CHAPTER 2: LITERATURE REVIEW

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CHAPTER 2: LITERATURE REVIEW

Chapter Overview

The chapter provides a review of available literature in the area of employee turnover and retention. The first part of the chapter begins with a review of literature on concepts/theoretical framework, defining turnover and retention. This is followed by the discussion on factors affecting employee turnover and factors affecting employee retention. Thereafter follows a discussion on employee turnover and retention in non-profit organizations. It then goes on to describe the scenario of employee turnover and retention in Indian non-profit organizations. The chapter ends with identification of problem areas and research gaps in the context of employee turnover and retention in non-profit sector.

## 2.1 Employee Turnover and Retention: Conceptual Framework

Employee turnover, as defined by Hom and Griffeth (1994), is 'voluntary terminations of members from organizations'. Loquercio *et al*. (2006) observed that staff turnover is the proportion of staff leaving in a given time period but prior to the anticipated end of their contract. According to Singh *et al.* (1994), staff turnover is the rate of change in the working staffs of a concern during a defined period. Ivancevich and Glueck (1989) opine that staff turnover is the net result of the exit of some employees and entrance of others to the organization. Kossen (1991) defined turnover as the amount of movement in and out (of employees) in an organization.

Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment (Abassi & Hollman, 2000). Staff turnover that can occur in any organization might be either voluntary or involuntary. Voluntary turnover refers to termination initiated by employees while involuntary turnover is the one in which employee has no choice in the termination as it might be due to long term sickness, death, moving overseas, or employer-initiated termination. (Heneman, 1998). Turnover is referred as an individual's estimated probability that they will stay or not stay in an employing organization (Cotton & Tuttle, 1986). A number of terms

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have been used for employee turnover, such as quits, attrition, exits, mobility, migration or succession (Morrell *et. al,* 2004).

Griffeth and Hom (2001) provided a framework of staff turnover as represented in Exhibit 2.1.

Exhibit 2.1: Framework of Staff Turnover
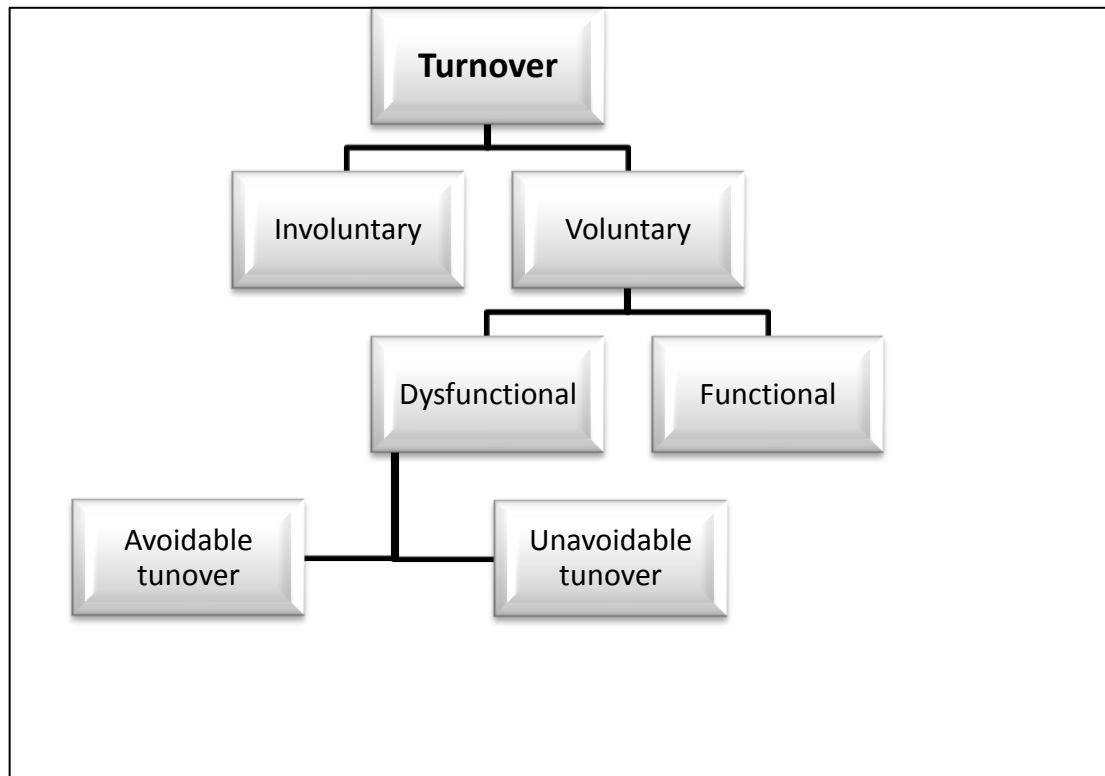
Adapted from: Griffeth, R. and Hom, P. (2001) *Retaining Valued Employees* Thousand Oaks, CA: Sage.

Though there are many causes for staff turnover in an organization, all of those do not have negative impact on well being of an organization. Organizations should differentiate between voluntary and involuntary turnover and take actions on the one under their control. Voluntary turnovers are those caused by the employee out of his/ her own choice (*e.g.* to take job in other organization for better salary) while involuntary turnovers are because of the decision of management (*e.g.* dismissal for gross misconduct). In general, all resignations not formally initiated by employers are voluntary resignations (Loquercio *et al.*, 2006).

