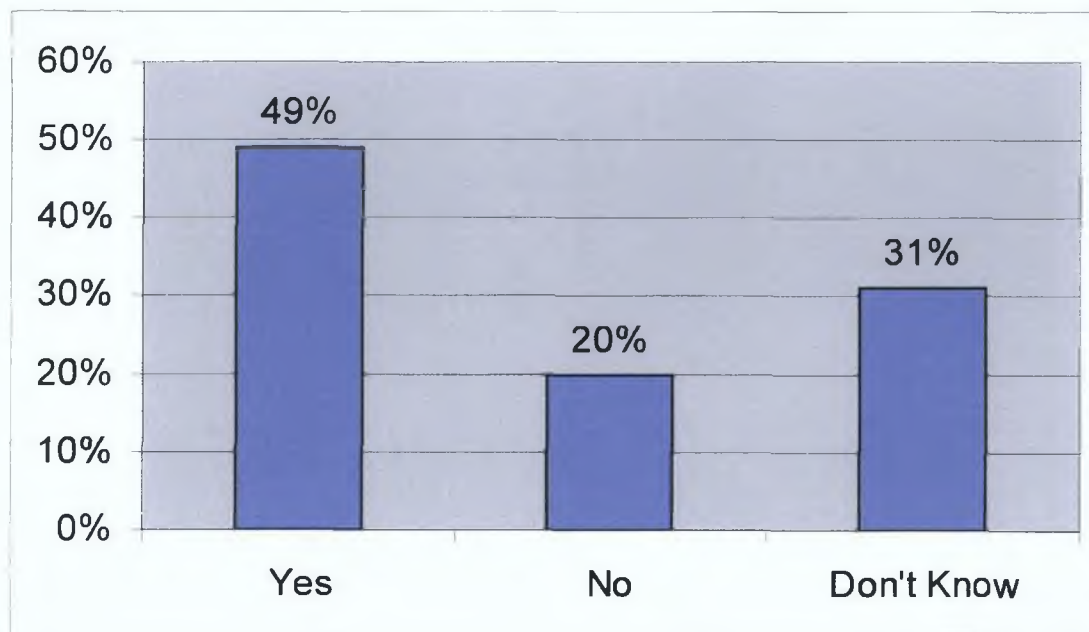


Self-development a critical factor in deciding to stay in an organization is perceived by a majority to be insufficient from an opportunity perspective.



29) Is the concept of individualism/initiative within your field of expertise encouraged or discouraged?

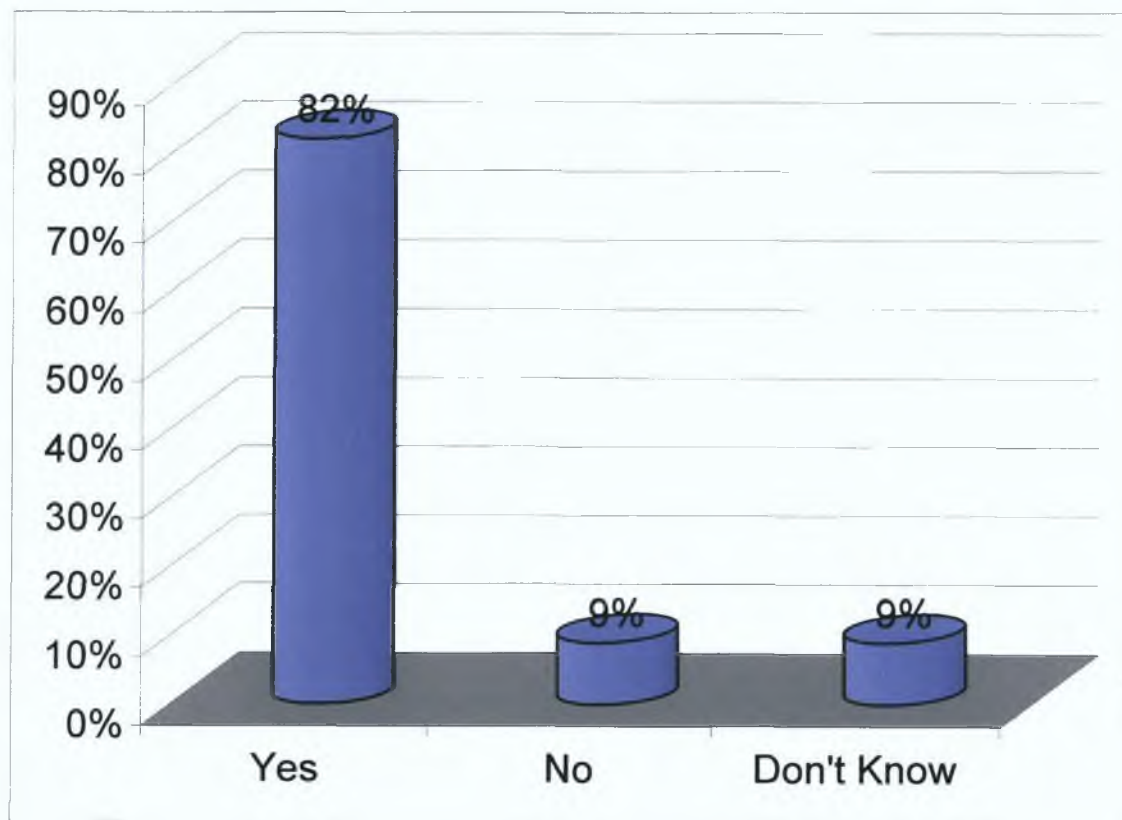
|            |      |
|------------|------|
| Yes        | 49%  |
| No         | 20%  |
| Don't Know | 31%  |
| Total      | 100% |



Autonomy is a variable linked to retention in inconclusive certain section and the results are inconclusive in our survey with approx. 50% being satisfied.

30) Are you proud to work with the organization?

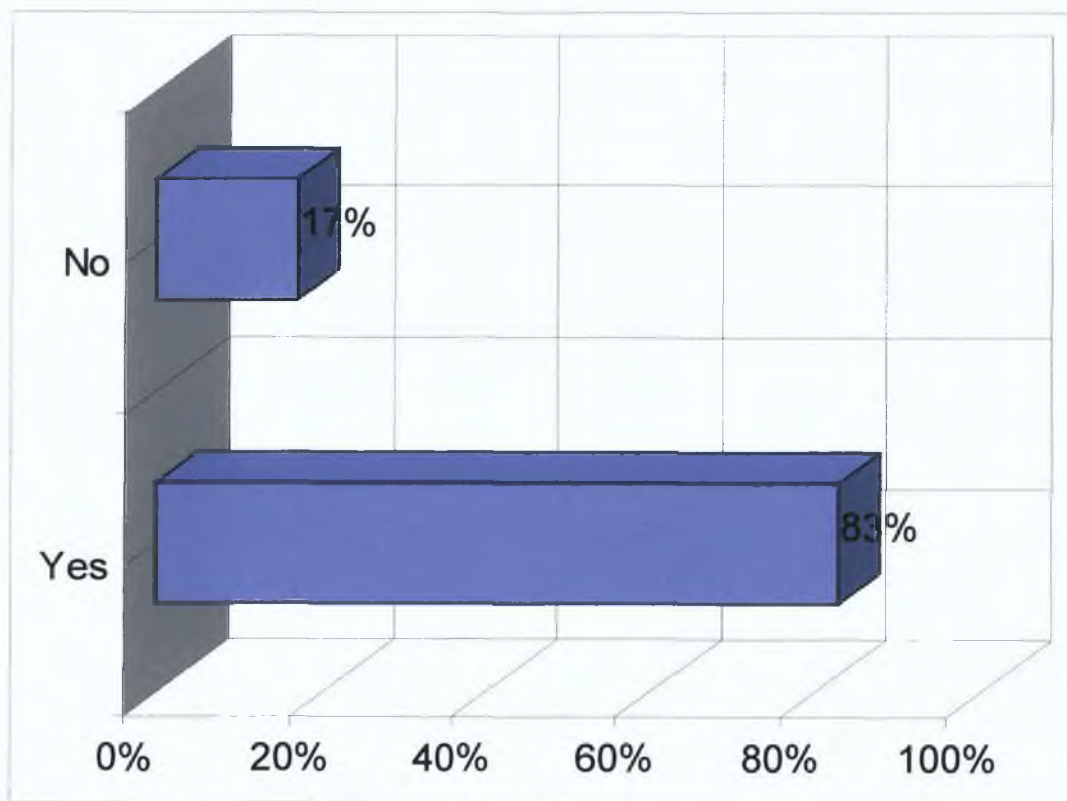
|            |      |
|------------|------|
| Yes        | 82%  |
| No         | 9%   |
| Don't Know | 9%   |
| Total      | 100% |



Pride in working for ones company is high.

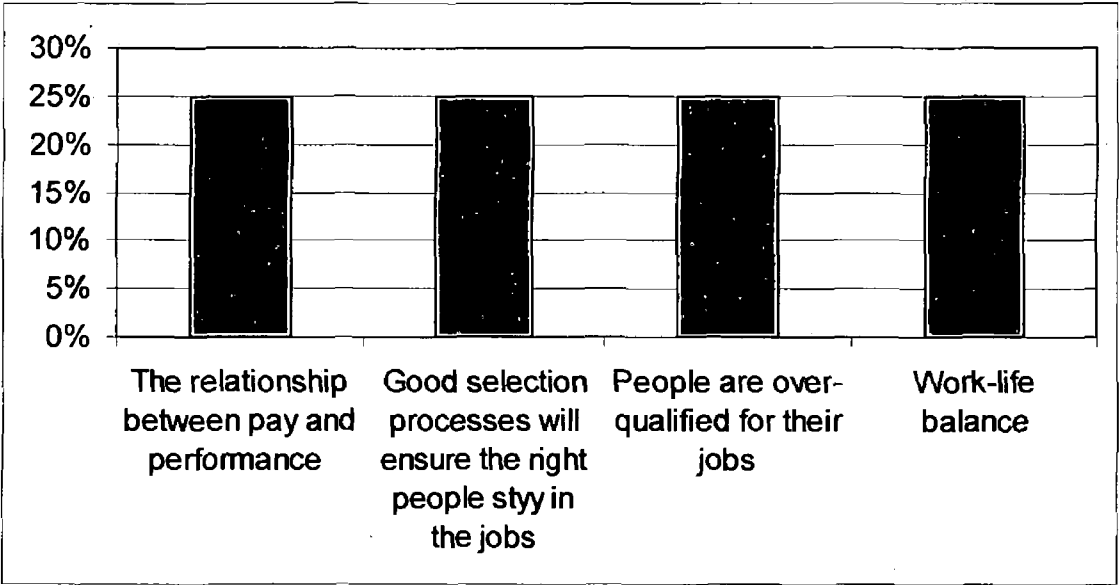
31) If you answered yes to the above question, do you believe this sense of pride is due to the organization's policy to open and direct communication with all employees?

|       |      |
|-------|------|
| Yes   | 83%  |
| No    | 17%  |
| Total | 100% |



32) What do you think the positive effects of how business is run?

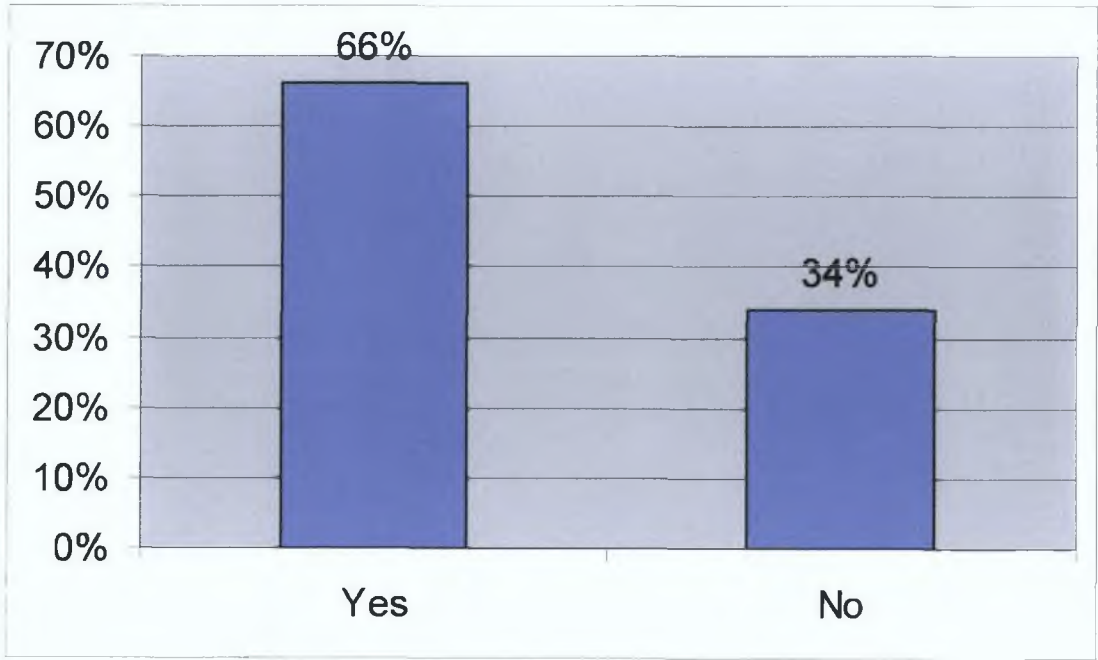
|  |      |
|--|------|
| The relationship between pay and performance                           | 25%  |
| Good selection processes will ensure the right people stay in the jobs | 25%  |
| People are over-qualified for their jobs                               | 25%  |
| Work-life balance  | 25%  |
| Total  | 100% |



You can observe how respondents rated significant factors which contribute to retention strategy in the response to Q.32

33) Do you think that the Human Resource policies are effective in your organization?

