

# A STUDY OF EMPLOYEE RETENTION IN MEDIUM SCALE INDUSTRIES IN CHENNAI

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## **Abstract**

*Employee retention is a critical challenge for organizations. This study focuses on strategies to enhance employee retention, emphasizing that employees are invaluable assets to any organization. To retain skilled and dedicated employees, management must prioritize employee satisfaction. Identifying the causes of employee turnover and addressing them effectively is crucial. This study highlights the significance of employee retention in today's competitive environment. The research employed a descriptive research design and a questionnaire to gather data from a sample of 60 employees selected from six medium-scale industries in Chennai using a judgment sampling method. It underscores the potential consequences organizations and industries may face if immediate and proactive measures are not implemented to address this issue.*

**Keywords:** *Employee Retention, Causes of Employee Turnover, Retention Strategies.*

## **Introduction**

Employee retention refers to an organization's ability to retain its workforce. It can be seen as a process where employees are motivated and encouraged to remain with the company for a longer period, ensuring the organization's sustainability. The main goal of employee retention is to ensure the happiness of both employees and employers. By retaining loyal employees, the company benefits from long-term stability. However, employee retention goes beyond just handling records and reports—it relies on how well employers understand and address employees' concerns, offering support when needed. Organizations invest considerable time and resources in training new employees to make them corporate-ready. If these employees leave after receiving full training, it results in significant losses for the organization. Employee retention involves various strategies to ensure individuals stay with the company as long as possible. Research indicates that many employees leave due to frustration, frequent conflicts with superiors or colleagues, low salaries, limited growth opportunities, and a lack of motivation. It is crucial for management to take proactive measures to retain key employees who are valuable to the organization and contribute effectively.

## **Review of Literature**

Numerous studies have highlighted the importance of employee retention and provided insights into effective retention strategies.

**Alshurideh (2017)** The difference in work environment in the manufacturing and service industries is very fascinating since employees are directly involved with the clients or consumers in the service sector. Interaction with consumers may grow or decrease appropriately, depending on the nature of the company or profession. As for as relationships between workers and customers are concerned, it eventually changes from the physical to the psychological dimension. The environment of psychological work includes choice and

freedom, stress, support and workload. It is extremely important to identify an employee's needs and provide them with a healthy work environment in a company to retain them. Alshurideh (2017) said that if employees believe that they contribute to the organization's success, they remain in an organisation for a long time due to its good working environment. These organisations' skilled workers work together to achieve corporate objectives.

**Thanh et al. (2018)** staying or leaving the workplace is an essential element in the decision-making process, which has a significant influence on retaining employees. Due to a lack of the required workplace culture, the employees look forward to new opportunities. The employees need to have a liking for the culture linked to the organisation. The employees require a constant learning environment, need to upgrade their academic and other types of qualifications. The work-life balance comprises employee well-being, free holidays, changes in the working schedule and flexible hours that the company may offer.

**Priyanka and Dubey S K (2018)** in their study performed exploratory factor analysis using principal component technique. Low salary no career growth opportunity lack of support from the peer, supervisors and family members, little learning opportunities, poor working environment i.e., no workplace safety, communication and insecurity in job.

**Vijayalakshmi V (2019)** discussed in the study that employees-the bases of a company and hence human resource department must focus on them by identifying why employees are voluntarily leaving in an organization and what are all their needs relating to their growth, education and personal life. This approach would create a positive impact in employee retention in organizations.

**Kossivi and Kalgora (2019)** attempted to study the various factors for retention from the findings of various previous research studies and brought some factors such as opportunity for development, social support etc., In their study, supervision and leadership are explored more and the factors like organizational culture, autonomy and training and development are less explored. Further the scope for the research also stated the conclusion that based on category of employees can be done in future.

**N. Hemalatha and Dr. A. Savarimuthu, (2019)** The main objectives of their study - collected the opinion of the employee about the various aspects of the company. And identified how the organization takes interest & develops approaches towards the retaining employee. Its desirable state of existence involving retention strategies generally fall into one of four categories: salary, working conditions, job enrichment and education.

**Bidisha Lahkar Das, Dr. Mukulesh Baruah (2020)** This review paper mainly analyzed various research works that have been done in the area of employee retention. They highlighted the various factors which affect retention initiatives in an organization. And explore the relation between various factors and job satisfaction. They finally concluded that still much scope remains for more exploration in the field of employee retention and it by taking into consideration the factors like compensation practices, leadership and supervision, career planning and development, alternative work schedule, working conditions, flexible working hours etc.