Voluntary turnovers are further distinguished into functional and dysfunctional turnovers. Functional turnovers are the resignation of substandard performers and dysfunctional turnovers refer to the exit of effective performers. Dysfunctional turnover is of greatest concern to the management due to its negative impact on the organization's general performance. Dysfunctional turnover could be further classified into avoidable turnover (caused by lower compensation, poor working condition, etc.) and unavoidable turnovers (like family moves, serious illness, death, etc.) over which the organization has little or no influence (Taylor, 1998).

A low level of employee turnover is acceptable in any occupation, in that it offsets potential stagnancy, eliminates low performers, and encourages innovation with the entry of new blood. However, high levels of employee turnover lead to low performance and ineffectiveness in organizations, and result in a huge number of costs and negative outcomes (Ingersoll & Smith, 2003). Several researchers have found that high turnover rates might have negative effects on the profitability of organizations (Aksu, 2004; Hinkin & Tracey, 2000 among others). Johnson (1981) viewed turnover as a serious problem having a strong bearing on the quality of products and services and incurring considerable replacement and recruitment costs. Curtis and Wright (2001) opined that high turnover can damage quality and customer service which provide the basis for competitive advantage, thereby inhibiting business growth. Also, it has been observed that people who leave are those who are most talented as they are the ones likely to get an opportunity elsewhere (Hinkin & Tracey, 2000). Turnover often ends up in valuable talent moving to competing entities (Stovel & Bontis, 2002). Therefore, it is only desirable that management should accord special attention to prevent turnover and puts in place a sound strategy for improving staff retention.

For most part, voluntary turnover is treated as a managerial problem that requires attention, thus its theory has the premise that people leave if they are unhappy with their jobs and job alternatives are available (Hom & Kinicki, 2001). Therefore, most studies have focused on voluntary rather than involuntary turnover (Wright, 1993). In this study too, only *voluntary form of turnover* has been considered and discussed. Griffith *et al.* (2000) conducted a review research on employee turnover and described the most-cited variables that affect turnover. The model developed by them incorporates the factors that explain the turnover process. It includes

variables related to both job content and external environment factors that explain turnover. It is generally believed that the process of employees' turnover is the reversed transformation process of employees' retention psychology and behaviors. The model is depicted in Exhibit 2.2.

Exhibit 2.2: Griffith *et al.*'s Turnover Model
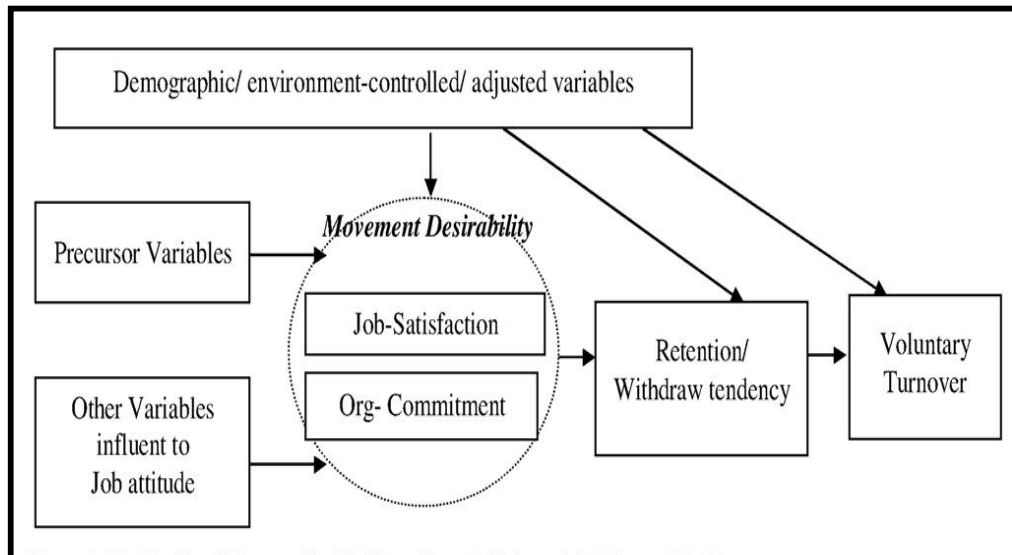
Source: Griffeth, R. W., Hom, P. W. & Gaertner, S. (2000). A meta-analysis of antecedents and correlates of employee turnover: Update, moderator test, and research implications for the next millennium. *Journal of Management*, 26, 463-488.

Employee retention is recognized as an important subject of inquiry by researchers. The Harvard Business Essentials (2002) defined retention as the converse of turnover being voluntary and involuntary. Retention activities may be defined as a sum of all those activities aimed at increasing organizational commitment of employees, giving them an overall ambitious and myriad of opportunities where they can grow by outperforming others (Bogdanowicz & Bailey, 2002). It is a voluntary move by an organization to create an environment which engages employees for a long term (Chaminade, 2007).

Literature has overwhelmingly proved the importance of retaining valuable workforce or functional workforce for the survival of an organization (Bogdanowicz & Bailey, 2002). Mak and Sockel (2001) noted that retaining a healthy team of committed and productive employees is necessary to maintain

corporate strategic advantage. Hence, organizations must design appropriate strategies to retain their quality employees.