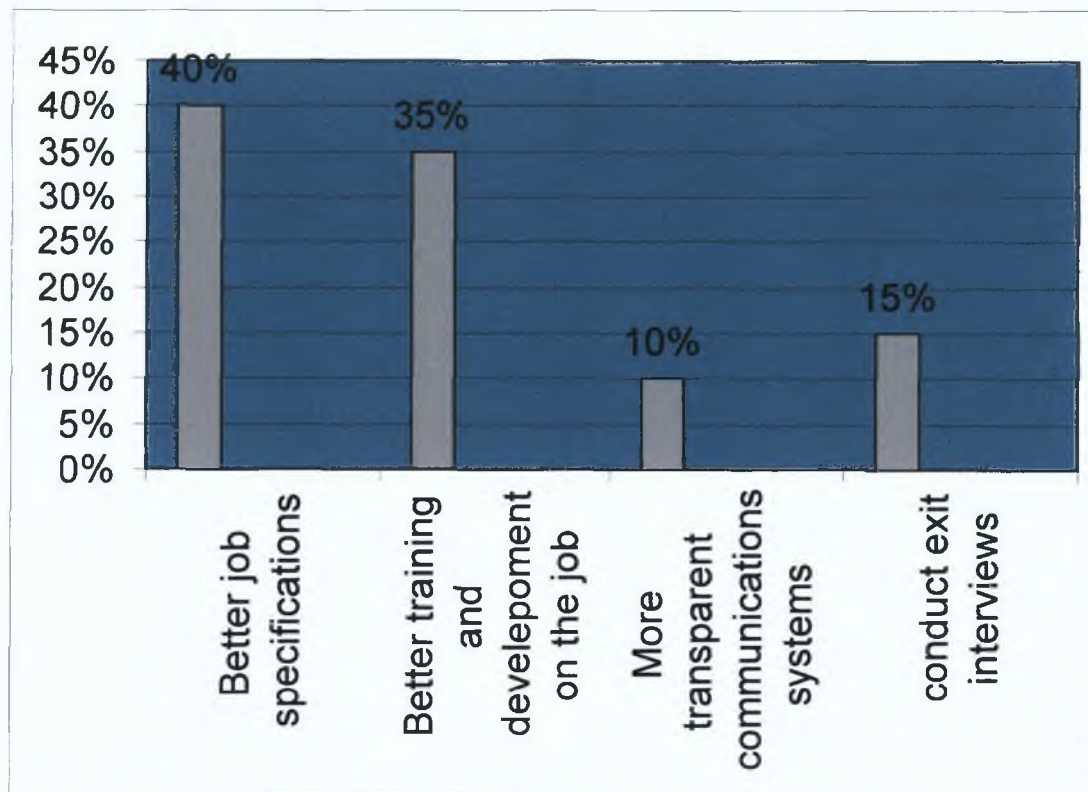
|       |     |
|-------|-----|
| Yes   | 66% |
| No    | 34% |
| Total | 100 |



34% believe the HR functions could also do more in relation to retention strategy

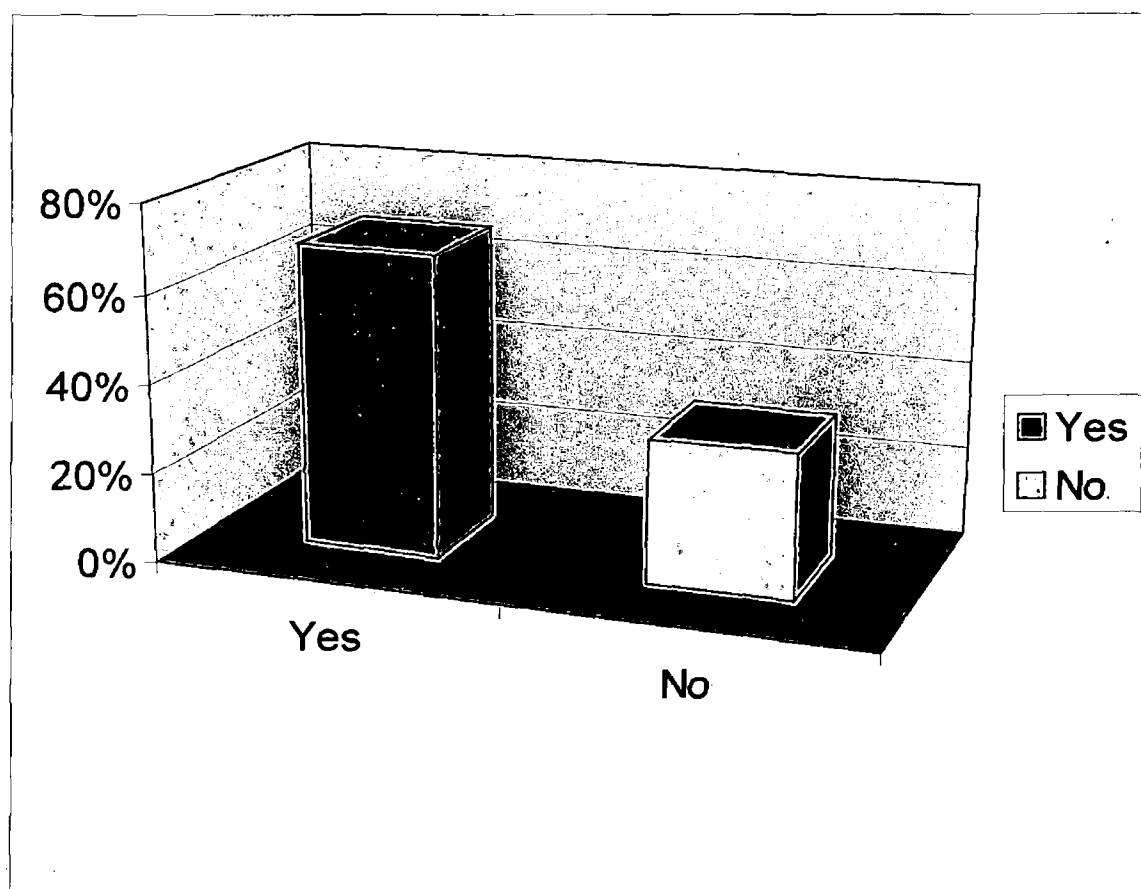
34) What do you think the HR Manager role should be in relation to improving retention rates?

|  |      |
|--|------|
| Better job specifications                  | 40%  |
| Better training and development on the job | 35%  |
| More transparent communications systems    | 10%  |
| Conduct exit interviews                    | 15%  |
| Total                                      | 100% |



35) Do you think "Employee turnover" is a problem in your Organization?

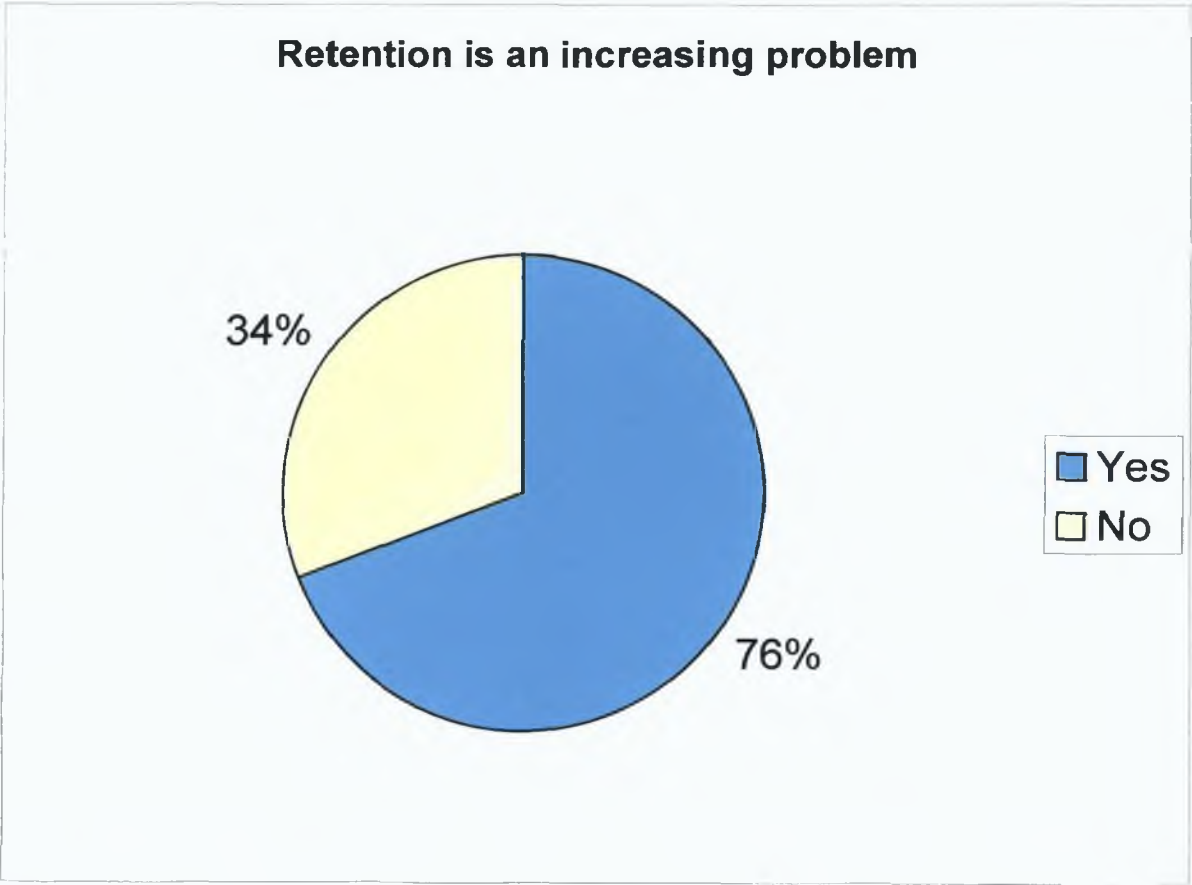
|       |      |
|-------|------|
| Yes   | 68%  |
| No    | 32%  |
| Total | 100% |



About 70% agree that retention is a problem

36) If answered Yes, do you think it is an increasing problem over the last few years?

|       |      |
|-------|------|
| Yes   | 76%  |
| No    | 34%  |
| Total | 100% |

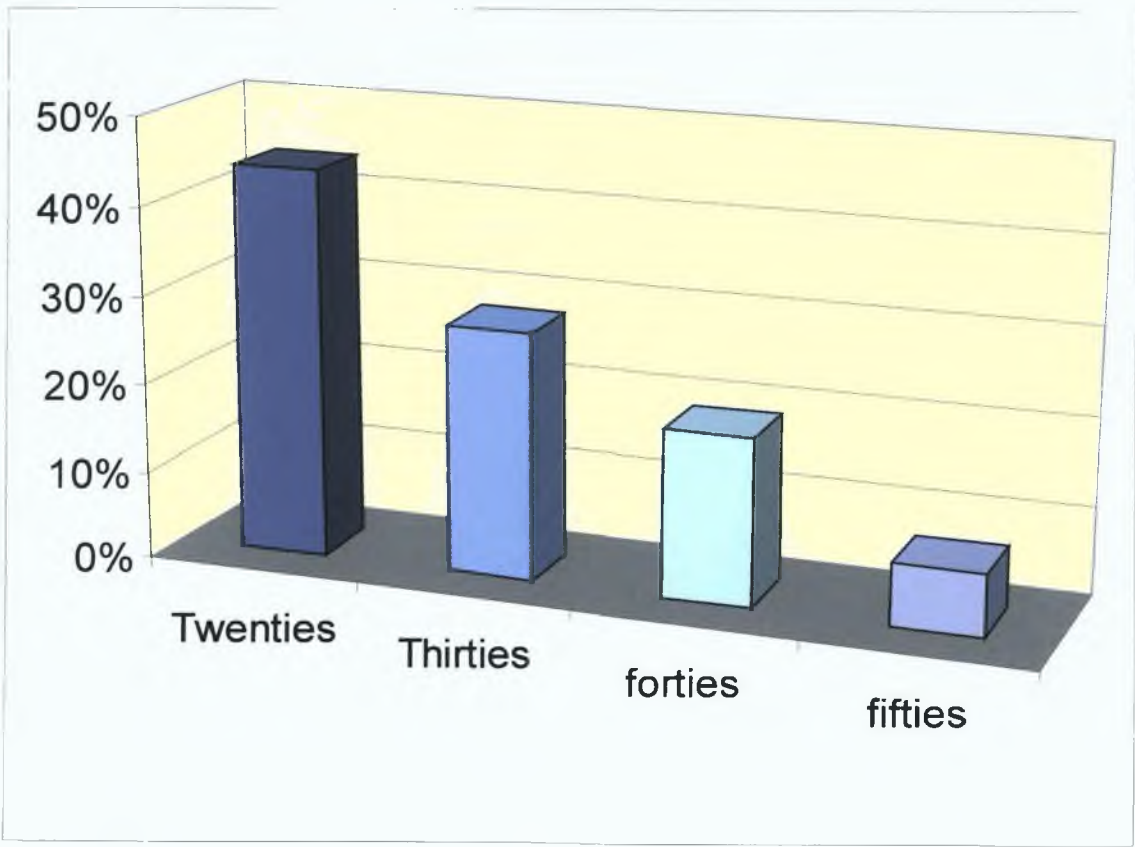


76% feel is getting worse.



