LITERATURE REVIEW

For the purpose of this study the literature with regard to human Resource Management practices and employee retention was reviewed. This review has been classified under different heads below:-

- **HR Practices:-**
  
  One of the key consistent trends within this research has been repeated efforts to classify HR practices into categories. For instance, MacDuffie (1995) made a strong case for viewing work systems as requiring that the individuals have the necessary skills and abilities, that they are motivated to do a good job, and that the system provides opportunities for them to participate. In general, three approaches have been used to classify practices: conceptual, factor analytic, and cluster analysis.

  The review revealed that while some researchers concentrated on single HR practices as a strategy to increase employee retention, many suggested a combination of many practices in order to keep the employees from leaving the organization. According to Banjamin Laura (2007), Retention is not a simple, fast initiatives that can be solved by “quick hit” approaches. Employee retention efforts require going back to fundamental rather than looking for an interim measure to invalidate years of negligence.

  Murty (2007) elucidates a few retention practices that need to be practiced in order to encourage employees to stay loyal to the organization including compensation, job designing, job sculpting, nursing social ties, job location, recruiting techniques and creating and enabling organic bureaucracy.

  Harris Jim (2007) observes that in the war for talent, employee retention is getting harder day after day. He describes ten trends that impact the turnover of tc employees and describes the strategies to be followed to counter them including Global Competition, Entrepreneurial Boom, Free Agent World, Options-Options-Options, Mass Customization, Worker Backlash, and Workplace.
Branham Leigh (2005) On basis of an informal study of IT professionals enumerates the common reasons that corporate retention initiatives fail. These may be (i) too much emphasis on pay, benefits and perks. (ii) blindly following other companies’ best practices (iii) failure to train managers and hold them accountable. He says that the companies must look into their individual needs for employee retention so that suitable practices can be obtained to retain their employees.


Herman Roger E. (2002) has discussed the benefits of stability of the workforce and goes on to provide various tips for retaining the employees in the organization. These according to him may be (i) Hiring right to begin with (ii) caring about your people (iii) Making training count and (iv) Be out there for your employees. But too low employee retention is also detrimental for an organization.

Hinkin ThoTy & Tracey Bruce's (2000), show that even for jobs that do not require very elaborate skills, retention strategy can positively affect the engagement, turnover and ultimately financial performance, especially, for positions that involve interaction with customers.

Chachare, Kartz and Williams (1998) have argued that rather than approach the issue from traditional perspective of turnover, it is more valuable to look at the issue from the positive perspective of employee retention. They suggest that by viewing employees as a capital investment; rather than an expenditure, organizations can take a more positive and strategic role in retaining the employees.
Morrissette and Rosa (2003) find very little correlation between quit rates and the introduction of different bundles of alternative work practices in the Canadian manufacturing sector, and they site a number of other studies that support similar conclusions.

**Procurement Practices:**

This review of the HR literature seems to confirm that good retention is about more than what a company does once an employee has been hired and establish within an organization. How companies recruit and how they provide orientation in the first days on the job can be crucial importance to keeping workers over the long term.

Smith (2001) attributes 60 percent undesirable turnover to bad hiring decisions on part of the employer. “Bad Hiring Decisions” may cover a number of considerations including overly hasty selection process that fail to ensure that the job candidate really has the adequate skills and qualifications to do the job for which he/she is hired.

According to Newton Mark (2005), business have to understand the needs and fit the applicant to the job and not the job to the applicant. Management needs to define exactly who the right people are in the company. This can be done through job descriptions, jobs analysis etc but it needs to be done.

Meyer et al (2003) and others have emphasized the importance of providing 'realistic job previews' to potential employees. These provides potential new hires with more than just cursory glance at company's operations, providing the candidate with enough information to make a decision about whether it is the right workplace for him/her.

MacHatten et al (1997) also highlight the promise of the realistic job preview (RJP). Potential managers can make better decisions about their "fit" with a potential
employer, thereby improving their career decision making and reducing the chances of earlier turnover.

- **Training and Development Practices :-**
  Training and development are enthusiastically embraced as key factors to good retention due to the fact that well developed training programs are becoming ever more essential to the ongoing survival of most modem companies, whether or not retention is an important issue to that company.

  Smith (2001) unambiguously states: Make no mistake about it: all organizations will do a better job by spending more resources on training and development. A business that provides education and training will be more competitive and productive and will win the loyalty of the workforce.

  Kaiser and Hawk (2001) conducted a study on IT employees and their result concluded that the technical training was the highest rated retention practice as regarded by the IT professionals that influenced them to stay in the organization. Companies have been offering cross training and multitasking training as more business looks harder at increasing their productivity.