Empirical studies (e.g. Harris, 2000; Kinnear & Sutherland, 2000; Maertz & Griffeth, 2004; Meudell & Rodham, 1998) have explained that factors such as competitive salary, friendly working environment, healthy interpersonal relationships and job security were frequently cited by employees as key motivational variables that influenced their retention in the organizations.

Two factor theory propounded by Herzberg *et al.* (1959) is an important theory that explains what satisfies or dissatisfies employees and hence, serves as an important framework for employee retention. Herzberg *et al.* (1959) proposed a two-factor theory or the motivator-hygiene theory. According to this theory, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. The opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction", as shown in the Exhibit 2.3.

Exhibit 2.3: Herzberg's Satisfaction- Dissatisfaction Continuum

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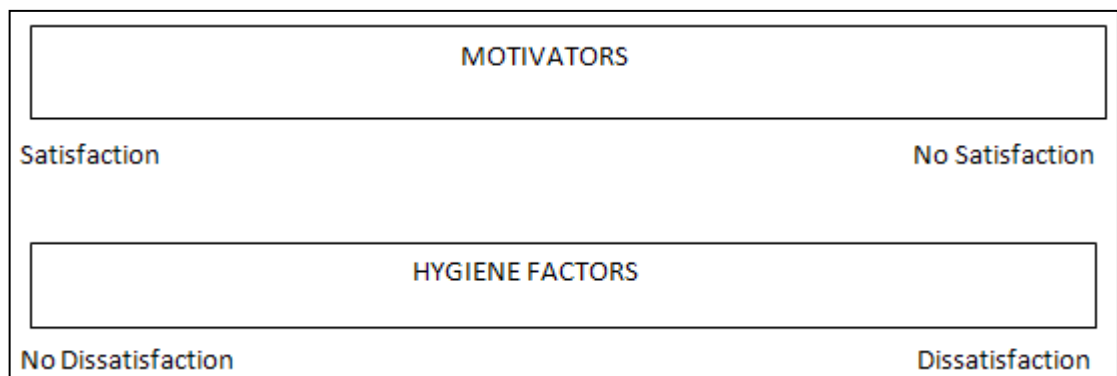
Source: Herzberg, F; Mausner, B & Snyderman, B.B. (1959). *The Motivation to Work* , New York; John Wiley & Sons, Inc.

Herzberg *et al.* (1959) classified these job factors into two categories:

Hygiene Factors

Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term.

But if these factors are absent or if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment scenario. The hygiene factors symbolize the physiological needs which the individuals want and expect to be fulfilled.

Pay or salary is the first and foremost hygiene factor. Pay structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain. The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc. The employees should be offered health care plans (mediclaim), benefits for the family members, employee help programmes, etc. The physical working conditions should be safe, clean and hygienic. The work equipments should be updated and well-maintained. The employees' status within the organization should be familiar and retained. The relationship of the employee with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation element present. The organization must provide job security to the employees.

Motivator Factors

According to Herzberg *et al. (1959),* the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolize the psychological needs that are perceived as an additional benefit.

Motivational factors include recognition, *i.e.,* the employees should be praised and recognized for their accomplishments by the managers. Also, the employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job. There must be growth and advancement opportunities in an

organization to motivate the employees to perform well. The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability. The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

Understanding the different dimensions of a job that may increase satisfaction or, at least, reduce dissatisfaction would be the very first step towards designing a strategy for retention of quality staff (Raju, 2004). Ewen *et al.* (1966) used Hertzberg's theory for testing job satisfaction. Maidani (1991) used the two factor theory for comparing the job satisfaction amongst employees of public and private sectors. In another study, Herzberg's theory was used for studying business student satisfaction (Oscar *et al.*, 2005). Maddox (1981) used Herzberg's theory to study consumer satisfaction

In the context of employee turnover and retention, the framework of **Job Context** and **Job Content** has been used by researchers for studying the reasons why an employee leaves the organization he/she is working for. (Randall *et al.*, 1983)

Job-Content factors are those factors for which the individual is responsible. In other words, those factors that are internally controlled such as achievement, responsibility and the quality of work itself, are termed job-content factors.

Job-Context factors are those factors, which are externally controlled – that is the organization is responsible for controlling those factors. Such factors include job security, salary, benefits, promotions etc.

This framework has been used by many researchers in studies conducted earlier, such as for studying the quality of work life of Canadian nurses (Baba and Jamal, 1991) as well as for studying the job satisfaction amongst engineers and assemblers (Armstrong, 1971). Interactive effect of job content and context on the reactions of layoff survivors has been explored by Brockner *et al.* (1993).

2.2 Factors Affecting Employee Turnover

There are two major reasons why turnover is a central issue in the field of HRM across the globe. First, turnover is related to low organizational knowledge, low

employee morale, low customer satisfaction, high selection costs, and high training costs (Staw, 1980; Talent Keepers, 2004). Research has also shown that high employee turnover is related to lower organization performance (Glebbeek & Bax, 2004; Huselid, 1995; Phillips, 1996). Second, the decision to turnover is often the final outcome of an individual's experiences in an organization (Hom & Griffeth, 1995).