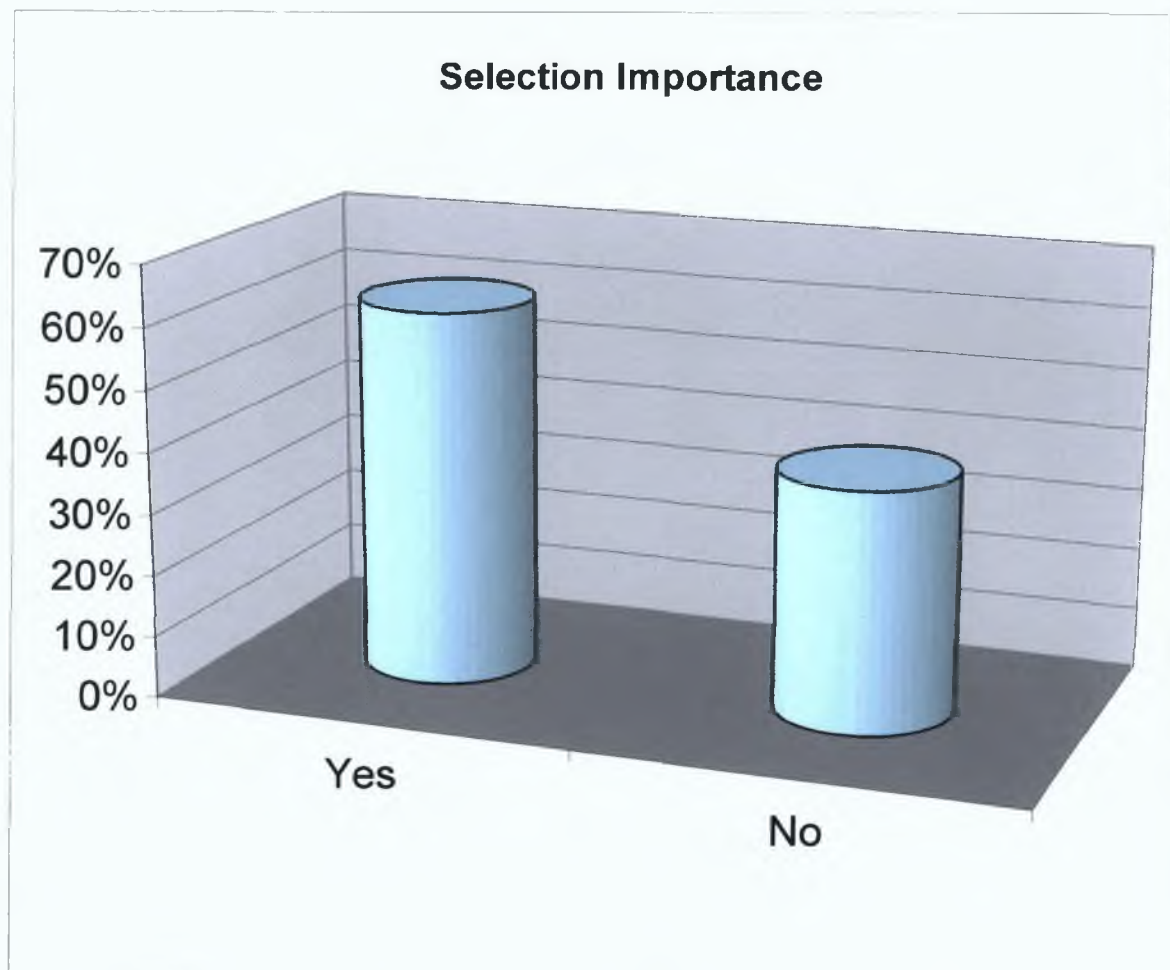
37) Who do you think are the most likely to leave their jobs in terms of age? In other words, what age are employees most likely to leave their jobs?

|                  |      |
|------------------|------|
| Twenties         | 44%  |
| Thirties         | 28%  |
| Forties          | 19%  |
| Fifties and Over | 7%   |
| Total            | 100% |



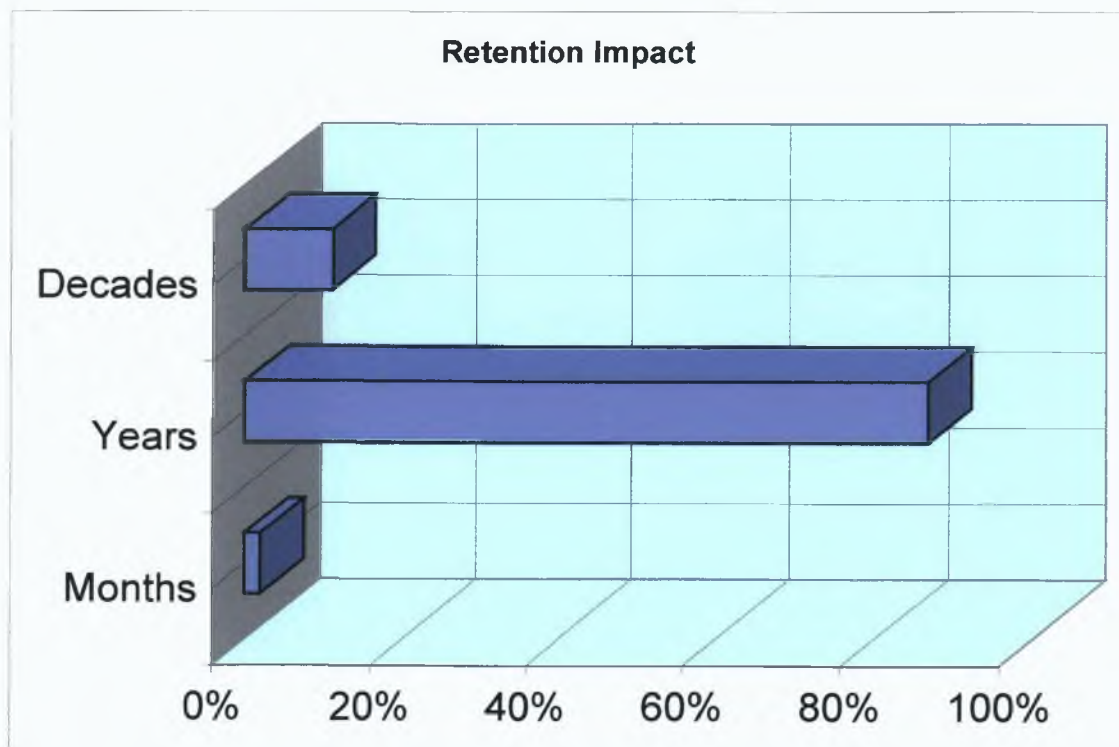
38) Do you consider a comprehensive Selection process as one of the most important factors to hire (recruit) the right people and help keep them?

|       |      |
|-------|------|
| Yes   | 61%  |
| No    | 39%  |
| Total | 100% |



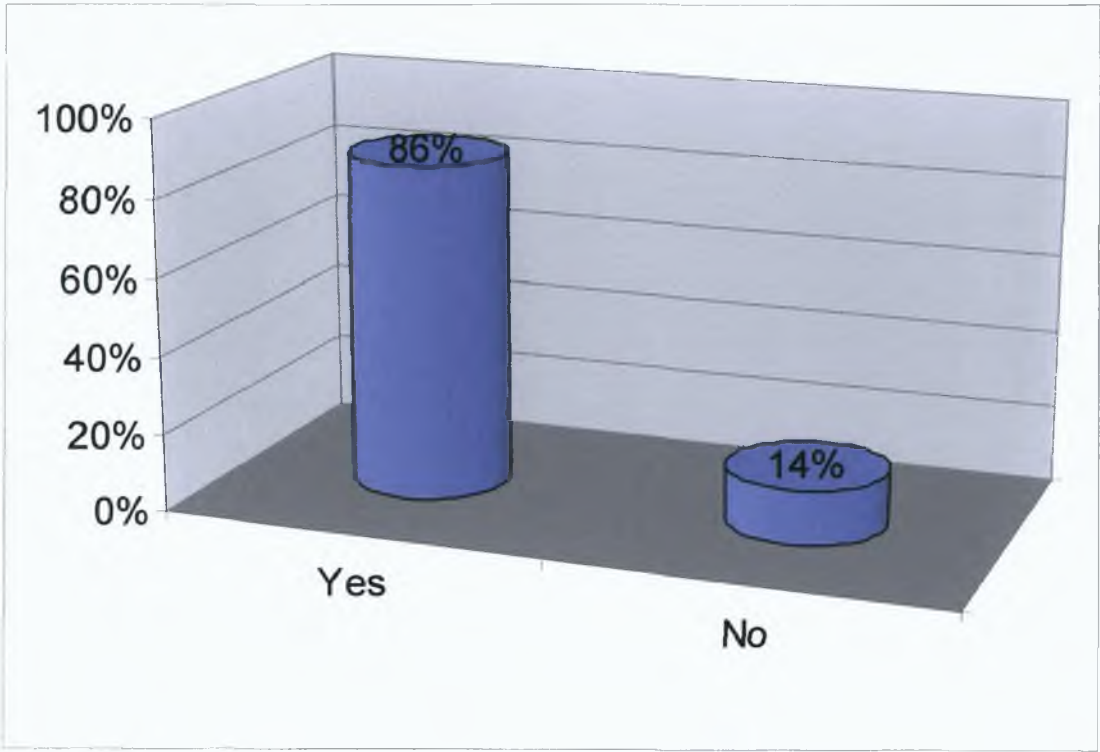
39) Do you think Retention shows its impact in? :

|         |      |
|---------|------|
| Months  | 2%   |
| Years   | 87%  |
| Decades | 11%  |
| Total   | 100% |



40) Would you be willing to participate in a follow up to this survey?

|       |      |
|-------|------|
| Yes   | 86%  |
| No    | 14%  |
| Total | 100% |



## **4.2 Survey results**

### **Turnover is a problem**

When asked if employee turnover is a problem, 68 percent of respondents said yes and seventy six percent of those who said Yes indicated an increasing problem over the last few years. (Questions No.35, 36)

### **Who is most likely to leave**

Seventy two percent revealed that young people in their twenties and thirties are the most likely to leave their jobs. (Question No.37)

### **Retention impact**

Eighty seven percent of those surveyed indicated that Retention shows its impact in years rather than months or decades. (Question No.39)

### **Organization's /employer's influence outside working hours**

More than one-half believe that there is no company influence on their life outside working hours and forty three percent indicate that it does have its effect on their personal lives. We can conclude from this that they

are concerned about work and how it fits into their lives.  
(Question No.4)

**Responsibility in decision-making and communication system**

Eighty nine percent of respondents felt that management should give away some responsibility in decision making to the lower level management, which creates a good work environment (Question No.5). Whilst the majority (66%) of respondents think there are too many levels in their organization thirty four percent do not think so. (Question No.6)

94 percent of the people surveyed indicated there is a perception of "them and us" in the work environment showing the gap between the Employer/Employee and the lack of effective communication system and desirable work culture.  
(Question.NO.9)

Less than fifty percent surveyed indicated that the communication system provided them with a suitable way to air their views and over fifty percent did not feel so.  
(Question No.24)

54 % of HR managers think the communication system between management and employee works effectively and only 29% do not think so. (Question No.25)

When asked to indicate whether they were proud to work with their company or not, 82 percent said yes.(Question No.30) and when who said yes asked about the organization policy on open and direct communication with all employees, 83 % replied yes. That means an effective communication system is an important aspect in creating good work environment. (Question No.31)

#### **Working environment and working relationships**

86% surveyed indicted that they would not feel better in their working relationships if management were Irish. On the other hand just 14 % would feel better. This gives an indication of the importance of culture and relationships throughout the organization. (Question No.2) But in our case it is not a significant retention issue.

**Better job specifications and training/development** on their job head the list of the HR manager roles (Question No.34). This is very significant and consistent with all major research on reasons why people stay or leave companies.

Surprisingly, 100 percent of those surveyed when asked about their perception of equality of opportunity among the workforce believed that, because of the culture and values of the organization this is not a significant issue one way or the other in the decision making process of why people leave (Question No.8). Other research would seem to suggest that if status or equality was an issue then people leave. Perhaps it is an indication of the fact that true equality exists in the companies surveyed.

#### **The importance of the selection process**

Sixty one percent agree that professional selection procedures are very important to recruit/ hire the right people (Question No.38). Furthermore when such a system exists it significantly reduces staff turnover.

#### **Pay and benefits**

When asked to rate pay/benefits compared to other companies, only 43 percent were happy, 14% were fulfilled and 43% felt worse off. (Question No.14) Pay and benefits have a significant influence on staff turnover.

About 65% of respondents rated morale from excellent to ok. In contrast 25 percent rated morale as bad and very bad,



this shows the importance of working environments relationships and pay/benefits (Question No.15).

The link between morale and Pay/benefits seems very strong and 100 percent of respondents replied yes when asked if there was a direct link between morale and Pay/benefits. (Question No.16)

One of the important factors in turnover is an increasing problem.

An important finding in this research is that Retention shows its impact in years according to this research survey, but also in terms of costs and profitability from our research of the literature on the subject.

Another important result is the relevance of Culture, Working environment, Working relationships, Selection processes and effective communication system.

All are significant contributors to an effective or ineffective retention management strategy.

The survey found a strong and clear relationship between an effective communication system and the creation of a good work-environment.

This researcher believes that our evidence is consistent with that of other research in the area. Particularly in Irish companies where poor selection practices occur, where there is poor communication, bad relationships no clear culture. Retention becomes an increasing and expensive problem.

Good pay and benefits career- opportunities human resource development and autonomy are all key factors in retaining the right people.

# **Chapter Five**

## **Conclusion and Recommendations**

The study concludes that turnover is an increasing problem and very costly.

Retention is a lead indicator that does not show its impact quickly in months but often takes years.

Organizations in Ireland are more likely to focus on immediate needs instead of the long-term ones.

Employees have different priorities. Young people are less likely to stay longer in one organization than in the past.

The other important finding of this research is that despite the importance of compensation and pay/benefits, employees are more concerned with the level of fulfillment they get from their jobs. In other words, they care about their work and how it fits into their lives.

Employees also feel that working with an understanding supervisor or manager in a co-operative and trusting work environment with an effective communication system is important.

The first recommendation is that organizations should focus on the Selection Process, as well as training and retention

strategies to ensure that the people they select and hire are the right people.

In my experience, and based on other survey results, training and employee career development are the most effective techniques for retaining employees in general and IT employees in particular.

Another important recommendation is that organizations must enhance employees's skills so that they are able to accomplish any tasks that may arise as a result of another employee's absence or leaving. In other words, HRM and HRD should provide the necessary training and career development to make and hold multi-skilled employees.

Based on my research, I will now summarize why employees leave and why they stay and make appropriate recommendations:

#### **Why employees leave and why they stay**

No less than eight major studies on employee Retention have been completed, each purporting to identify the "...top five reasons why employees leave. "The results of these studies vary. Some indicate that 'work content" is the most important drive of Retention. Others point to supervisor behavior, trust in senior management, work/life balance, and career opportunity. Pay and benefits were never listed

first, but they were among the top five reasons for Turnover.