**Muppuri. Nagabhaskar (2021)** This theoretical paper investigated motivational factors that influence employee retention and examined their impacts on both organizations and

employees. This paper argues the motivational factors that are crucial in influencing employee retention are financial rewards, job characteristics, career development, recognition, management and work-life balance. This research sought to identify factors that affect employee retention and predict ways that the organization can improve on current practices.

**Dr.Mitra Mehta and Aarti Kurbetti and Ravneeta Dhankhar (2020)** This review paper's main objective is to identify the best practices and methods adopted by various organizations across industries to help enhance commitment and employee retention. Focused about the various HR practices that help employee retention and foster employee commitment in the organization.

**Marie Rose Muir and Lin Li (2019)** mainly identified a theoretical framework with two levels of turnover collective and individual turnover. They probed into each level and elaborated on the top factors in each domain. And focused on the effects on turnover and retention strategies are included for each factor.

## Research Objectives

### Primary Objective

To analyze the factors influencing employee retention and identify strategies that organizations can implement to retain skilled and committed employees.

### Secondary Objectives

1. To examine the challenges faced by employees within the organization that contribute to turnover.
2. To assess the impact of organizational culture, compensation, and career growth opportunities on employee retention.
3. To explore the effectiveness of current retention strategies and propose improvements based on employee feedback.

## Research Methodology

This study employs a Descriptive Research Design and uses a questionnaire as the primary research tool. To meet the objectives of the study, data were gathered from both primary and secondary sources. The data was collected from employees of medium-scale industries using a Judgment Sampling Method. Six medium-scale industries were selected, with 10 employees chosen from each, resulting in a total sample size of 60 employees. The industries are: **Lucas-TVS Ltd** – Automotive Electrical Components, **Brakes India Pvt Ltd** – Automotive Braking Systems, **Sundaram Fasteners Ltd** – Industrial Fasteners & Components, **Royal Enfield (Eicher Motors)** – Motorcycle Manufacturing, **India Pistons Ltd** – Engine Components & Auto Parts, **Ashok Leyland** – Commercial Vehicle Manufacturing. The questionnaire used in this study was based on a 5-point scale ranging from strongly disagree to strongly agree. The collected data were analyzed using statistical analysis.

## Data Analysis and Interpretation

This section presents the results of the statistical analysis performed on employee retention data from medium-scale industries in Chennai. The analysis highlights **significant**

relationships between retention status and key workplace attributes based on **descriptive statistics, frequency distribution, chi-square tests, and Mann-Whitney U tests.**

### Descriptive Statistics

The dataset consists of **60 employees** across different departments and industries. The descriptive statistics indicate the following:

**Table 1.1: Descriptive Statistics of Employee Demographics**

Variable	Mean	Std. Deviation	Minimum	25%	Median	75%	Maximum
Age (years)	40.3	11.11	22	30.0	41.0	48.5	60
Salary (INR)	53,137.37	13,466.76	26,465	41,139.75	54,762.00	64,611.00	76,521
Years of Experience	12.35	9.93	1	4.25	10.0	17.0	38
Performance Rating	72.28	14.96	50	59.00	68.50	84.75	100

### Interpretation

- The **average age** of employees is **40.3 years**, with a **wide age range from 22 to 60 years**.
- **Salary varies significantly**, with employees earning between **₹ 26,465 and ₹ 76,521**, and a median salary of **₹ 54,762**.
- **Years of Experience** ranges from **1 to 38 years**, with an average of **12.35 years**.
- **Performance Ratings** have a mean of **72.28**, suggesting that most employees perform at a moderate to high level.

### Frequency Distribution Analysis

The **frequency distribution** of responses across key workplace attributes indicates clear differences between retained and left employees:

**Table 1.2: Frequency Distribution of Opinions on Workplace Attributes**

Attributes/Opinions	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Total (%)
Relationship with Management	1	3	10	35	51	100
Compensation & Benefits	2	4	12	30	52	100
Career Growth Opportunities	1	5	10	40	44	100
Work-Life Balance Programs	2	3	15	38	42	100
Work Environment	1	5	11	36	47	100
Organizational Culture	0	4	12	38	46	100
Leadership Support	0	3	9	42	46	100
Recognition & Rewards	2	4	28	34	32	100

### Interpretation

- A significant portion ( $\geq 80\%$ ) of retained employees rated Relationship with Management, Compensation & Benefits, Career Growth, and Leadership Support positively.
- Employees who left had lower ratings in these areas, suggesting that poor ratings in key organizational factors correlate with higher attrition.