Accordingly, many studies have used turnover as a criterion to evaluate the effectiveness of various organizational processes, such as selection (Barrick & Zimmerman, 2005; Meglino *et al.*, 2000), training (Glance *et al.*, 1993) and coaching/ mentoring (Lankau & Scandura, 2002; Luthans & Peterson, 2003; Payne & Huffman, 2005). Thus, understanding the factors that influence turnover gives organizations the opportunity to reduce selection and training costs, increase employee morale and customer satisfaction, and enhance organizational productivity. The study of turnover has a rich theoretical history in which multiple models have been advanced to understand this complex decision (Hom & Griffeth, 1995). Most of these models are based on the premise that if an individual is unhappy with a job and finds another job, s/he is likely to leave the current job (Lee, *et al.*, 2004). Thus, the focus of most turnover models is on job attitudes (job satisfaction or job commitment) as the primary drivers of turnover (*e.g.* March & Simon, 1958).

Second reason is that human resources are the backbone of an organization (Gerhart & Milkovich 1990, Pfeffer 1998). Moreover, the continuing prosperity of a firm is likely to be enhanced by employees who hold attitudes, value and expectations that are closely aligned with the corporate vision (Borman & Motwidlo, 1993; Cable & Parsons, 2001; Feldman, 2003; Spector, 1997). It implies that hiring capable people is an attractive point of departure in the process, but building and sustaining a committed workforce is more likely to be facilitated by the employment of sophisticated HRM infrastructure (Schuler & Jackson 1987, Beechler *et al.*, 1993).

Arguably, HRM policies and practices can be strategically designed and installed to promote desirable employee outcomes, which include the enhancement of the in-role and extra-role behaviors of employees. Yet, despite such costly investments, corporations are continually searching for techniques to improve and

cement the linkage between employees and their organizations. With proper implementation, these techniques often facilitate a more committed workforce. Since turnover warrants heavy replacements and training expenses, organizations are now recognizing employee retention as an important issue that merits strategic attention (Glen, 2006).

Several studies based on western research (*e.g.* Boxall *et al.,* 2003; Iverson & Buttigieg, 1999; Malhotra *et al.,* 2007; Meyer & Allen, 1991; Meyer & Smith, 2000; Mowday *et al.,* 1982; Mueller & Price, 1990), have shown that work-related factors are major determinants of job satisfaction, organizational commitment and turnover intentions among employees. Griffeth *et al.* (2000) have concluded from their studies that when high performers receive inadequate remuneration/rewards, they look out for alternative employment. Mobley *et al. (*1979) noted that age, tenure, overall satisfaction, job content, intentions to remain on the job and commitment were all negatively related to turnover.

It is quite evident from the review of past researches that intention to stay/quit, job satisfaction and organizational commitment were among the most consistent, close and commonly researched determinants of employee turnover (Amah. O.E., 2009; Mosadeghrad *et al*, 2008; Ramachandran *et al*., 2011 among others). Job satisfaction has been acknowledged as the most common antecedent of employee turnover (e.g. Griffith *et al.* 2000; Lum *et al.,* 1998; Murray & Smith, 1988). Job satisfaction is defined as how people feel about their jobs and different aspects of their jobs (Spector, 1997). Price and Mueller (1986) analyzed the determinants of turnover and identified job satisfaction as the most important factor. Meta-analytic research by Hom and Griffeth (1995) showed that job satisfaction is a significant predictor of turnover, with overall job satisfaction explaining more variance than the sub-dimensions of job satisfaction itself like satisfaction with the work itself, satisfaction with coworkers and, satisfaction with the supervision etc. considered individually. Later, Griffith *et al.* (2000) reaffirmed that the turnover process is indeed caused by job dissatisfaction.

Job satisfaction and attrition are strongly linked (Billingsley & Cross, 1992; Gersten *et al*., 2001; Whitaker, 2000). An employee who is satisfied with his job would perform his duties well and be committed to his job, as well as the organization (Awang & Ahmad, 2010). On the other hand, researchers like Ahuja

et al. (2001) have opined that if employee does not feel satisfied with the job, he will blame the organization and thus possess a lower commitment to the job and is therefore, likely to leave sooner or later This view finds ample support in the literature. Several recent researchers (e.g. Falkenburg & Scyns, 2007; Summer & Niederman 2004; Rajendran & Chandramohan, 2010) have upheld the traditional hypotheses that job satisfaction has a significant negative impact on employee turnover.Job satisfaction plays an important role in determining turnover of employees (Mudor & Tooksoon, 2011). High job satisfaction leads to low turnover. In general, dissatisfied workers are more likely to quit than those who are satisfied. Delfgaauw (2007) suggested that self-reported level of job satisfaction is a good predictor for job mobility and employee attrition. Thus, frequent satisfaction surveys act as smoke detectors and help in uncovering potential turnover intentions

Apart from job satisfaction, organizational commitment too has been frequently related to turnover (Bluedorn, 1982; Mobley 1977; Price, 1977). Griffith *et al.* (2000) identified lack of commitment as an important precursor to employee quit process. Previous research supports the idea that attitudes related to organizational commitment are strongly associated with turnover (Dunham *et al*., 1994; Newton, *et al*., 2004; Somers, 1995). Organizational commitment is found to be strongly negatively related to both turnover intention as well as actual turnover (Addae *et al.,* 2006; Addae & Parboteeah, 2006; Goldman *et al.*, 2008; Wright & Bonnet, 1997; Zhao *et al.,* 2007). Lacity (2008) and Tang *et al.* (2004) concluded that organization commitment is one of the significant factors that impact turnover intention.