Employees depart because their current employment proposition-some mixture of tangibles (pay and benefits) and intangibles (supervisor relationship, work/life balance, work content, career paths, trust in senior management)- is unsatisfactory. To join another organization, you have to understand your unique employment proposition, and how it fits with the needs of your specific workforce.

Best practice organizations treat employee Retention as a strategic problem. These organizations have developed the employment proposition best suited to the purpose of identifying the skills and competencies their employees need to be successful and the best ways to retain those employees. The resources of the organization, ranging from the executive team, HR, employee communications, PR, the management, and even accountants, are teamed together to tackle the issue cooperatively. In a few extreme cases, the firm appoints a Retention czar (not always a traditional HR person) to lead the change, coordinating and focusing efforts. Thus HR professionals do not act alone, but rather become members of a cross-functional team, attempting to

create that right mix of tangibles (pay and benefits) and intangibles that will attract and retain a high performance work force. (Devine, B. 2001)

### **Successful factors for retaining staff**

In order to retain people, a company must satisfy three basic groups of conditions:

- Things that satisfy people such as proper compensation, adequate job scope, met expectations, and acceptable stress levels.
- Things that create commitment such as a sense of justice and fairness, employment security, a belief that the job held is valuable and useful, and a belief that the company invests in its people.
- The labor market also has its own influence on employee's decisions to leave or stay

It is obvious in today's highly competitive market for information systems professionals.. For example, that the market has a powerful influence on employee decisions to stay or leave. Yet, we find that in many cases these

professionals cannot be lured away by money or any single factor because the company they currently work for meets most of the conditions in the three groups mentioned.

What is important here is that no single factor in and of itself is decisive in causing turnover or retention. Like so many other things in life, it is the systematic effect of several factors that leads to a final decision.

Another argument is that selection is linked to retention and that if we could only choose the right people from the start we would have much less turnover.

[http://www.giresources.com/human\\_cap/retention.htm](http://www.giresources.com/human_cap/retention.htm)

The top three factors in retaining staff are:

1. Career progress
2. Monetary rewards based on company performance
3. Modernism and risk

The high score for modernization and risk may be a idiosyncrasy of high-tech professionals, but if those are the kinds of people one wants to retain, you have to give them leading edge coursework.

## 1) Career Development as a Preservation Tool

Internal career development programmes are demonstrating to be critical in the retaining of valued employees even though they concurrently make sure that there is greater control over the succession arrangement process.

Preservation studies point out that individuals have a propensity to stay longer where they are experiencing personal and specialized growth. Employers who vigorously partner with their employees aligning careers course with company objectives are realizing improved retention rates. Employees energetically involved in their personal progress report are more contented with their work and are apt to stay longer with the organization.

Career development and progression planning synergy creates more contented and more creative employees in a growth inclined company. The organization experiences constructive bottom line outcome while preparing for future business requirements based on common corporate and individual augmentation. The continuing business policy integrate retention and progression planning as part of the systemic configuration. Interior career development, training initiatives, mentoring, education, assessment, annual



appraisal, and orientation plan are importantly connected to organizational objectives. The result is a practical process that time after time addresses the corporate necessities for finding, keeping and inserting talent in key positions.

Raymond defines development as "formal education, job experiences, relationships, and assessments of personality and abilities that help employees prepare for the future" on the other hand "training is focused on helping improve employees' performance in their current jobs".

### **Case for Career Development and Progression Planning Synergies**

Observing career development in combination with progression planning supply the organization and the individual with what is wanted and sought after by both employer and employee. Each side of the equation perceives a mutual and equivalent victory.

The conventional career lane of yesterday defined a point-to-point succession that targeted a selected some for precise leadership spots. Career management pathing programs normally worked because the atmosphere was more stationary, jobs more steady, and employees were faithful and more associated to their organization. These conditions

do not explain today's world of work. Job leaping, career changing, unpredictable industries and uneven work environments are now a way of organizational life. The contracts between employer and employee have considerably changed.

When employees recognize what the organization needs and how their personal career ambitions fit into the large plan, a new contract builds up. When companies share the corporate aspiration with their employees beyond plaques on the wall, inner business partners are produced who have a vested interest in the achievement of the organization. The two way information stream permit employer and employee consciousness of what is wanted and considered necessary from each other.

Mutual prospects are understandable, Companies know where they want strong players, and employees are practically aware of how they fit into the corporations' bench strength provisions. The corporate conversation is continuing as to whether or not an individual is measured a possible player, and whether or not that person should be, or wants to be part of the game.

The tense job market entails imaginative solutions to progression challenges that normally subsist in a company, but are now developing into gigantic magnitudes. Progression scheduling is becoming a major victim in the retention theatre. Organizations need to plan even more than ever before for their prospective brain-power needs.

### **Commence with a Role Criticality Process**

A place to start this type of tactic is for the organization to describe its progression planning process more generally to include all the serious roles existing now, needed before long, and necessary in the future.

Each position in each department throughout the organization is investigated for its purpose and significance in the company. Every individual is assessed for his or her sole retention hazard. A company wants to know if the risk is high or low for losing an important person who is wanted by the organization. Once momentous roles and accessibility of critical people are evaluated, a corporate wide diagram of action is built-up. The role criticality questions include:

- What positions are required now, and as we plan for the future?

- Who do we require to retain and expand for current and projected needs?
- What is planned for needless roles?
- What is our approach for persons who are not doing fine, but can be trained to develop?
- What will we do with persons who are in a serious role, are at a small risk of leaving, but for performance reasons need to leave the organization?

Perceptibly, the support and participation of top management is compulsory. HR or any other single department cannot be unaccompanied champions. A wide ranging process wants the total buy-in of the executive squad to lead the organization. The idea is simple, but involves a promise to corporate and individual enlargement by employer and employee.

An observable starting place is to start with a plan that is already in place and construct from there. It is a practicable line of attack that makes use of the corporate business plan. It is analogous to the company ambitions and objectives with an employee's individual career sketch.

Conventionally, the corporate business plan is cautiously crafted and hardly ever conversed with anyone away from

management. Reasonably so since most often the plan's numbers are used for forecasting financing initiatives.

Top-level management and department heads possibly had considerable input into them. Since substantial time, contemplation and planning energy has gone into the formation of these plans, it makes common sense to expand their use to address the ever-increasing need for talent in an organization.

When suitable subdivisions of the corporate business plan are common with employees, these individuals comprehend their role in the successful accomplishment of the plan. It does not promise that employees understand everything they desire, when they want it, and why they want it. That is impractical, and not the way it works. The thought is to use the corporate business plan as the steering gadget, and give confidence to employees to realize themselves sufficiently to know where they fit in and when.

The truth is that many of today's employee's function under the supposition that the company cares first and foremost about the bottom line. There has surely been enough proof of non-caring corporate conduct with all the downscaling, rightsizing, and reorganization experienced since the mid-

eighties. These employees observe themselves as more of a corporate free mediator, and perform accordingly. They want and will have control over their careers. Rather than respond unenthusiastically to employee's take-charge attitude, management should take advantage of it.

Organizational leaders can influence the investment they made in a business plan formation through the synergy of linking it to progression planning and internal career development.

#### **How it works**

Articulate an Individual Career Plan to Parallel the Company Plan. Employees are introduced to the corporate business plan. They learn that the company business arrangement is a selling document. It guides an organization through an authenticity check from description of its product to the course it wants to go in the future. The plan elucidates what a company has to proffer the marketplace. It sketches how it will package, price, endorse and dispense its product or services. It explains the talent needed to deliver its product or service.

The employee evaluates what he or she desires to do in relation to what is at present, and will be obtainable in

the future of the organization. Individual accountability is encouraged. Management participation is critical.

Companies' profit when they give confidence to employees to become capitalist about their careers. This type of employee is called a Careerpreneur for the reason that the individual presupposes the primary charge for development and progress. He or she appreciates what it means to be a high-ticket item who desires to provide a cherished service within their company. They are clear that even as they are chiefly accountable for their career, partnering with their company is also important. These people transport significance and value to themselves and to their organization.

For an employee to turn out to be authentically invested in an organization's plan the person needs to be aware of not only what the company needs to accomplish, but also be exact about what they presently have to tender, and what they want to attain in the future. This is where the equivalent process of internal career expansion comes into play.

### **Instigate with corporate and self-assessment**

An interior career development programme commences with appraisal. The organization wants to empathize what it is all about. The employees inside the organization need to understand what they are all about. The constituent parts need to be acquainted with how it all fits together.

Organizational appraisal unavoidably starts at the top with senior management and other main stakeholders. It goes further than considerate understanding and clear expression of the corporate plan. It engrosses designing a complete process in which all things sustain and fit with each other. The apparatus necessary for organizational understanding are total knowledge of: reason, direction, monetary objectives, tactics, arrangement, management, outside, inside issues and its traditions.

- **REASON:** What is the company mission, its reason to be in existence?

- **DIRECTION:** What are the short and long-term goals that provide a steady direction for the organization, allowing it to realize its purpose?



- **MONETARY OBJECTIVES:** What are the metrics that need to be studied, anticipated and met for the organization to realize its long-term maintainability?

- **TACTICS:** What are the procedures and resources that distinguish the organization and give it its competitive edge in the marketplace?

- **ARRANGEMENT:** What are all the systems, procedures, guiding principles and procedures within the organization that bolster the business strategy?

- **MANAGEMENT:** What are the abilities, manner and approach its leaders have to communicate, administrate and interface with other members of the organization?

- **OUTSIDE ISSUES:** What is going on in the atmosphere that creates prospects or intimidation that could positively or negatively influence the strategy?

- **INSIDE ISSUES:** What might, limit, core competencies and resources, what is deficient within the organization?

- **TRADITIONS:** How are things done, and who and what actually matters in this organization?

When these thoughts and objectives are totally understood, employees are then directed through a programme in which they describe their abilities, morals, strengths,

interests, learning, knowledge, experience, natural resources, developmental gaps, objectives and other parts of the puzzle that make up the individual person.

- **ABILITIES:** What skills have you built-up and used in the past that you enjoy employing, and want to offer this organization in the prospective work?

- **MORALS:** Where and how do you burn up your time, energy and money?

- **STRENGTHS:** What portray the exclusive essence of you that goes to the heart of your know-how and distinguish those abilities that have the highest expertise?

- **INTERESTS:** What is and has been straightforward fun and provides you a measurement of excitement in work life?

- **LEARNING:** What are the formal and informal learning chances that have shaped your assessment process to be what it is today?

- **KNOWLEDGE:** What are the astringent and saccharine things that have occurred in your life that make a difference to what it means to be you?

- **EXPERIENCE:** Where have you been, and what extraordinary things have you seen and done?

- **NATURAL RESOURCES:** What works for or against you by virtue of the way you appear.

- **DEVELOPMENTAL GAPS:** What is missing in your personal and specialized growth?

- **OBJECTIVES:** What do you want out of life and wish to be remembered for by the people you think about?

Exclusively, individual morals and goals are scrutinized and contrasted to the corporate culture and organizational ambitions. For the synergy to happen most effectively, management wants to be aware of the basic suppositions, values, standards and artifacts that subsist in the organization. The result of the assessment stage is corporate and self-awareness.

#### A Practicable System that Grows, Grooms and Keeps Employees

By paralleling self-assessment to the corporate business arrangement, employees gain simplicity about the organizational traditions, goals, strategy and organization. It becomes clearer how and where they fit in, and they can after that know if what they are doing is what they want to do. Bosses stay on top of and in touch with the human resources that are at present available, what

each person offers, and they will also know when employees are ready for a reciprocally advantageous move within the organization.

Given that individuals are aligning themselves to conditions where they will rise and develop, it makes sense for the organization to be part of that development. It is an effectual and efficient process once in place. Managers work with their unswerving reports on an on-going basis to manage joint prospects and company realities.

The overworked cliché the "win-win proposition," works fine here. When these tactics are put into practice, companies grow, groom and keep the people they need, for what they need and when they need them. Employees are better-off making responsible career selection. Communal commitment is elevated. The preliminary investment requires management's devotion to align corporate structures and tactics to embrace an internal career maturity program. The stakes are high, but more than worth the attempt. Because good employees hang about longer in this type of situation, retention and consequently progression planning becomes a reality and an almost unquantifiable advantage.

## **2) Monetary rewards based on company performance**

Receiving more out of employees is necessary in today's economy. Companies are doing more with less. Employees are likely to learn at a quicker rate and donate to the success of the organization every day. Finding ways to recompense employees who are provoked to constantly improve their performance and to take possession of the results they produce is key to a company's future.

"Reward systems are not merely compensation or recognition programmes. They are processes that translate strategic goals and values into actions and define how people will be reinforced for these actions," says Thomas B. Wilson, author of Rewards That Drive High Performance. **(Wilson, 1999)**

There are scores of assorted categories of achievements significantly distinguishable. Some general achievements that employers are rewarding comprise of:

### **A. Length of service.**

Veteran workers are difficult to acquire in the present day as employees characteristically change jobs every few

years. Taking into account rewarding the long-term, key employees especially if the position necessitates a noteworthy amount of training and demonstrating them that they play an imperative part in the company's future, is the most crucial step in rewarding for employee retention.

**B) Outstanding performance.**

This may concern a distinctive project that an employee volunteered for and went beyond potentials on, or displaying superior performance over time.

**C) Enhanced customer service.**

Rewarding an employee's individual hard work to surpass customer expectations transmits a unmistakable message to other employees that how competently they execute their job makes a difference to the corporation and to the customer.

**A decrease in levels of competence/customer service**

High labour turnover damages organizations in other, more subtle, ways. Often there is a decrease in performance as the "competence levels" decline.

While most of us can identify with the phenomena, the real loser is the external customer. In what can be described as the "dumbing down" of customer service agents, less and less experienced people are finding their way to front line sales and tele-support roles. In companies that preach the value of customer service, it is often the newest hire who is put in face to face contact with customers. It is a vicious cycle. Labour turnover encourages supervisors to put less training into the next batch of recruits, which leads to further labour turnover and poorer customer service. Good labour retention strategies can definitely improve customer service, quality and company profitability. There is a direct linear relationship between staff and customer retention - a view shared by several companies.

