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Employee Retention in Recessary Period - A Review

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Abstract

Employee Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. The top organizations value their employees and try and keep them glued to the organization. Focusing on employee retention at a time when companies are experiencing mass layoffs may seem like an oxymoron. Yet, high-level players will always be in demand. Inspiring, satisfying and retaining top players in an organization are the key business objectives in any economic environment. In a recession, the challenge is to motivate them to perform their 200% to achieve results. Recession purifies the system and helps in selecting the best from the rest. Employee retention is especially important in a difficult economy. The high-performers want to be involved. They want to be engaged and be part of the solution. If company doesn't take advantage of that, these high-performers may look for employment elsewhere. Best recruitment tool to be selected is retention. According to Karen Campbell "Good retention practices go together with customer satisfaction and employee productivity." Retention can be achieved by following simple tactics as mentioned below:

Communicate effectively and be a great motivator, innovator, and leader

Search for ways to redeploy employees and treat them fairly and respectfully

Provide alternate work schedules.

Companies have to take excellent initiative for engaging and retaining valuable employees by developing corporate programs that help to avoid burnout by promoting a healthy balance between life and work.

Keywords: Employee Retention, Recessary

Introduction

Employee Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Corporate is facing a lot of problems in employee retention these days. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There is no dearth of opportunities for a talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. The top organizations are on the top

because they value their employees and they know how to keep them glued to the organization. Employees stay and leave organizations for some reasons. The reason may be personal or professional. These reasons should be understood by the employer and should be taken care of. The organizations are becoming aware of these reasons and adopting many strategies for employee retention.

Causes of employee turnover

In order to know the cause of excessive employee turnover, the causes of dysfunctional and avoidable turnover should be known. Few reasons such as:

Compensation package differences, Job and employee skill mismatch: the job may be less or more satisfying and challenging according to the employee, Inferior facilities & tools, Less or no appreciation for work done, Less growth opportunities, Poor training, Less work and life balance practices etc.

A little rate of employee turnover may result into:

Bringing in new ideas and skills from new hires.

Better employee-job matches.

More staffing flexibility.

Facilitate change and innovation.

High rate of turnover may lead to decrease in:

Productivity

Service delivery

Spread of organizational knowledge

Recession

A period of general economic decline; typically defined as a decline in GDP for two or more consecutive quarters. A recession is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market.

Focusing on employee retention at a time when companies are experiencing mass layoffs may seem like an oxymoron. Yet, high-level players will always be in demand. Inspiring, satisfying and retaining top players in an organization are the key business objectives in any economic environment.



The best companies are those who focus on performance-driven reward strategies. The current US financial crisis has had quite an impact on India as well. The Indian IT industry has witnessed a slowdown of approximately 40 percent in recruiting new people.

Impacts of Recession Businesses

Unnamed Fortune 1000 manufacturers are as a typical big of business suffering from the effects of a recession. What happens to this firm will likely happen to other big businesses as the recession runs its course. As sales revenues and profits decline, the manufacturer will cut back on hiring new employees, or freeze hiring entirely. In an effort to cut costs and improve the bottom line, the manufacturer may stop buying new equipment, curtail research and development and stop new product rollouts. Expenditures for marketing and advertising may also be reduced. These cost-cutting efforts will impact other businesses, both big and small, which provide the goods and services used by the big manufacturer.

The impact of a recession on small businesses that have annual sales substantially less than the Fortune 1000 and that are not public companies is similar to large businesses. Without major cash reserves and large capital assets as collateral, however, and with more difficulty securing additional financing in trying economic times, smaller businesses may have a harder time surviving a recession. Bankruptcies among smaller businesses may therefore occur at a higher rate than among larger firms. The bankruptcy or dissolution of a small business that serves a community - a franchised convenience store, for example - can create hardships not only for the small business owners, but for residents of the neighborhood.

In the wake of such bankruptcies or dissolutions, the entrepreneurial spirit which inspired someone to go into such a business may take a hit, discouraging, at least for a while, any risky business ventures. Too many bankruptcies may also discourage banks, venture capitalists and other lenders from making loans for startups until the economy turns around.