Griffeth *et al.* (2000) who identified job satisfaction as a possible antecedent of turnover noted that organizational commitment was a better predictor of turnover than even job satisfaction. Elangovan (2001) too supports this view. He opined that commitment had a very strong negative effect on turnover. Committed employees have been found to be less likely to leave an organization than those who are uncommitted (Angle & Perry, 1981). Samad (2006) also found organizational commitment to be negatively correlated with turnover intentions.

Other important caauses of turnover include limited career and financial advancement, organizational climate, and work–family conflict (O'Leary &

Deegan, 2005; Stalcup & Pearson, 2001). Aggarwal and Bhargava (2009) have investigated how aspects of compensation strategies are related to various key organizational variables such as psychological contract, affective organizational commitment, and turnover intention. Many of the respondents of the study conducted by O'Leary and Deegan (2005) reported that they left the industry because of the incompatibility of work and family life and that the incompatibility hampered their advancement in the industry. Stalcup and Pearson (2001) reported that long working hours and regular relocation are additional reasons for hotel management turnover, but participants in their study emphasized that the primary concern regarding work time was not having to spend too much time on work, but not having enough time to spend with family. Other variables that cause employee turnover include heavy workloads and work stress (Ramrup & Pacis, 2008) . Many other factors such as insufficient pay, fringe benefits, job dissatisfaction, poor quality of supervision, availability of better opportunities and possibility of a better offer, personal adjustment to work situation (grievances), sexual harassment, inadequate orientation, lack of training, dead end (no chance for promotion), job insecurity, relocation from area, health problems and home responsibility were also identified by researchers as primary causes of turnover.

Employee perceptions regarding the family supportiveness of their organization also become reasons to leave the organization (Allen, 2001; Anderson *et al.,* 2002; Thompson *et al.,* 1999). Glance *et al.* (1997) studied the relationship between turnover and productivity and reported that lower turnover rate is definitely correlated with productivity. Altarawmneh and Al-Kilani (2010) examined the impact of human resource management practices on employees' turnover intentions. The employees have tendency to change their job when they have poor supervision (Keashly & Jagatic, 2000), do not receive adequate or relevant training (Poulston, 2008) and most important of all, low wage (Martins, 2003). Abdul Rahman *et al.* (2008) reported that availability of alternative job opportunities had significant positive impact on turnover intentions.

A study of turnover by Boxall *et al.* (2003) in New Zealand confirmed the view that motivation for job change is multidimensional and that no single factor can explain it. Boxall *et al.* (2003) found that work-related accident or illness, unhappiness with co-workers, commuting to work, difficult relationship with the

supervisor, unrealistic expectations from job, excessive work demands, lack of promotion elsewhere, non-redressal of grievances, work methods, lack of job security, inadequate pay, change of career, work-life demands, lack of training opportunities, non-recognition of employee merit and more interesting work elsewhere may lead to turnover intention resulting into actual turnover.

Khatri *et al.* (2001) in a study on employee turnover used three groups of factors influencing employee turnover, *viz.*, demographic, uncontrollable and controllable factors. Demographic factors include age, gender, education, tenure, income level, managerial and non-managerial positions. Uncontrollable factors are the perceived alternative employment opportunity and job-hopping. Controllable factors include pay, nature of work, supervision, organizational commitment, distributive justice and procedural justice.

In order to explain the reasons behind voluntary resignation, Arthur (2001) gives a list that includes:

> ➢ Incompatibility with corporate values
> ➢ Feelings of not being appreciated or valued
> ➢ Not feeling part of the company
> ➢ Not knowing how one is doing for lack of feedback
> ➢ Inadequate supervision
> ➢ Lack of opportunity for growth
> ➢ Lack of training
> ➢ Unequal salaries and benefits
> ➢ Lack of flexible work schedules
> ➢ Unsatisfactory relationships at work
> ➢ Too much work and not enough staff
> ➢ Inadequate or substandard equipment, tools, or facilities

Researchers have opined that there are compelling reasons why a certain level of staff turnover should be encouraged. When turnover is too low, fresh blood and new ideas are lacking and an organization can quickly find itself turning into an ageing machine, unable to cope with change. Some staff turnover has benefits, and can help increase productivity by ensuring better matches between jobs and workers, as well as offering more flexibility to promote and develop valued staff

(Loquercio *et al.*, 2006). It can also allow an organization to adapt to market changes without going through costly layoffs. Certain organizations accept a relatively moderate level of staff turnover because it keeps the organization dynamic (EPN, 2003).

2.3 Factors affecting Employee Retention

Unnecessary employee turnover costs an organization needless expense (Buck & Watson, 2002). Replacements and training expenses have a direct impact on organizational costs, productivity and performance, and as such, an increasing number of organizations are now recognizing employee retention as a key strategic issue (Glen, 2006). The main purpose of retention is to prevent the loss of competent employees from the organization as this could have adverse effect on productivity and service delivery (Samuel & Chipunza, 2009).