"If the people are motivated the customers will be happy and the shareholders will benefit from the company's success" - Sir Richard Branson CEO Virgin

**(Devine, B. 2002)**

#### **D) Saved company resources**

Identify employees who have established a tactic to save money on an ongoing basis or employees who have revealed a way to execute routine tasks more competently.

### **Certain Awards Give up Results:**

It is essential to inquire from the employees what rewards they will find inspiring. Research demonstrates that a job is more than a paycheck to employees who want to be a component of the large picture. In addition to monetary compensation, employees are looking for whole packages that consist of individual development opportunities, incentive or bonus programmes, benefits, personal acknowledgment, and an ownership in the company. Employees are also looking for rewards that help them balance work and living.

Guidant, a worldwide Twin Cities-based company that develops and produces cardiovascular medical products has shaped a culture in which employees share in the company's achievement. It also enjoys a standing as a company that employees hardly ever leave.

Bob Thomas, a Human resources hiring person at Guidant, Comments that he could not work for anybody else. He's excited about the company's "lucrative" multiparty performance bonuses that frequently reproduce up to one-third to one-half of a person's normal salary.

There are many diverse ways to identify and promote activities that show the way to the results your company is



striving for. In actual fact, many of the rewards obtainable to your company can direct to outstanding performance without spending a fortune. You can find out what rewards will stimulate your workforce by watching what they do. This will assist to recognize what is vital to them. The best way to make sure that the reward policy will be successful though is to merely ask your employees what they would find inspiring. One way that companies do this is by giving their employees a catalogue of possible rewards and asking them to decide which ones they find useful. To give an idea on what rewards are working for staff retention the section of the thesis below gives examples of the strategies that are being used by most of the successful companies.

- **Public acknowledgment.** Give employees commemorative inscriptions or trophies when performance merits it. Other ways to inspire employees is to make a statement regarding achievements in the domestic newspaper or on your company Intranet.

- **Position indicators.** Managers who are in tune with what actually drives employees have been employing public appreciation for a while now. Top employees are inspired by promotions, the aptitude to

supervise other employees, a personal office, and a new label that represents their status in the company.

- **Work responsibilities.** The top employees long for the opportunity for more self-management and more influence over departmental measures and goals. Having a better stake in the company is one way to inspire employees to look for accountability for their everyday jobs.

- **Monetary rewards.** Salary augmentations; cash bonuses, and prizes are for all time well received by top players. Free of charge lunch and paid trips to professional meetings also hearten performance.

### **Managing reward to improve results**

The following are ten approaches which can be adopted to make sure that, in practice, reward management strategies, policies and system fulfill their promise of improving organizational effectiveness, and performance.

- Relate pay systems to organizational needs and culture
- Relate pay to contribution
- Establish performance criteria.

- Assess performance against the criteria.
- Evaluate jobs systematically to achieve a reasonable degree of equity
- Monitor market rates to maintain competitiveness
- Segment the pay structure into market groups as required
- Ensure that the pay system promotes rather than discourages flexibility.
- Communicate the message about the system and how and why it benefits employees.
- Remember the other forms of intrinsic and extrinsic motivation. **(Devine, B. 2001)**

**Assorted benefits packages.** Benefits are more than just health and dental insurance. Think about implementing voluntary life and disability policy. This permits employees to have right of entry to the insurance benefits they want devoid of delivering a gust to the bottom line. Another incentive could include tying the company match on the retirement arrangement to performance. When different departments within the company meet their performance targets, the match increases. This inspires buy-in from employees, as well as augmented teamwork amongst departments.

### 3) Modernism and risk

We live in a highly fast paced and evolving world. This is more like a global village and things keep changing for the greater good every now and then. Every now and then and it is not only modernization but the threshold of risk that also fluctuates accordingly. Organizations and businesses are not only in the field to survive but they are there to make the changes and they try their level best to ensure that the changes are for the greater good and they want to make the changes last. But employees are at the heart of any organization. They have always been there and always will be there in the limelight no matter what happens. To survive and to manage things have to be evaluated judged and have to be rightly assessed. While trying to assess things for the bigger good organizations are bound to try some modernization techniques. It does not mean changing things radically but it is more about keeping pace with the changing world. Risk is always there and the idea is to judge the risks and manage them accordingly.

It is true that two of the three most important things concerned when it comes to retaining the staff is all about modernism and risk. They are by far the most important factors and by modernizing it means updating the systems

and managing the systems in the best possible manner. Besides managing them in the best possible manner it has to be complemented by modernizing techniques. The risks are there in daily life and it is up to us to judge these risks and to use the modernization grid in such a vivid manner that the risk can be used to our advantage rather than being used against us. Modernize but do not let things go off and do not let the changes be so radical that people become afraid of it. It is in human nature that people fear change and risk management requires us to adjust accordingly. Changes have to be made and the situation can get riskier. So two of the important things that come out of it are that modernization is the key to managing the issues and it is a tool by which we can counter the risk in the air. But managing risk does not mean that we are changing everything. Things have to be changed but the change has to be judged and evaluated. Do make the changes but let the change be based on research and once the research is leading to modernization then it also leads to risk management. If the risk is cut down without making the change then you will not be modernizing in any case. But if you try your level best to cut down on risk via risk management then you can do so by having to modernize. Modernization is the key to the doorway to success. But no

modernization should be at the expense of what you used to do earlier on. It is the path to success and one has to make the best out of it. These are the situations that are conducive to changes and employees are at the heart of organizational growth and development. Their sanctity has to be preserved and the changes have to be made in a manner without violating their own spaces. While the organization tries to grow in leaps and bounds and while they try to build a place for themselves in the market they are exposed to a lot of risks in the market. Besides that they are also exposed to risk of being annihilated if they do not focus on moving ahead and modernizing with the passage of time.

That is why it is safe to assume that in due course of time the success of any firm depends on modernization and risk management and the success lies and comes from within and through the satisfaction and happiness of the employees. Risk can be cut down only when we try judging it and when we start to modernize and by only doing so we are able to do the best in keeping ourselves paced with the rest of the world and in that way success can be ours.

### Retention-being a HR champions

According to Ulrich "commitment and competence are embedded in how each employee thinks about and does his or her work and in how an organization organizes to get work done" Ulrich's three ways of building commitment can also be interpreted as three ways of retaining key employees, those committed to your organization are ultimately:

- I. Satisfied employees,
- II. Happy with their work environment and
- III. Secure in the organizational culture.

Ulrich's advice is "companies also need to foster employees who are not only competent but committed" and a company can build commitment in three ways:

1. Reduce demand on employees by prioritizing work, focusing only on critical activities, and streamlining work processes.
2. Increase resources by giving employees control over their own work. Establish a vision for the company that creates excitement about work. Provide ways for employees to work in teams. Create a culture of fun.

Compensate workers fairly. Share information on the company's long-range strategy. Help employees cope with their time. Provide new technologies. Train workers to use it.

3. Turn demands into resources by exploring how company policies may erode commitment. Make sure that new managers and workers are clear about company expectations, understand family commitments, and encourage employees to participate in decision-making.

According to Ulrich such organizational growth results in an organization with intellectual capital. People who are fairly rewarded and allowed to develop and grow intellectually are more likely to remain in the organization.

What Ulrich is definitively saying is that to engage the intellectual capital necessary for today's organization means fostering a competent and committed work-force but this requires new skills in leaders and managers. The HR professional is fundamental in creating and establishing HR practices that can nurture such an environment. Ulrich's



true HR business partner manages the "paradox of business results and employee commitment; change and stability"

Ulrich describes the benchmark HR function and how it contributes to building corporate culture even at times of rationalization. This ensures the retention of top performance, even during the trauma of downsizing.

- *Globalization-* HR professionals can create new ways of thinking in organizations to develop global mindsets.
- *Creating a value chain for business competitiveness and HR services-* HR can ensure consistent and productive policies exist for complex value networks.
- *Profitability through cost and growth-* HR can align growth aspirations with organizational actions.
- *Capability focus-* This means that it is no longer sufficient to hire, train, or reward individuals. These activities must now be undertaken in the interest of creating a set of organizational capabilities.

- *Change, change, and change some more-* HR can help define an organizational change model and ensure that managers fulfill the objectives of such change.
- *Technology-* HR professionals can redefine work profiles within a new technological context making work productive and viable.
- *Attracting, retaining, and measuring competence and intellectual capital-* This will require changing a firm's measurement process. Traditional measures of intellectual capital. Seeking, finding and using such measures will be among the primary challenges facing the HR professionals of the future.
- *Understanding the turnaround is not transformation-* Transformation means a fundamental change of business where the HR professional must act as change agent.

According to Ulrich, if we start to look at the value of changed HR function and an integrated system, within a top team agenda, we are really advocating organizational change that focuses on intellectual capital. We may fundamentally have to rethink our perception of the organization and

adhere to Kjell Nordstrom's theory that the owners of an organization's capital are the people. It is "talent that makes capital dance". We have moved from an era where capital assets were the competitive advantage, to one where the competitive advantage lies in intellectual capital.

It is ideas and talent and innovation that drive new products, technology, new ways of organizing work and new ways of seeing the world. We cannot define retention policies in isolation from the overall business strategy or from corporate culture.

#### Organizational culture as a retention mechanism:

##### **Conclusions**

- Culture/reputation is key to attracting the best
- Culture/reputation is key to retaining the best
- Culture is key to performance over time
- Culture is key to enhancing value
- Top companies in the USA manage their culture as much as they manage their results

- Top companies develop leaders who focus on results and culture
- Top companies downsize carefully and consistently with core values intact
- All company cultures can be characterized as they go through life-cycle shifts. They avoid getting 'stuck' in one 'culture mould'.
- HR plays a key role in retention, particularly in period of major change, by implementing best in-class policies.

If all of the above recommendations are followed through and measured in a practical way, organizations in Ireland in particular and indeed companies in general can go a long way to reducing turnover rates. As a consequence of planing they will make, their companies more profitable, more educational, more competitive and more enjoyable places to work.

# Appendixes:

## Appendix:     A     QUESTIONNAIRE

1. What was the highest educational standard achieved?
2. Do you feel a better working relationship would exist if all management were Irish?
3. Do you consider management to be effective?
4. Does the company have too much influence over your life outside normal working hours- with regards to housing/medical/social activities?
5. Should middle management be given more responsibility in the decision making process?
6. Do you think there are too many levels in your organization?
7. Is there a perception of equality/single status among the workforce?

8. If you answered yes to the above question, do you believe this is because of the culture and values of your organization?
9. Is there a perception of "them and us" in the work environment?
10. As a regular full-time employee, do you feel you are treated any different than a part-time employee?
11. If there is a mission statement do you identify with it?
12. Does your organization emphasize shared goals?
13. Is the concept of the shared goals reflected in your pay/benefits?
14. How do you rate your pay/benefits relative to other companies?
15. How would you rate morale?

16. Do you think your morale is directly linked to your pay/benefits?
17. Does your organization foster loyalty in the work environment?
18. Do you believe the organization is entitled 100% commitment from all employees?
19. Do you have a performance appraisal/review system in operation in your organization?
20. Do you feel that the performance appraisal/review system is used adequately with regards to those who are not performing to a suitably high standard?
21. Is exceptionally high performance by individuals rewarded?
22. Do you think a performance appraisal/review system is a worthwhile practice?
23. Do you feel performance appraisal/review is directly linked to your pay/benefits?

24. Does the present system of communication provide you with a suitable voice to air your views with regards to criticism or praise of the organization?
25. Do you think the system of communication between management and employee works effectively in achieving an overall clear understanding in your organization?
26. Is the communication system effective, with regards to the time it takes issues to be solved by the problem solvers?
27. Do you think there are adequate avenues of advancement/promotion in your organization?
28. Does your job provide opportunities for self-development (e.g. new skills, training courses etc.)?
29. Is the concept of individualism/initiative within your field of expertise encouraged or discouraged?
30. Are you proud to work for your organization?



31. If you answered yes to the above question do you believe this sense of pride is due to the organization's policy to open and direct communication with all employees?
32. What do you think are the positive effects of how the business is run?
33. Do you think the Human Resource policies are effective in your organization?
34. What do you think the Human Resource manager role should be in relation to improving retention rates?
35. Do you think "Employee Turnover" is a problem in your organization?
36. If answered Yes do you think it is an increasing problem over the last few years?
37. who do you think are the most likely to leave their jobs in terms of age?

