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## Employee Retention Wrapped in Rewards Package

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### ABSTRACT

*It is certainly no secret that turnover is costly. The question is, therefore what? How does a company effectively stem the tide of turnover and do so in a way that creates happy, productive, contributing employees? Amongst the top identified reasons of employee turnover are poorly implemented or nonexistent reward systems in organisations. Everyone appreciates being rewarded for a job well done. This study aims to look at some of the rewards that companies can use for increasing employee retention. A base salary only encourages an employee to work at the level that is required of them. Reward systems can improve employee job satisfaction and retain staff. Retention of key employees is not a complicated issue - just a neglected one. Once a company realizes the range of factors that have to be planned, initiated, managed and reinforced, they can organize an effective effort to build a compelling value proposition. Doing so is worth the investment of time, focus and energy. To do otherwise is to perpetuate an outcome that can be costly and drain the company of its highest potential for growth and productivity - its people.*

**KEYWORDS:** Reward, Employee Retention

### INTRODUCTION

"I'm moving on." That phrase is heard in businesses throughout the country every day. It is uttered when an employee has determined that the total value proposition being offered by his employer is not compelling enough to keep him with the organization. Unfortunately, employee turnover carries a heavy price tag. Employee turnover can cost a company up to 1.5 times of the employee's annual salary. Not to mention indirect costs such as knowledge, lost production, lower employee morale, and other costs. The average cost of replacing someone in your organization is 29% of their annual salary if they are a non-manager and 46% if they are a manager. And those replacement costs do not generally vary based on company size, revenue or public/private status.

Reward management is a holistic process which contributes to management of individual employees and team in order to achieve a high level of organizational performance. It aims to meet the needs of both, the organization & stakeholders. Also, it contributes to acknowledge employees high performance & rewarding them with benefits. From employees perspective, reward management has to be fair & equitable. There is nothing worse than getting paid less than someone who is doing exactly the same job. From employers perspective, reward management is important because it helps them attract & retain good employees. Employee retention is a process in which employees are encouraged to remain with the organization. Employee retention

is very important for an organization as it leads to Customer satisfaction, product sales & organisational knowledge. As per a survey, turnover cost of an employee to the organisation is 150% to 200% of salary in the form of recruiting cost, training costs etc. Thus, it becomes very important for an organization to focus on employee retention & various HRM practices can play a significant role in achieving this objective & reward management is one of the common practice

## **LITERATURE REVIEW**

Reward and compensation are the forms of tangible benefits and financial returns that an employee receives, however with the emerging economy and the present work environment the rewards and recognition takes in different forms. These include performance based rewards, employee recognition, non-monetary incentives, extrinsic rewards, and intrinsic rewards. Performance based pay improves employee performance in addition to motivating and engaging employees (Harvey-Beavis, 2003; Nazir, et al., 2013) causing to improve employee retention.

The structure of total rewards has developed overtime, with different individuals identifying different elements to make up total rewards. WorldatWork (2011), defines total rewards as consisting of the elements of compensation, benefits, work life, performance and recognition, development and career opportunities.

Given the critical importance of employee retention to the performance and survival of organizations, human resource professionals are expected to regularly re- evaluate their existing reward strategies and programmes to ensure that they address the employees' preferences for improved motivation and commitment. Providing jobs which are satisfying, clear career development opportunities, as much autonomy as is practicable and above all competent line management are some of the factors that play significant role in employee retention (Torrington et al, 2008).

Reward is one of the most important components of an organizations retention strategy. Armstrong (2010) states that rewarding people involves reward management practices concerned with design, implementation and maintenance of reward systems that are geared to the improvement of organizational, team and individual performance.

A valued employee should be given a salary package at par or more than the existing industry average to get him/her to stay within the organization. But at the same time giving more money can have undesired side effects. Firstly it makes other employees develop a mind-set that the way to get a pay hike is by frightening to leave and secondly when an employee is at the top of his/her salary scale and is offered more money for performing the same duties, it will affect organization-wide differentials (David Pollitt 2007). Therefore, it is important to retain them because of high training and recruitment costs so organizations use rewards to retain employees (Simon North 2011).

## **OBJECTIVES OF THE STUDY**

- a. To examine the reward preference given by employees.
- b. To establish relation between rewards & employee retention

## RESEARCH METHODOLOGY

### Data Collection

The target population for the proposed research consists of employees working in the malls in Borivali of Western Mumbai suburb. Primary sample was used in the study. A total of 50 questionnaires were distributed & all were returned.

The sampling techniques used to select employee for this survey is convenient sampling method. It is difficult to use simple probability sampling as most of the staff are not based in the office, but in different locations. Therefore once the company grants the permission, researcher approaches any employees who are available in the office. As researcher is not directly involved in data collection process, it minimises the biasness and influence on any employee. Once the procedure is explained and when respondent gave the consent, then the questionnaire was given and requested to complete it as truthfully as they can. The completed questionnaires were collected after 2 weeks following questionnaire distribution to the respondents, following up and reminding the respondents on the dead line for collection.

### DATA ANALYSIS & INTERPRETATION

Likert scale technique has been used in order to analyse the impact of Reward practices on the retention of employees. The responses from every respondent for each determinant are scored on a five point scale i.e.; strongly agree, agree, uncertain, disagree and strongly disagree. Scores in each determinant indicate the employees' opinion about existence of that determinant in their organisation. In total, 10 questions were asked from the respondents, which were related to the determinants taken in the study. The responses of the various respondents have been given below in Table-1.