Retention activities may be defined as a sum of all those activities aimed at increasing organizational commitment of employees, giving them an overall ambitious and myriad of opportunities where they can grow by outperforming others (Bogdanowicz & Bailey, 2002). Given the development of new managerial approaches to retention, labor market dynamism, and evolution in research methodology and technology, it is not surprising that turnover continues to be a vibrant field of research despite more than 1500 academic studies addressing the topic.

From a managerial perspective, the attraction and retention of high-quality employees is more important today than ever before. A number of trends (*e.g.,* globalization, increase in knowledge work, accelerating rate of technological advancement) make it vital that firms acquire and retain human capital. While there are important differences across countries, analysis of the costs of turnover as well as labor shortages in critical industries across the globe have emphasized the importance of retaining key employees for organizational success (Hinkin & Tracey, 2000).

Hinkin & Tracey (2000) noted that even for jobs that do not require high level of skills, a retention strategy can positively affect the engagement, turnover and ultimately financial performance, especially, for positions that involve interaction

with customers. When a significant share of employees only stays for a limited time with a company, that is a pointer towards underlying problems that need to be explored and addressed by determining the most adequate measures. In response, managers have implemented HR policies and practices to actively reduce avoidable and undesirable turnover (Fulmer *et al.*, 2003; Hom *et al.*, 2008; Kacmar *et al.*, 2006; Michaels *et al.*, 2001). While strategic human resource researchers are still investigating the causal mechanisms between HR practices and organizational performance (Collins & Clark, 2003; Hatch & Dyer, 2004), most include voluntary turnover as a critical component of the equation (Shaw *et al*., 2005; Ulrich & Smallwood, 2005). To put it differently, the topic of voluntary turnover is a vital bridge between macro strategies and micro behavior in organizations. It is one variable that conceptually connects the experiences of individuals in organizations to critical measures of success for those organizations.

Extant literature has so far overwhelmingly proved the importance of valuable workforce or functional workforce for the survival of an organization (Bogdanowicz & Bailey, 2002). Mercer Human Resource Consulting (2004) advised that turnover costs ranging anywhere from 50 to 150 percent of annual salary, compounded by the skills shortage and the ageing workforce. It has been seen that turnover is accompanied by heavy replacement and training expenses and therefore, organizations need to take a serious relook at the turnover rates and put a replacement strategy in place (Glen, 2006).

Mak and Sockel (2001) noted that retaining a healthy team of committed and productive employees is necessary to maintain corporate strategic advantage. Hence, organizations must design appropriate strategies to retain their quality employees. These strategies may range from lucrative compensation packages to involving employees in every sphere of the functioning of the organization (Mak & Sockel, 2001).

Empirical studies (Kinnear & Sutherland, 2001; Maertz & Griffeth, 2004; Meudell & Rodham, 1998;) have revealed that factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security were reported by employees as key motivational variables that influenced their retention in the organizations.

Mercer Human Resource Consulting (2004) advised 5 key factors influencing employee commitment and motivation with % age of employees voting for each of the factors as follows :

➢ Being treated with respect - 85%
➢ Work-life balance - 79%
➢ Providing good service to others - 74%
➢ Quality of work colleagues - 74%
➢ Type of work - 73%

It is important to recognize the commitment of individuals to an organization, as well as the organization's need to create an environment in which one would be willing to stay (Harris, 2000). It is often believed that an organization is only as good as its people (Templer & Cawsey, 1999). Organizations failing to retain high performers will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappaport *et al.,* 2003). Therefore, worldwide, retention of skilled employees has been of serious concern for organizations in the face of ever increasing high rate of employee turnover (Samuel & Chipunza, 2009). Globally, managers admit that one of the most difficult aspects of their jobs is the retention of key employees in their organizations (Litheko, 2008).

Retention is a critical element of an organization's approach to talent management (Lockwood, 2006). Empirical studies such as Stovel and Bontis (2002) have shown that employees, on an average switch employers every six years. Replacing existing employees is detrimental to organizations and may have adverse effects on service delivery. It is therefore imperative for management to reduce, to the minimum, the frequency at which employees, particularly those that are crucial to its operations quit (Samuel & Chipunza, 2009).

Branch (1998) contends that the objective of retention policies should be to identify and retain committed employees for as long as is profitable both to the organization and the employee. It can be further categorized as functional or dysfunctional. When non-performers leave and performers stay, it is identified as functional, and can in fact assist organizations to increase optimal performance. On the contrary, when non-performers stay and performers leave, retention is

highly dysfunctional, and damages organizational innovation and performance (Abbasi & Hollman, 2000).

Samuel and Chipunza (2009) noted that the main purpose of retention is to prevent the loss of competent employees from leaving the organization as this could have adverse effect on productivity and profitability. Similarly, Guarino *et al.* (2006) maintained that studies focusing on retention might identify factors that relate to teacher attrition. Similarly, Bogdanowicz and Bailey (2002) noted that organizations try to provide their workforce benefits and a holistic motive to stick to the current organization and making the decision to leave the organization difficult and pointless. Certo and Fox (2002) found that "reasons for leaving and reasons for staying often acted as inverse variables (for example, a teacher may leave because of poor administration or stay because of quality administration)".