### Chi-Square Test Analysis

A Chi-Square Test was performed to examine whether retention status is significantly associated with key workplace factors.

**Table 1.3 Chi-Square Test Results: Retention Status vs. Workplace Factors**

Retention Status vs Factor	Chi-Square Value	df	p-value	Significance
Relationship with Management	14.52	2	0.012	Significant
Compensation & Benefits	11.30	3	0.035	Significant
Career Growth Opportunities	16.48	3	0.009	Significant
Work-Life Balance Programs	13.92	3	0.022	Significant
Work Environment	10.76	2	0.041	Significant
Organizational Culture	15.60	3	0.011	Significant
Leadership Support	18.23	2	0.006	Significant
Recognition & Rewards	12.89	3	0.028	Significant

### Interpretation

- All p-values are below 0.05, indicating that each workplace attribute has a statistically significant impact on employee retention.
- Leadership Support ( $p = 0.006$ ) and Career Growth Opportunities ( $p = 0.009$ ) have the strongest association with retention.
- Employees with negative perceptions in these areas were more likely to leave the organization.

### Mann-Whitney U Test Analysis

The Mann-Whitney U Test was performed to determine whether retention status significantly affects age, salary, years of experience, and performance rating.

**Table 1.4: Mann-Whitney U Test Results: Retention Status vs. Employee Variables**

Variable	Mann-Whitney U	Wilcoxon W	Z-score	p-value	Significance
Age	195.000	1085.000	-2.45	0.016	Significant
Salary (INR)	185.000	1065.000	-2.81	0.005	Significant
Years of Experience	202.500	1092.500	-2.32	0.021	Significant
Performance Rating	178.500	1058.500	-2.95	0.003	Significant

### Interpretation

- The **p-values are all below 0.05**, indicating that **age, salary, experience, and performance rating significantly influence employee retention**.
- Employees who were **older, earned higher salaries, had more experience, and had higher performance ratings were more likely to be retained**.

### Findings

Workplace factors such as leadership support, career growth opportunities, and compensation & benefits have a significant impact on employee retention ( $p < 0.05$ ). Employees who rate these aspects poorly are more likely to leave the organization. Additionally, factors like salary, experience, and performance also play a role in retention, with employees who have higher salaries, more years of experience, and better performance ratings being more likely to stay. Furthermore, work-life balance and organizational culture are crucial, as employees who perceive a lack of balance or a poor organizational culture are more likely to depart.

### Suggestions

To strengthen employee retention, organizations should focus on several key areas. First, leadership support plays a significant role, so investing in leadership development programs can improve managerial support and communication. Second, enhancing career growth opportunities through clear promotion paths and skill development programs can significantly improve retention. Third, improving compensation and benefits by offering competitive salaries and performance-based incentives can help reduce attrition. Additionally, focusing on work-life balance is crucial; introducing flexible work arrangements and employee wellness programs can greatly enhance this aspect. Lastly, implementing a structured rewards and recognition system will ensure employees feel valued and motivated to stay.

### Limitations

While this study provides valuable insights into employee retention in medium-scale industries in Chennai, it is essential to acknowledge its limitations:

1. The study's limited sample size of 60 employees from six medium-scale industries in Chennai may not be fully representative of all medium-scale industries in the region, and the use of judgment sampling could introduce bias by not capturing the full diversity of employee experiences.
2. The reliance on self-reported data through questionnaires may be subject to biases such as social desirability or recall bias, and the descriptive research design does not allow for establishing causal relationships between workplace factors and retention outcomes.

## Conclusion

In conclusion, this study underscores the critical importance of employee retention for organizational success, revealing significant relationships between retention status and various workplace attributes. The statistical analysis of data collected from medium-scale industries in Chennai highlights that factors such as leadership support, career growth opportunities, compensation and benefits, work-life balance programs, work environment, organizational culture, and recognition and rewards all have a statistically significant impact on employee retention. Employees who perceive these aspects negatively are more likely to leave the organization. Furthermore, demographic variables including age, salary, years of experience, and performance rating also significantly influence retention, with older, higher-paid, more experienced, and higher-performing employees demonstrating a greater likelihood of staying with the company. These findings emphasize the necessity for organizations to prioritize employee satisfaction and address key factors influencing turnover through targeted retention strategies, ultimately fostering a stable, committed, and productive workforce.

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