Table 1: Responses of various employees

Sr. No	Determinants	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1	Career development opportunities such as Chances of promotion	10	31	5	3	1
2	Verbal recognition such as – Thank you card, Written congratulations, testimonies from senior leadership etc.	4	6	10	22	8
3	Symbolic awards such as Service award, Quality award etc.	14	29	3	2	2

4	Cash awards such as Lump sum bonus, Specialised training etc.	5	23	7	9	6
5	Non Monetary rewards such as fringe benefits, work life balance & feeling of belongingness etc.	6	7	8	25	4
6	Monetary rewards such as salary, retirement benefits, medical reimbursements etc.	33	5	0	10	2
7	Performance based rewards such as individual/group incentives, paid vacations etc.	27	11	4	5	3
8	Intrinsic rewards such as meaningful work, feeling of growth & competence in work etc.	21	16	11	1	1
9	Extrinsic rewards such as desks with window view, better office, flexible working hours etc.	8	4	14	16	8
10	Organisational rewards such as profit sharing, stock options etc.	29	3	9	6	3

Source: Primary data

Table 2 gives details about the responses of various employees regarding their willingness to retain in the organization in relation to various determinants

Table 2: Willingness to retain in the organisation

1	Career development opportunities	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
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	Yes	8	25	3	2	1	39
	No	2	6	2	1	0	11
2	Verbal recognition						
	Yes	3	3	7	18	5	36
	No	1	3	3	4	3	16
3	Symbolic awards						
	Yes	8	21	2	2	1	34
	No	6	8	1	0	1	16
4	Cash awards						
	Yes	5	19	4	7	5	40
	No	0	4	3	2	1	10
5	Non Monetary rewards						
	Yes	6	5	0	17	1	29
	No	0	2	8	8	3	21
6	Monetary rewards						
	Yes	29	3	0	8	2	42
	No	4	2	0	2	0	8
7	Performance based rewards						
	Yes	21	8	4	4	2	39
	No	6	3	0	1	1	11

8	Intrinsic rewards							
	Yes	19	11	7	1	0	38	
	No	2	5	4	0	1	12	
9	Extrinsic rewards							
	Yes	7	3	11	13	7	41	
	No	1	1	3	3	1	9	
10	Organisational rewards							
	Yes	23	2	6	4	2	37	
	No	6	1	3	2	1	13	

Source: Primary data

## RESEARCH FINDINGS

1. The first determinant “Career development opportunities” was taken up. Out of total respondents, 31 respondents were agreed and 10 were strongly agreed that there are good Career development opportunities in their banks. The willingness of the respondents to retain in the concern was for 39 respondents.
2. The second determinant “Verbal recognition” was related to appreciation by seniors. Out of total respondents, 22 respondents were disagreeing and 10 were uncertain. But there were 6 respondents who agreed that Verbal Recognition existed in their banks. The willingness to stay in the concern was for 36 respondents.
3. The third determinant “Symbolic awards” is related to Quality of work & tenure with the bank. Out of the total respondents, 29 respondents agreed that Symbolic awards exist in the their bank and 14 respondents were strongly agreed. The willingness to stay in the concern was for 34 respondents.
4. The fourth determinant “Cash awards” is related to annual & quarterly bonus. Out of the total respondents, 23 respondents agreed that Symbolic awards exist in their bank and 5 respondents were strongly agreed. Employees who were strongly agreed were ready to retain in the organization.

5. The fifth determinant “NonMonetary rewards” is related to work life balance opportunities & feeling of belongingness. Out of the total respondents, 25 respondents disagreed that such rewards exist in their bank and 6 respondents were strongly agreed. Employees who were strongly agreed were ready to retain in the organization.
6. The sixth determinant “Monetary rewards” is related to salary & other benefits. Out of the total respondents, 33 respondents strongly agreed that such rewards exist in their bank and 5 respondents agreed. The willingness to stay in the concern was for 42 respondents.
7. The seventh determinant “Performance based rewards” is related to individual/Group incentives. Out of the total respondents, 27 respondents strongly agreed that such rewards exist in their bank and 11 respondents agreed. The willingness to stay in the concern was for 39 respondents.
8. The eighth determinant “Intrinsic rewards” is related to meaningful work & feeling of growth & competence in work. Out of the total respondents, 21 respondents strongly agreed & 16 respondents agreed that such rewards exist in their bank. The willingness to stay in the concern was for 38 respondents.
9. The ninth determinant “Extrinsic rewards” is related to factors like better office & equipment. Out of the total respondents, 8 respondents strongly agreed & 4 respondents agreed that such rewards exist in their bank. The willingness to stay in the concern was for 41 respondents.
10. The tenth determinant “Organisational rewards” is related to stock options & profit sharing options. Out of the total respondents, 29 respondents strongly agreed & 3 respondents agreed that such rewards exist in their bank. The willingness to stay in the concern was for 37 respondents.

## **CONCLUSIONS & SUGGESTIONS**

The concept of retention has been receiving considerable attention from academicians, researchers and practicing HR managers. The findings of the research showed that there was a good relationship between the employee retention and some of the rewards offered by banks. The frequencies of Monetary rewards, Performance based rewards & Organisational rewards show the highest values in relation to their perceived level of retention with the concern. It means that the respondents are more inclined towards their salary & other benefit. So, in today's environment the organizations should treat their employees as the most valuable assets and have to take care of them in order to achieve the organisational goals. Organizations have to provide their employees with the best career growth opportunities, working environment and should work on them. In this way, it will help the employers to retain their best people in the organisation.

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