Extant literature reveals that there is a multiplicity of suggested methods for retaining talent, approaching retention on many different levels, and in many different ways; as Ettore (1997), notes that 'at its most effective, corporate retention is a sophisticated juggling act'. Provided this, it can be assumed that employee retention and employee turnover are two faces of the same coin. Both the concepts are inseparable and each from the point of view of research is impractical to study in isolation or independently.

Hom and Griffeth (1995), as cited by Taylor (1998), in their comprehensive review of US research into the management of turnover, describe nine areas for employers to consider. The first six are described as 'robust' methods of controlling turnover and include realistic job previews, job enrichment, workspace characteristics, induction practices & leader-member exchange. According to Taylor (1998), there is strong research evidence that final three *viz.* employee selection practices, reward practices and demographic diversity are promising methods for staff retention. Staffs turnover can be reduced by giving the true picture of the job to candidates. (Decenzo & Robbins, 1999).

Researches indicated that large open-plan offices with few dividing walls or partitions tend to reduce employees significance and autonomy, overcrowding and darkness make matters worse. Therefore, as far as possible, employers should consider making workspace attractive to employees (Taylor, 1998).

Proper orientation is one of the mechanisms that reduces turnover especially the one that occurs in the first months of employment. The induction packages include proper orientation about terms of employment, security issues, health and safety regulations, wage and benefits, organizational rules and policies, employee development opportunities, sufficient information about the organization and the industry, job performance issues including job description, standards, appraisals, and role within the department (Marchington, & Wilkerson, 2000).

However, Breuer (2000) reminded that there is no one size fits all strategy and every retention programme has to be tailor made to suit a particular company. One of the companies cited as an example by the author in the study had made senior executives accountable for retention of those employees who directly reported to them. At the same time, new managers had been given better orientation and training, not only as a way to retain them but also use their improved people management skills as a retainer for those they manage.

Aryee *et al.* (1998) found a significant positive correlation between satisfaction with work flexibility and organizational commitment and thereby good rate of retention. Mano-Negrin and Kirschenbaum (2000) indicated that turnover is affected by organizational size. They suggest that organizational size impacts turnover primarily through wage rates but also through career progression paths. Developed internal organizational labor markets produce lower departure rates since promotion opportunities have a strong negative influence on departures for career-related reasons.

Martin (2003) looked at the effect of unions on labor turnover and found clear evidence that unionism is associated with lower turnover. He suggested that lower turnover is a result of the ability of unions to secure better working conditions; thus increasing the attractiveness for workers of staying in their current job. New professionals' intentions to change jobs have been attributed to their level of job satisfaction (Bender, 1980; Klenke-Hamel & Mathieu, 1990; Lorden, 1998). According to Martin (2003), the relationship between lower turnover and unionization has been well established by researchers using both industry-level and individual data.

A study by Kirschenbaum and Weisberg (2002) of 477 employees in 15 firms examined employees' job destination choices as part of the turnover process. One of their main findings was that co-workers' intentions have a major significant impact on all destination options - the more positive the perception of their co-workers desire to leave, the more employees themselves wanted to leave. The researchers suggest that a feeling about co-workers' intentions to change jobs or workplace acts as a form of social pressure or justification on the employee to make a move.

Mosadeghrad *et al.* (2008) and Mobley *et al.* (1979) concluded that a number of studies offered support for a negative relationship between satisfaction with supervision and turnover. Griffeth *et al.* (2000) propounded that lack of punctuality and frequent absence can be predictors of turnover because they represent symptoms of withdrawal from the organization. Turnover may also be influenced by certain other factors, such as attitudinal, behavioral and organizational factors. A number of researchers have also identified work related factors, personal characteristics and external factors as determinants of employee turnover tendency (Wotruba & Tyagi, 1991).

In today's competitive world, high-performing employees are looking for more than compensation packages and benefits. More specifically, what the employees nowadays are looking for is interesting work, employer flexibility, feeling valued and having training and advancement opportunities which finally, become the major factors influencing their decision to change jobs (Cunningham, 2002).

Nagaraj (1999) noted that organizations are trying many innovative ways to attract employees to workplace, be it multi-cuisine spread provided at the office, or a multi-gym right at the office premises, or a small crèche where female employees could safely leave their young ones while they work. The key to preventing employee turnover is to have a positive work environment where employees are recognized and rewarded for good performance, where there is good communication, and where everyone shares in the excitement of being part of a successful organization (Cunningham, 2002).

Hausknecht (2008) listed 12 major retention factors that have been published in the literature over the last 60 years which helped in explaining employee retention.

The study revealed that job satisfaction, extrinsic rewards, constituent attachments, organizational commitment, and organizational prestige were the most frequently mentioned reasons for staying. Advancement opportunities and organizational prestige were more common reasons for staying among high performers, and extrinsic rewards was more common among low performers.

The use of financial inducements has been recognized as extremely important in retaining employees and it has been considered an important reward to motivate the behavior of employees (Brewer, 1996; Koh & Neo, 2000; Taylor & Vest, 1992). A number of studies suggest that higher wages reduce quit propensity positively and are related to decisions to continue (Gritz & Theobald, 1996; Theobald, 1990). Paré and Tremblay (2000) opine that employees will willingly remain in organizations where work is stimulating and challenging, chances for advancement are high and if they feel reasonably well paid.