Retention of Employee During a Recession

According to experts, employers, recruiters and workers are becoming concerned about their job security as the US credit crisis is deteriorating. In most of the companies be it an IT company or in the corporate house, the employers are often concerned about retention. IT companies, engineering firms and export-oriented industries

such as textiles, pharmaceuticals and automotive components are all likely to feel the pressure. In a recession, the challenge is not to retain employees but to motivate them to perform their 200 percent to achieve results. Being in a sales focused organization, the easiest thing for an employee to do is to shrug his shoulders and say 'recession-no business' and quit. The question here is-what makes an excelling organization different from the others? Why do some organizations withstand pressure, while others crumble? This is the time when employees have to understand that they need to think different. Recession purifies the system and helps in bifurcating the best from the rest. We are gearing up from today itself to prepare for the best to come and go cracking when markets turn around from this recession. We are back to basics, redefining and fine-tuning every aspect of doing business."

During financial turmoil cost cutting measures are inevitable for companies. Nevertheless, employee retention remains a mystery to many companies. It is the time for industry to take necessary steps before the economic headwinds take a toll on employment. This situation would last for at least one and half year more.

Employee retention is always important, but it is especially important in a difficult economy. Obviously, there's a lot of attention being given to employees who are leaving organizations due to layoffs and its connection to the economy.

But there are also the individuals who remain and most importantly, the people who are qualified, high-performers that a company needs in order to accomplish anything on a day-to-day basis.

Many companies offer knowledge-based services, so it's important for these companies to take a closer look at who their talented people are, what they're bringing to the company and make sure they're engaged and performing at a high level. This has been difficult recently, however, due to the economy.

During a difficult economy, employers often forget how important communication with employees is and start to lack communication.

Generally, with respect to each business's situation, failure to involve employees in business decisions (by communicating to them) can cause people to feel disconnected. This is especially true for high-performing employees.

I think company should always get the feedback of high-performing employees, regardless of the state of the economy. It's important because these high-





performers are the people who are essentially responsible for business: They're serving company customers.

So high-performers are the people who are probably best-situated to guide company. They can also serve as motivators by engaging other employees in communication.

These high-performers want to be involved. They want to be engaged. They want to be part of the solution. If company doesn't take advantage of that, these high-performers may look for employment elsewhere.

What company does right now for employees while times are tough will have a direct impact on what they will do when the economy does pick up. In a recent survey released in February 2009 by Salary.com, 65% of employees admitted to passively or actively looking for a new job already. Employers are blind to what is happening and believe that they are in power. In this survey, Salary.com found that 80% of the employers believe their employees would not begin a job search in the next 3 months; at the same time, 60% of the employees said they plan to intensify their job search in the next 3 months. What generally happens in these circumstances is the top employees that company can't afford to lose can find jobs now and even the good / average performers will find jobs at least when the economy picks up. If this happens, company will be left with those that can't find employment elsewhere. If they haven't left yet, company may still have time to show them that company care about them and have a great place to work if companies begin investing in retention now.

Just in case that isn't enough...recruiters are finding out that replacing employees isn't as easy as company might think it would be when unemployment levels are at 7 - 9%. Companies that are actually recruiting now are reporting receiving as many as 1500 or more resumes in response to an ad on the national job boards. After spending countless hours screening these resumes, we continue to hear the same message "where are all the good candidates?" We have high unemployment but we are still in a labor / skills shortage; plus employers' expectations are very high given the crunch on keeping expenses down. Filling a position is not an easy task now; nor will it be when the economy picks up. Best recruitment tool is going to be retention. Spend money keeping employees and training them to do the jobs company need them to do. Company are likely to spend more money recruiting from the outside and not find the right skills, knowledge, and

commitment than what company could spend on retaining and training the employees company already have.

Finally, studies also show that not only is bottom line impacted by the turnover costs but also a decrease in productivity and customer satisfaction. The more dissatisfied employees become and the less focused they are on doing a good job for company, the less productive they are on the job and more likely they are to impact customer satisfaction. According to Karen Campbell the vice president of human resources and director of the People Management Resources Division at SMC Business Council "Good retention practices go hand-in-hand with customer satisfaction and employee productivity." They afford to lose best people. Company especially can't afford to lose them in a bad economy.