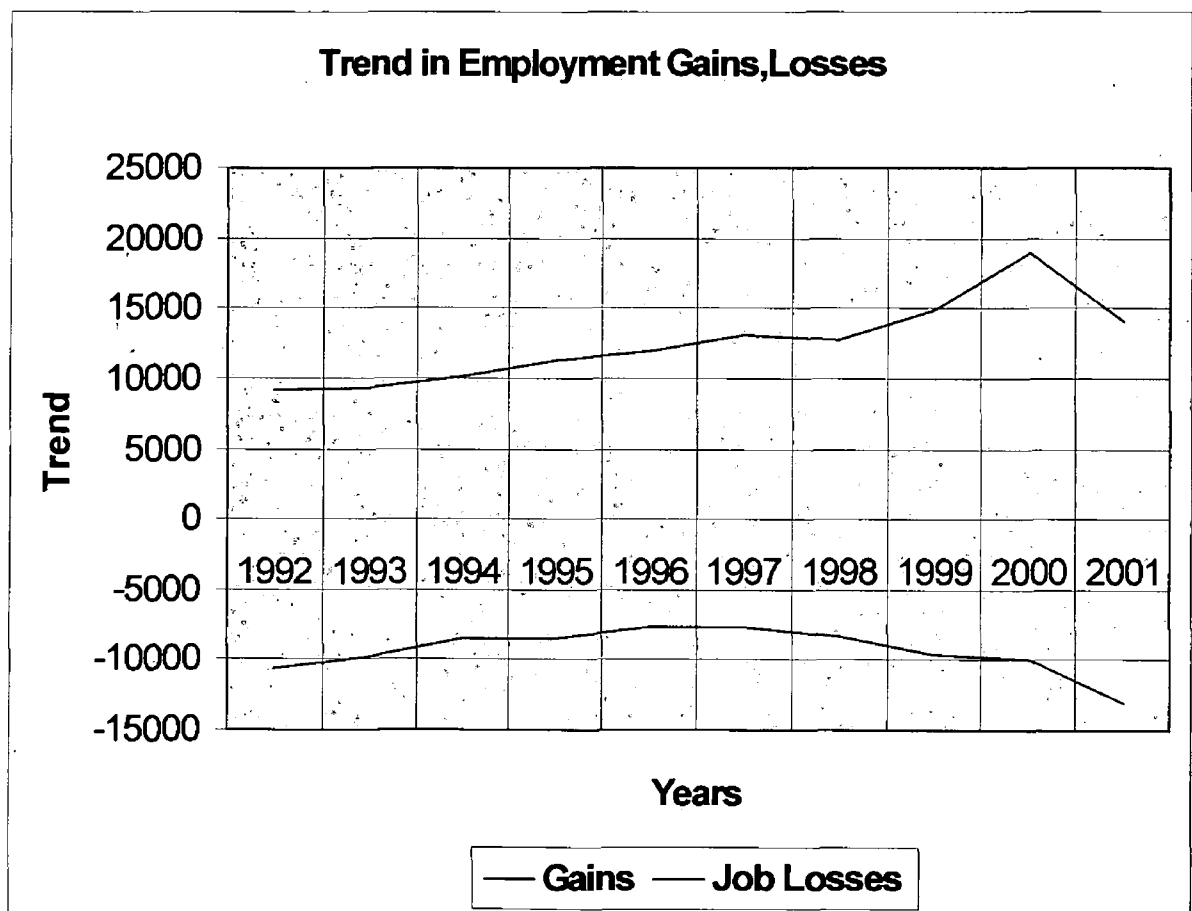
38. Do you consider a comprehensive Selection process as one of the most important factors to hire (recruit) the right people and help keep them?

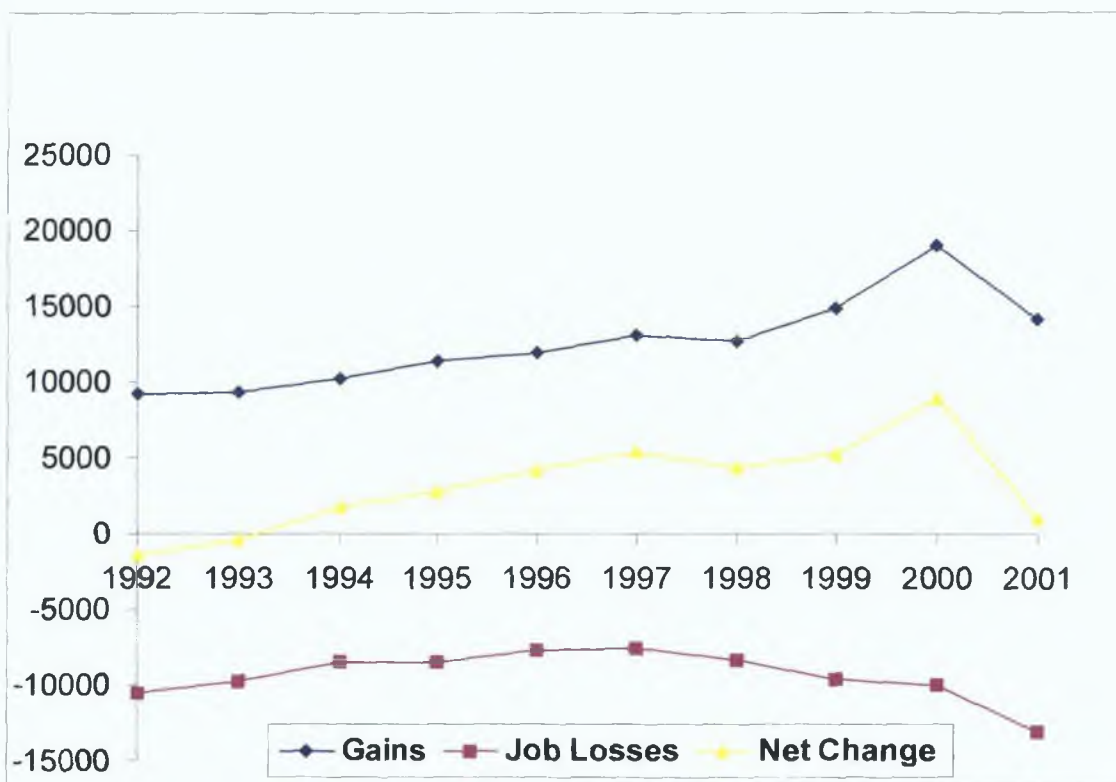
39. Do you think Retention shows its impact in:  
Months/Years/Decades?

40. Would you be willing to participate in a follow up to this survey?

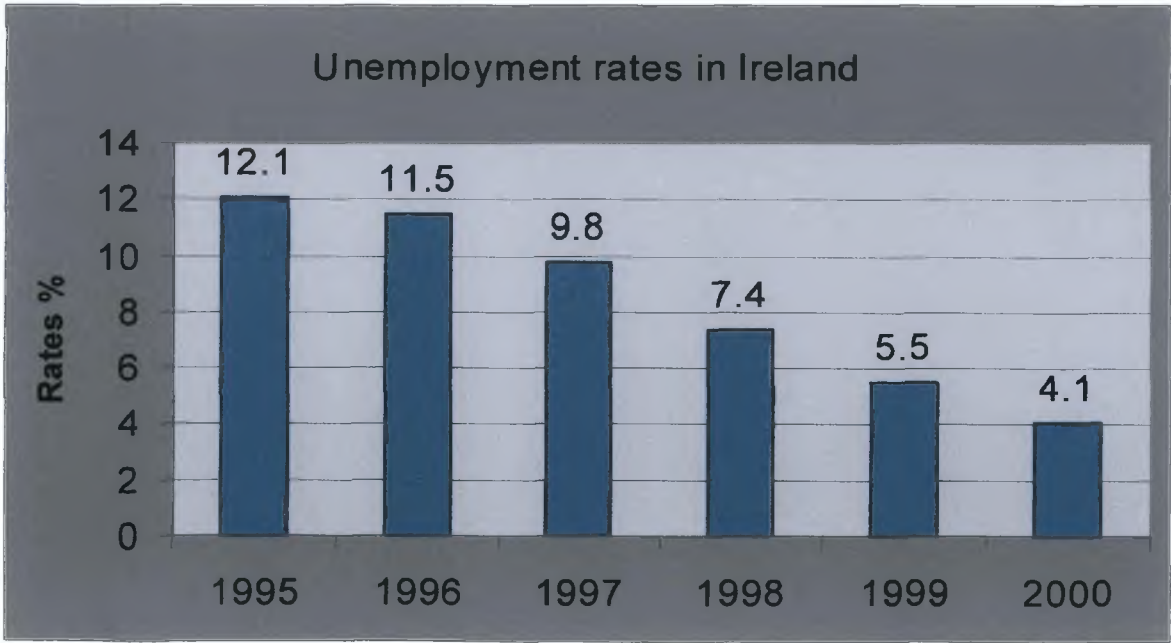
**Appendix:      B Ten Years Trend in Employment Gains, Losses  
and Net Change 1992-2001**

[http://www.enterprise-  
ireland.com/documents/uploaded/eoy2001\\_summary.doc](http://www.enterprise-ireland.com/documents/uploaded/eoy2001_summary.doc)





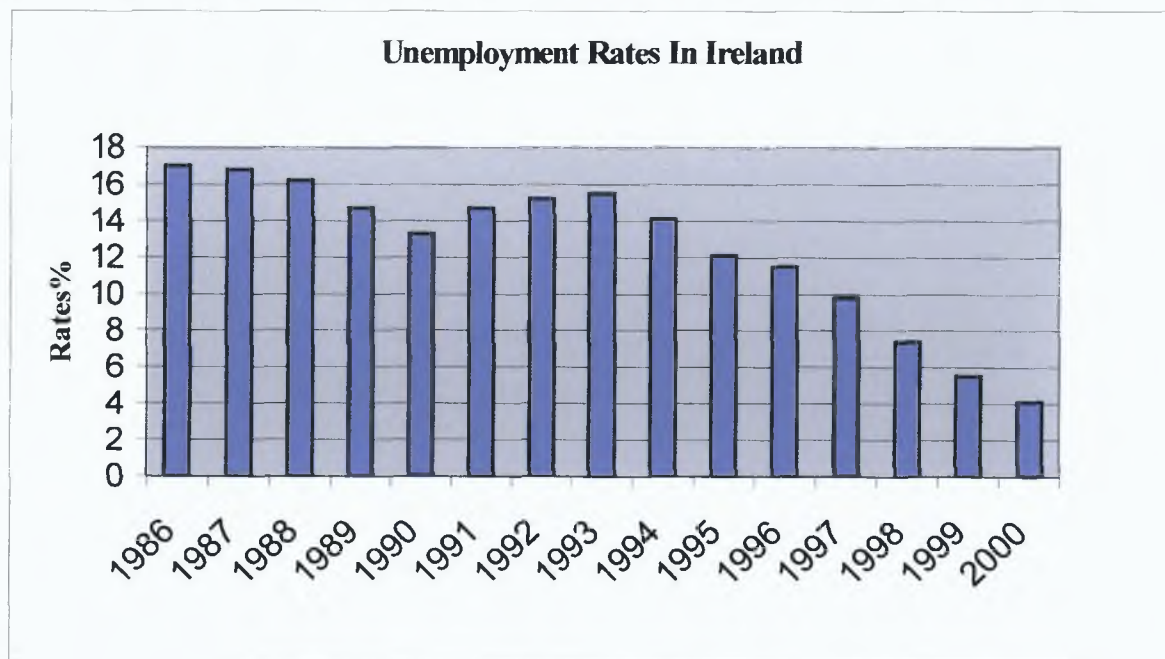
**Appendix: C**    Unemployment Rate in Ireland 1995-2000



**Appendix: D** Unemployment rates in Ireland in the period 1986-2000

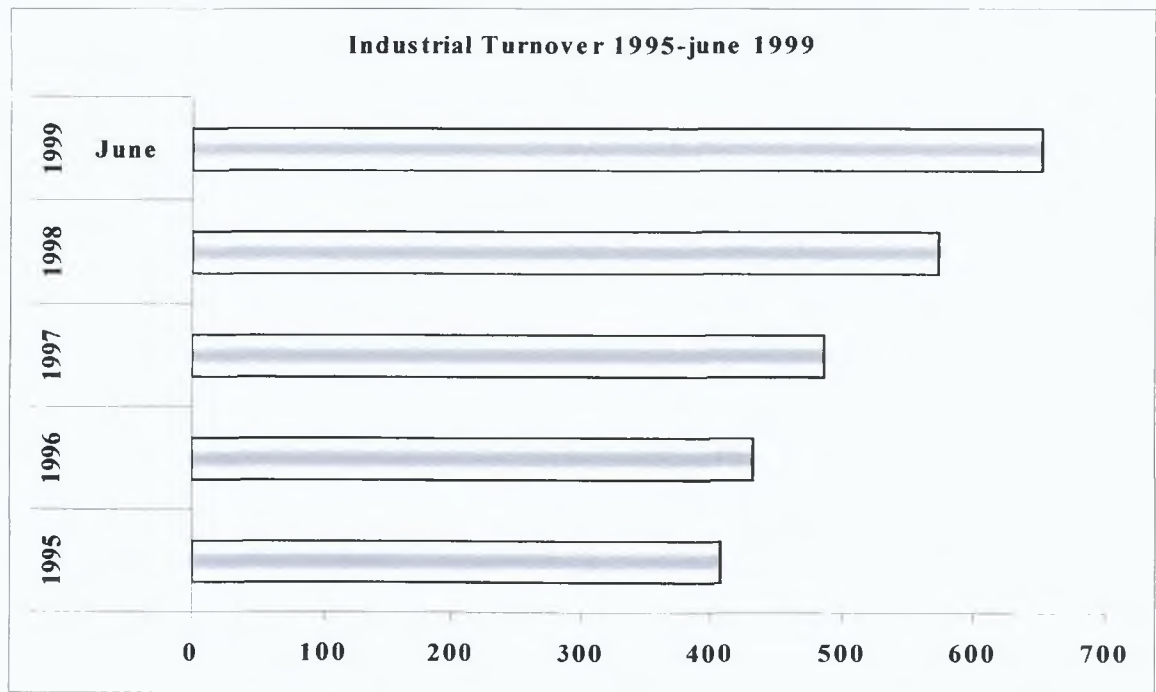
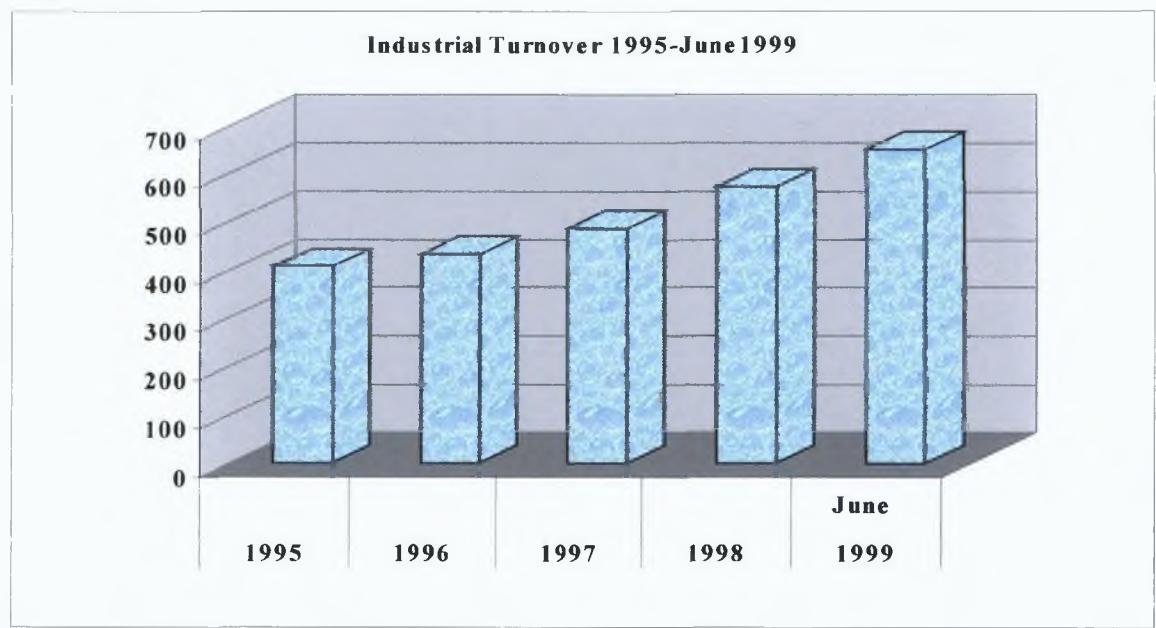
Source: Central Statistics Office