  Johnson (1998) suggests that "although cash and benefits may act in the short term to attract, in the long term, the ongoing development of people will build strong relationships and ultimately strong corporate cultures”.

- **Compensation Practices :-**

  **Compensation Levels:-**
  The HR literature that covers compensation occupies a very large part of the literature that applies to employee retention. Most of the sources consulted in this study stress the importance of compensation in attracting and retaining good employees, particularly for workers whose skills and responsibilities are unique or indispensable
to the organization.

A Survey by Mercer Human Resources Consulting Services (2006) shows that Salaries climbed higher this past years as employers fought to attract and retain staff in the Tightest labor market in 30 years. The survey revealed that the top concerns of human resources managers are maintaining competitive remuneration in a tight market and getting variable rewards right.

Gonz’alez Luis G. and Gurtoviy Ruslan (2006) present a theoretical model of bargaining over deferred compensation. They used the axiomatic Nash bargaining framework to determine the retention role of deferred compensation. The authors investigated the optimal combination of cash and deferred payments that a firm can use to keep qualified personnel to avert bankruptcy.

**Benefits and Rewards:-**

Benefits can demonstrate to employees that a company is supportive and fair, and there is evidence to suggest that stable benefits are at the top of the list of reasons why employees choose to stay with their employers or to join the company in the first place.

Mallikarjunan K.(2007) puts forward that employees have to get incentives for every good work done and those incentives should be such that they not only reward the deserving, but also encourage them and even motivate them towards improvement and excellence in fixture performances.

Philips and connel (2003) have put forward that rewards and recognition have a reliable and clear impact an employee turnover. They say that a meaningful and credible reward system can be helpful in employee retention and lowering turnover.

- **Maintenance Practices :-**
The maintenance function of the HR system is concerned with protecting and protecting the physical and mental health of the employees. There is a growing body of evidence that workplace safety, health and wellness initiatives make a fundamental contribution to business performance as well as the improved health and well being of individual employees. As the world economies improve in, employees who are not happy with their present state of employment will go elsewhere.

Bernick Lavin(2002) give a case study of Alberto-Culver North America, where employee turnover was running at more than twice the industry average, and was halved over the past seven years and the company’s ability to attract top people from other firms has increased by focusing on organizational culture.

A survey of 1,862 employees in the U.S., cited in Ashby and Pell (2001), reported that most workers wanted job with flexible hours and that allowed them to take care of personnel concerns, while a substantial number cited similar reasons for their preference for working at home.

Thornthwaite Louise and Sheldon Peter (2004) examined two leading cases of Austrian organisations providing employee Self–rostering for work family balance and highlights that such schemes can be successful for managements and employees even in high routine mechanized production environments.

- **Separation Practices** :

The fact that the literature related to the separation practice is less abundant doesn't make them less important with respect to the employee retention and reducing employee turnover. The separation practices include the practices that separate the employee from their jobs. The separation practices include promotions, demotions, transfers, retirement and turnover. It is the voluntary turnover that we are trying to control by using HR practices like providing promotions, promotion based transfers, voluntary transfers, a well defined retirement policy etc.
Taylor Stephen (2000) explores the relationship between employee retention and the provision by employers of occupational pension schemes. Original research carried out by the author suggests that the retention effect of pension schemes is limited in terms of both its potency and its extent.

Lin and Chang (2005) suggest that those who quit for what they perceive as upwardly mobile career moves and those who enjoy in-house promotions both demonstrate a greater degree of positive learning goal orientation than their colleagues who remain stationary in long-term positions with the same firm.

Geinzer Douglas T. (2006) suggests an important way to retain employees may be exit interviews of the employees leaving the organization. The information got by exit interviews can be used to improve employee retention.

- **Employment Relations Practices :-**

  Our discussion regarding the HR practices relating to retention would be far from complete if the importance of employment relations is not addressed. Open, responsive, two way and healthy relations are vital to good employee retention. Without effective communication and sound relationships in the workplace between the employer and the employees as well as among themselves, many of these practices would be difficult to implement, or would at least be difficult to implement them with the goal of retaining employees.

  Burton Keith (2006) also says that it is valuable to consider the best ways for communicating; a way that the employees do trust. Employees trust face-to-face communication the most, and look to their immediate supervisors as the most credible sources of information.

  Sinha and Ramakrishna (2007) says that employers must focus on the aspects like
treatment of employees, regular communication with employees, appropriate work environment etc., which play a vital role in retaining the talents.