How to Retain Employee in the organisation

A survey developed by Robert Half International and independently conducted with 100 Canadian senior executives between September 15 and October 15, 2008 stated that 35% of the senior executives had employee retention as their greatest staffing concern.

The other report, Hewitt Associates' annual 50 Best Employers, states that "Businesses that invest in employees and have high employee engagement have a competitive advantage in their ability to make it through a recession." These companies will emerge from the recession stronger and healthier unlike the companies whose workforce has been decimated.

Here are 7 tactics for retaining employees through these times of confusion and uncertainty:

Communicate effectively with employees. This is the most critical tactic of all. Assumptions and speculations are deadly to employee morale and the health of the organization. Nip rumors in the bud by being honest with employees about what is happening in the organization. Encourage workers to share their concerns with company and in turn share company concerns with them. This fosters openness and trust between all parties' involved.

Search for ways to redeploy employees. It doesn't make sense, financially or otherwise, to get rid of valuable employees during an economic downturn. When the recession is over company will need to replace these workers and at what cost? Instead, shift these workers to other areas that are still performing well. Company will demonstrate loyalty to them, garner their loyalty to company, and retain valuable company assets. Employees



that leave companies take valuable knowledge with them.

Make wiser choices when hiring employees and managers. Consider the corporate culture that this prospective employee or manager must fit into and determine if there is a match. Utilize various personality assessments that are available to company. Doing so will ensure that not only will the employee/manager match the company's expectations but the company will match the employee's or manager's expectations. After all, a square peg doesn't fit easily into a round hole.

In essence, employees don't leave bad companies – they leave bad bosses. Make sure company is not one of them!

Be a great motivator, innovator, and leader. Inspire employees to achieve great things. Believe in their capabilities. Encourage them often to stretch out of their comfort zones. Listen to their ideas and implement them. In a nutshell, champion them and they will champion company and the company.

Treat employees fairly and respectfully. Employees are company's best asset and company must protect and nurture them. Whether companies know it or not, companies are in the business of growing people. Let them know how valuable their contributions are to the company. Create a learning environment for them where they, and company, can achieve the highest potential.

7. Provide alternate work schedules. Some companies have implemented programs for flexible hours, job sharing, four-day work weeks, and transportation subsidies. This allows employees to gain greater control over how, where, and when they work which leads to better work/life balance and helps to retain them.

Steps to Take

If company wants to be effective in employee retention efforts during this difficult economy, here are some steps company can take:

Engage all employees, but specifically engage high-performing employees. It may not be possible to give employees every detail of what's happening at company. It may not even be possible for anyone to predict what it going to happen. But even delivering that message gets employees involved and gives them perspective on the situation. Communicating to them lets them know they are important and that company want to engage them in the conversation.

Tell employees how important they are to company's success. Say, "We'd like company to

help us with XYZ" or "We think your contribution is very important to our business."

Recognize people on a day-to-day basis. Companies don't have to reward them lavishly, but company can give them credit for the things they accomplish or company can congratulate them on their successes. Those non-financial things may be even more important to an employee than a monetary reward.

Be creative as a company and think beyond typical advancement or typical rewards for employees. Create new opportunities. For example, maybe company can create a new position by shifting someone's responsibilities, giving him/her new challenges to take on.

Get creative and think outside-the-box to come up with different ways company can retain best employees during difficult times.

The above steps will enable company to hold the team together during a recession, and will even make bond between all stronger. Employees should be motivated enough to stick to during tough times and put in the extra effort required for company business to come out of the storm unscathed.

Conclusion

Companies have to take excellent initiative for engaging and retaining valuable employees is by developing corporate programs that help to the most valuable employees to avoid burnout by promoting a healthy balance between life and work. Some of the response and solutions are included:

Training and encouraging managers to give more regular feedback

Show employees how they fit into the goals of the company

Flexibility in the hours (i.e. set core hours)

Employee development and training

Improve company communications (even when it is bad news)

Mentoring and coaching solutions

Skill development (i.e. job enrichment)

Respect

"Human Capital Is Our Greatest Asset"

Employee retention would require lot of efforts, energy, resources but the results are worth it.





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