Economic Series Nov. 2000 and Dec. 1998



**Appendix: E Industrial Turnover index-manufacturing Industries (base1980=100)**

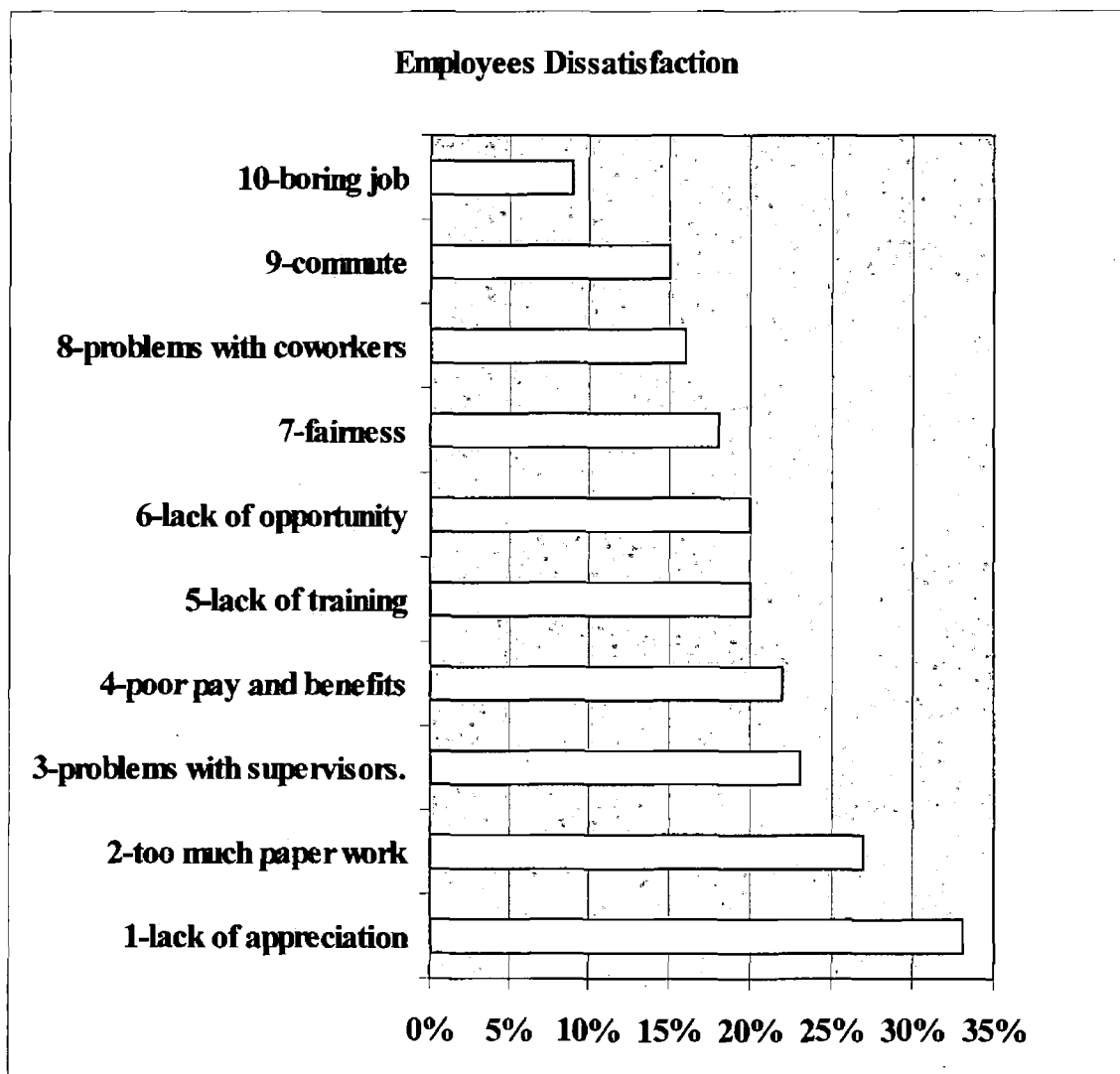
**Source: Central Statistics Office** Economic series September 2001 Ireland



**Appendix: F** The causes of employees dissatisfaction

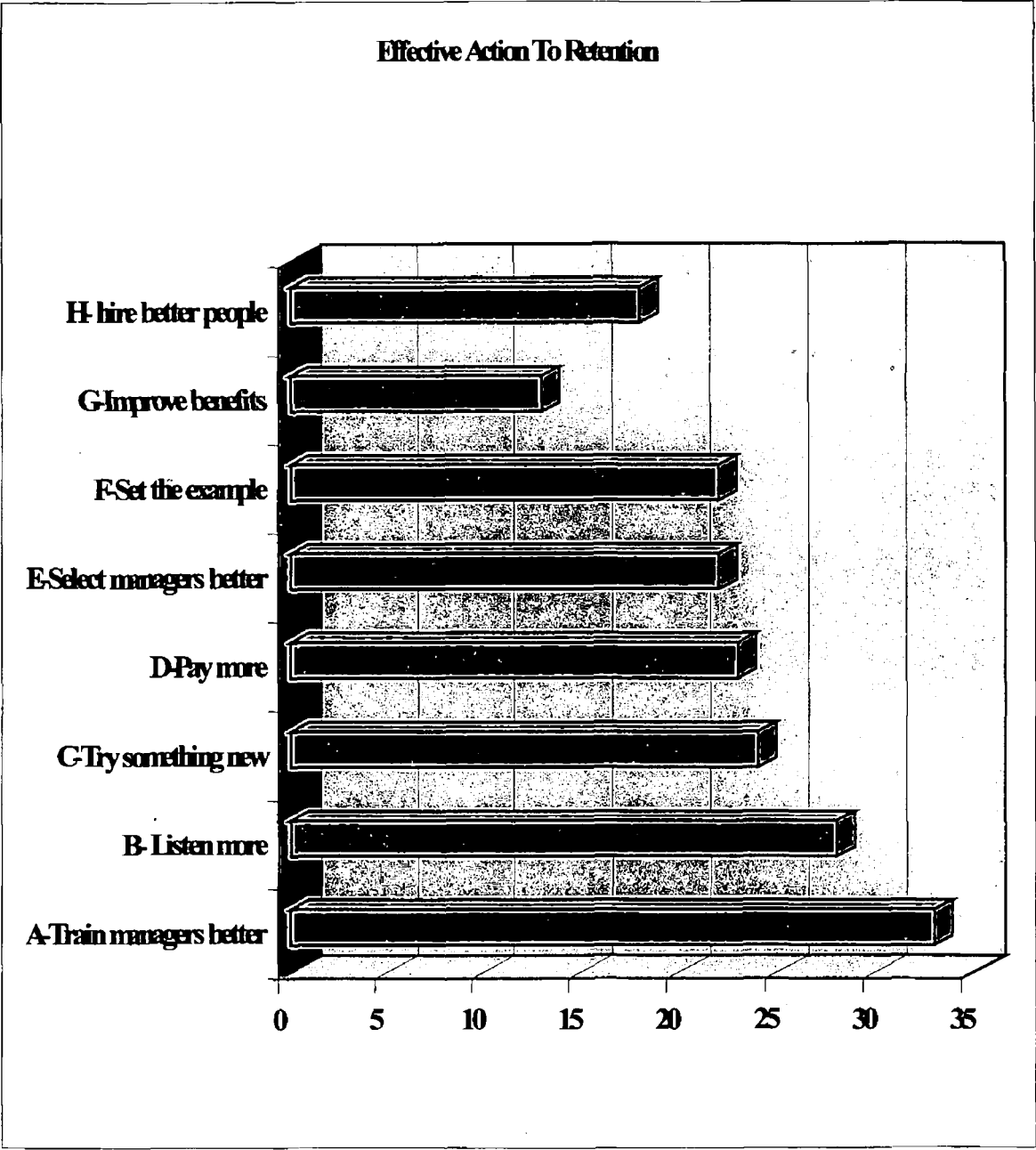
**H R Focus** August 2001

What Causes Employees The Greatest **Dissatisfaction** at Work:

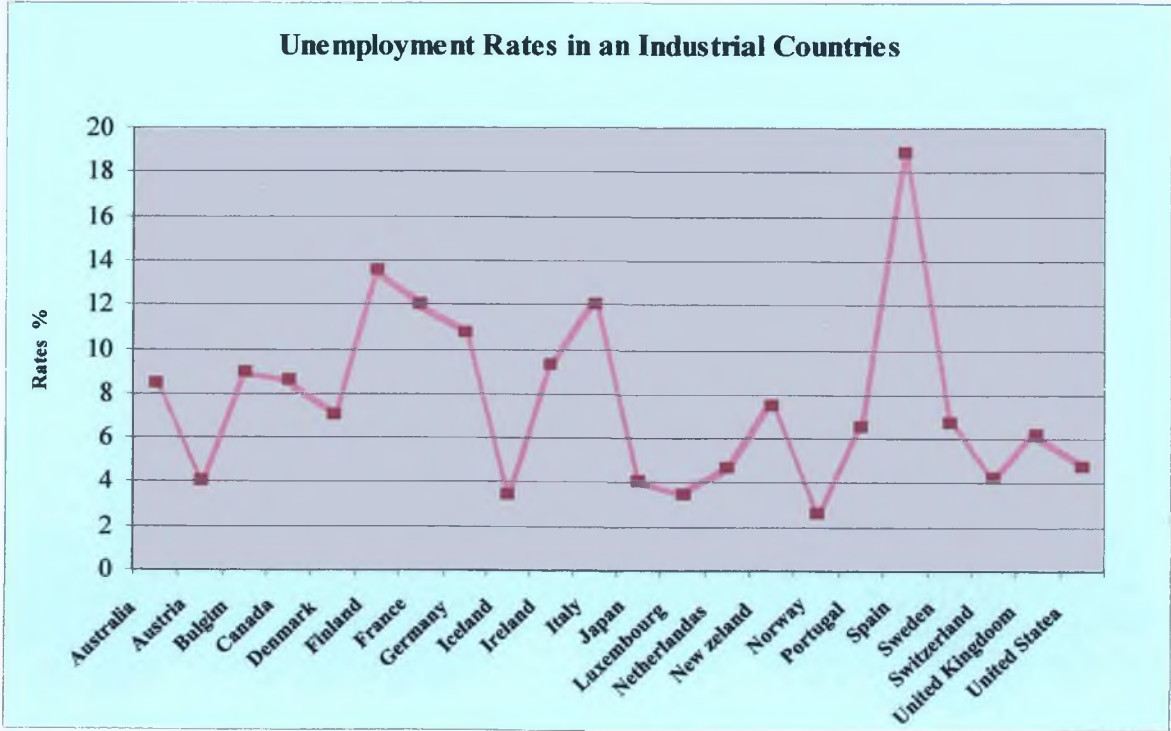
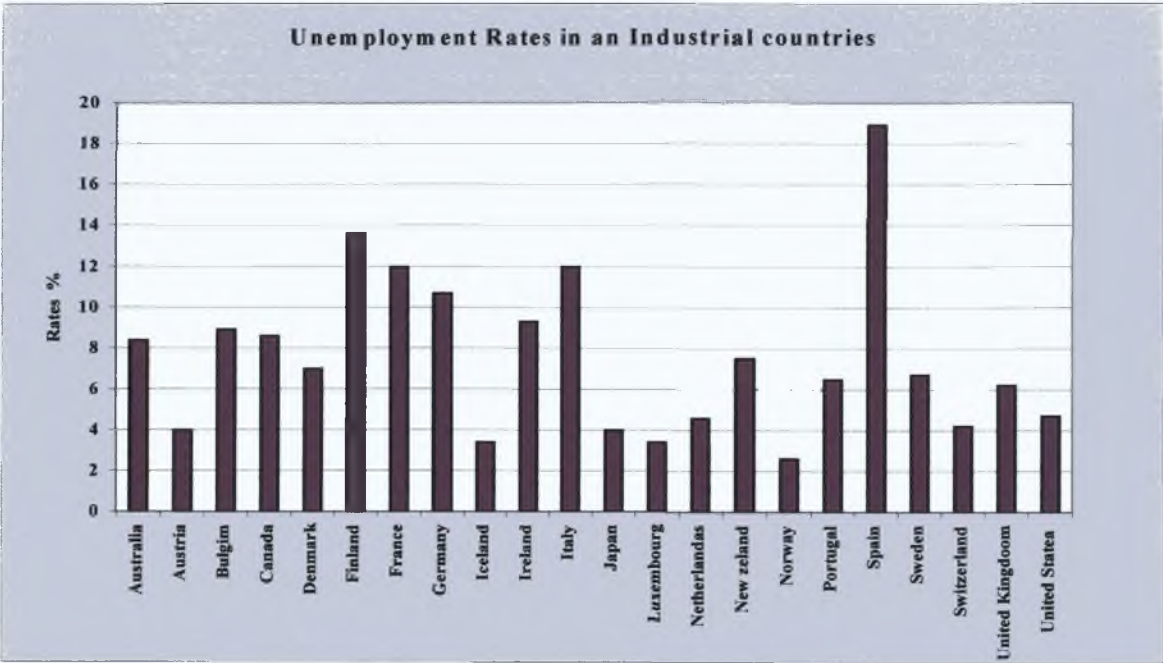




What effective action could the company take to improve Retention?

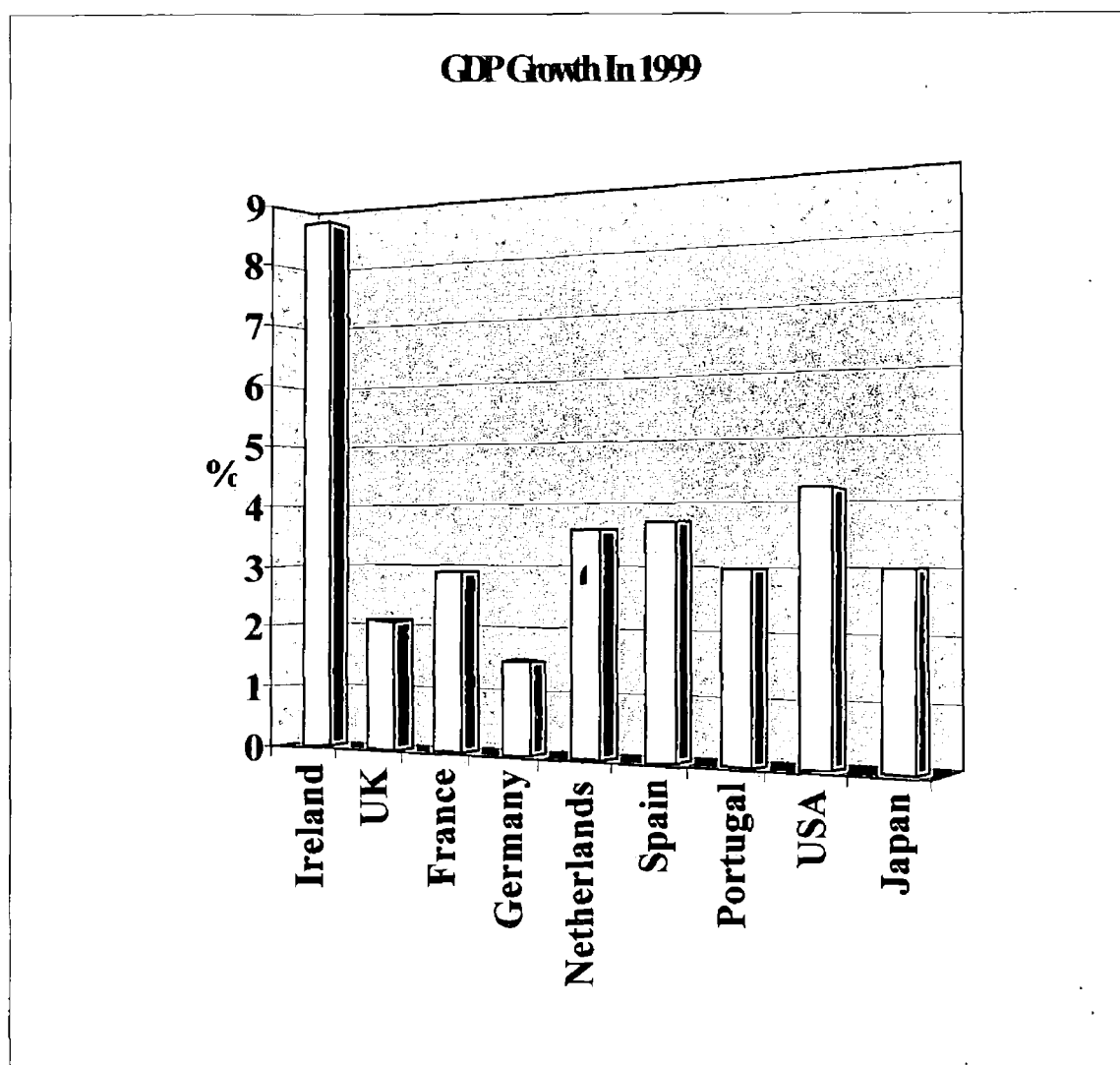


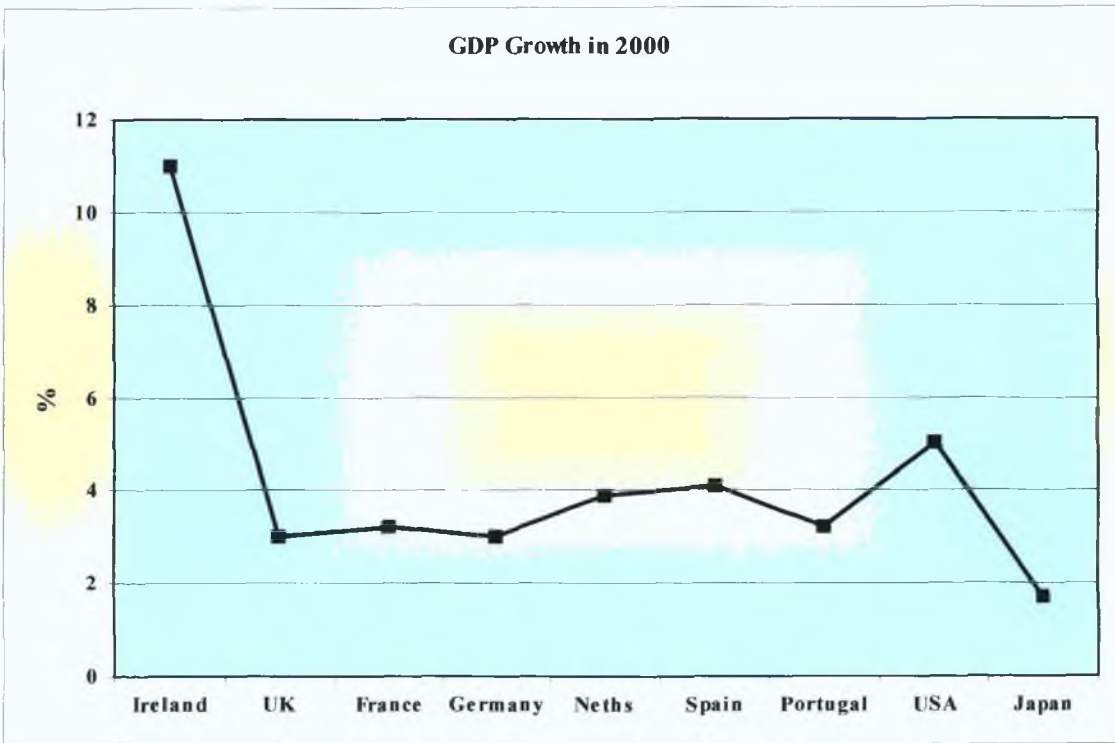
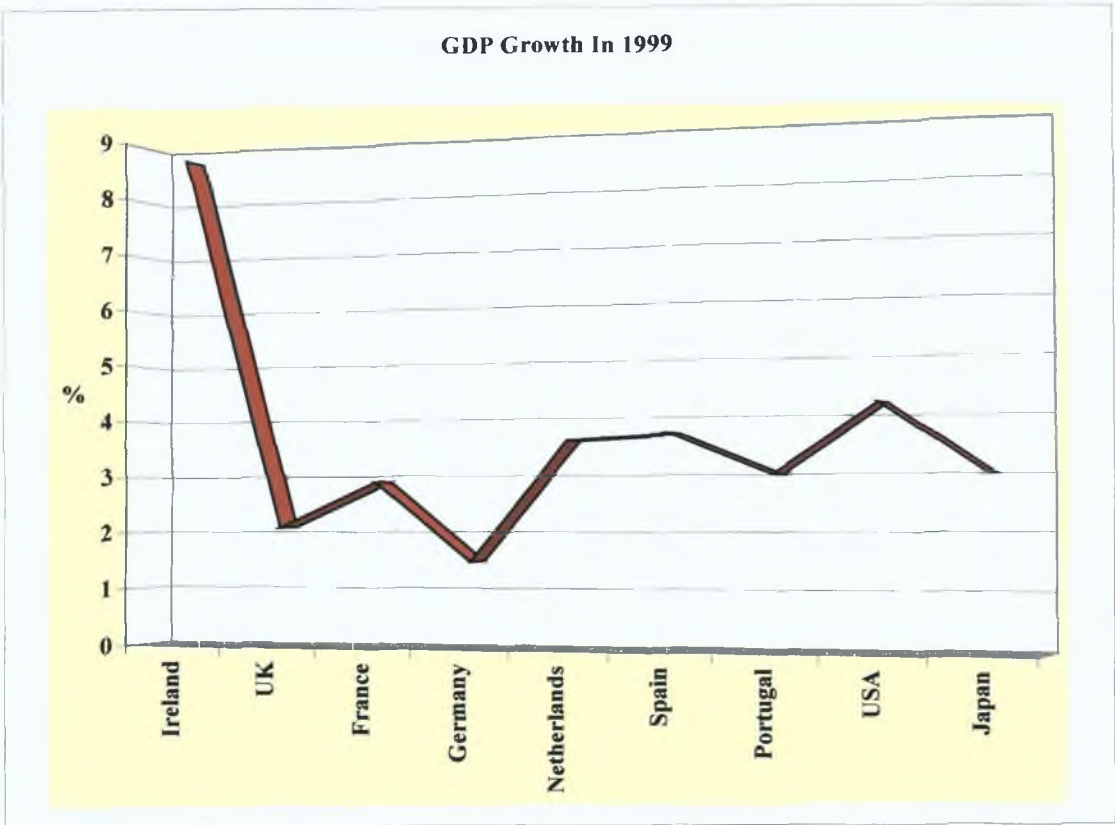
Appendix: G Unemployment Rates in an Industrial Countries



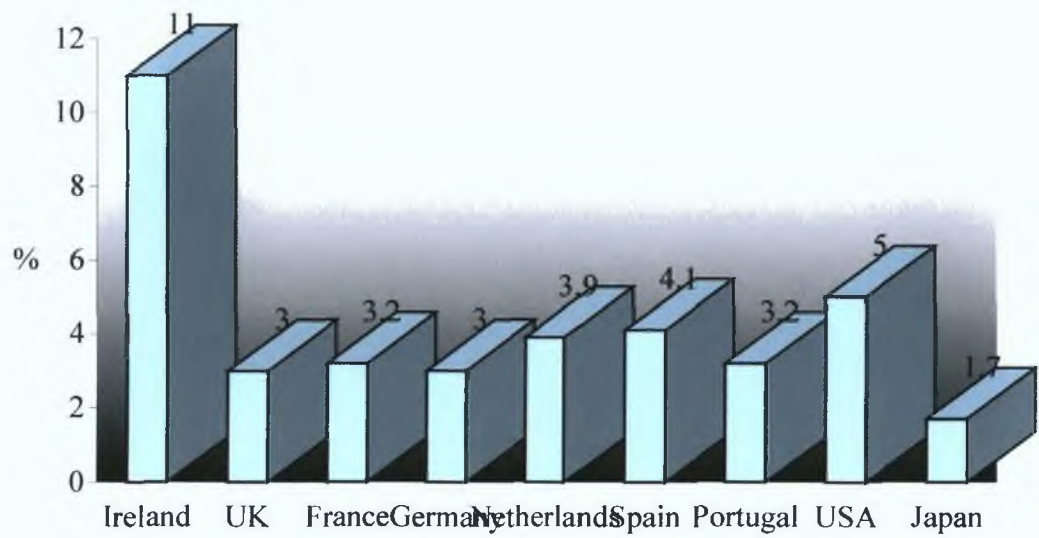
**Appendix: H GDP Growth In Some Countries:**

Source: OECD Economic Outlook (preliminary Report) May 2001, the World  
competitive Yearbook 2001 Or Internet Web. [www.ida.ie](http://www.ida.ie)

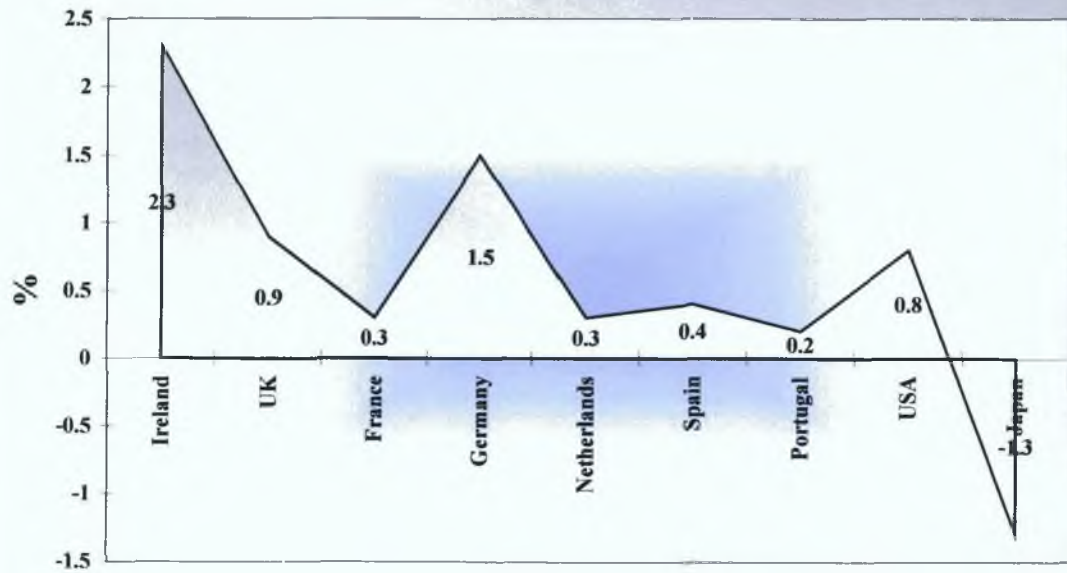




**GDP Growth In 2000**



**Net Of GDP Growth**





# IRELAND



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