Further, Taylor (1997) pointed out that in order to retain employees, organizations must offer career advancement opportunities, failing which they may find it difficult to retain qualified employees. Saporta and Fajourn (2003) too support this view. Casper and Buffardi (2004) stated that the availability of organizational work–life benefits, supportive supervisor and a favourable organizational climate play a pivotal role in attracting and retaining human resources. The role of an effective supervisor in arresting attrition rates has been highlighted by others too (e.g. Amey, 2002; Creamer & Winston, 2002; Schneider, 2002). Good quality supervision contributes to employee satisfaction (Keashly & Jagatic, 2000) and helps in enhancing an employees' well-being at work (Peterson *et al.*, 2003), thereby resulting in retention (Bauer *et al*, 2006).

Researchers have identified other important reasons of retention too. Work-life balance and reduced work-family conflict increase one's chances of retention (Anderson *et al.,* 2002; Shaffer *et al.,* 2001). Research has suggested that organizational work-life benefits and a supportive work climate are linked positively to employee well-being and retention (Allen, 2001; Behson, 2005; Casper & Buffardi, 2004). Work-life quality was found to be a significant predictor of job satisfaction, commitment and longer stays (Rhoades & Eisenberger, 2002; Dixon & Sagas, 2007). Aryee *et al.* (1998) found a positive correlation between satisfaction with work flexibility and intentions to stay.

In a survey carried out on recruitment, retention and turnover in organizations in UK (CIPD, 2005), top three reasons behind departure with % age of employees voting for each of the reasons were found out as :

- Promotion outside of the organization (53%)
- Lack of development or career opportunities (42%)
- Change of career (41%)

The same study found that the top 8 initiatives taken to improve retention in organizations in UK with % age of employees voting for each of the initiatives were:

- Improved employee communication/involvement (57%)
- Increased learning and development opportunities (49%)
- Improved induction process (45%)
- Increased pay (40%)
- Improved selection techniques (38%)
- Improved benefits (34%)
- Made changes to improve work-life balance (34%)
- Improved line management HR skills (32%)

In a report by Deloitte (2004), it was noted that demographic changes show that the number of skilled 15-29 years old entering the job market is steadily contracting, while the population in both developed and developing countries is ageing. This, coupled with rising globalization is increasing the strain on human resources. The results of the survey showed that attracting and retaining talents are considered as the most critical people issues faced by surveyed organizations.

Deloitte Report suggests a 'develop, deploy and connect' approach for retaining the employees. This means developing the skills, not just through formal training but by learning how to learn, where to find the information or action learning supported by coaching and mentoring. Deploying means working with key individuals to (a) identify their deep-rooted skills, interests, and knowledge, (b) find their best fit in the organization, and (c) craft the job design and conditions that help them to perform, meaning, finding a fit between the skills and the job. Connecting means providing critical employees with the tools and guidance they need to (a) build networks that enhance individual and organizational performance,

and (b) improve the quality of their interactions with others, thereby helping to develop rich networks, both internal and external.

2.4 Employee Turnover and Retention in Non-Profit Organizations

Non Government Organizations (NGOs) or Non-Profit Organizations (NPOs) also provide employment opportunities in addition to the private sectors and government institutions. The non-profits play an increasingly important role in providing services, for which the public and the private sector lack time, information, resources and inclination. They advocate for a variety of social, political, environmental, ethnic and community interests and concerns, contribute to the social and cultural life of the society, and actively participate in community building (Salamon & Sokolowski, 2004). They combine economic and market forces with social goals and their employees are expected to fulfill business requirements as well as strictly adhere to ethics, accountability, and equity in services (Vigoda & Cohen, 2003).

All non-profit organizations - irrespective of their size, type, sector or profit-orientation - experience human resource management issues of one type or the other. As talent is rare, valuable, difficult and hard to substitute, organizations that attract, select and retain better talent outperform those that do not (Barney & Wright, 1998). The high turnover of qualified employees in non-profit organizations has increasingly negative impact on recruitment, training, and service effectiveness. Filling a position in a non-profit has reduced chances of obtaining qualified candidates, additional costs for employee training and development, and higher chances of service disruption. Humanitarian NGOs are nonprofit organizations that have the primary aim to save lives and reduce human suffering (Barnett & Weiss, 2008).

The rationale of these organizations is normative instead of profit oriented, as reflected by their often precarious financial situation (Smillie & Minear, 2003) and the altruistic attitudes and identity of their employees (Hilhorst & Schmiemann, 2002). Moon (2004) noted that a diversity of employee retention methods have been employed in both the public and private sectors. However, non-profit sector

leaders must realize that some of the strategies used by the private sector are ineffective for non-profit employees.

Research shows that employees are drawn to the non-profit sector by very different motivators than are employees in the private sector. The environment and culture of many non-profit organizations is such that traditional employee retention strategies are counterproductive or minimally successful at best. The key is to explore innovative alternatives. Some of the strategies to attract and retain talents in non-profit sector are involvement, appreciation, celebrate, train & grow, enthusiasm & diversity (Moon, 2004).

The nature of social enterprises and their socially desirable goals create an expectation that the employees work for the cause rather than for the paycheck (Bhati & Manimala, 2011). Furthermore, social enterprises especially the non-profits are unable to compete with for-profit organizations in providing good pay and incentives to employees. The success of NPOs is determined by the availability and commitment of efficient and effective human resources (Brandel, 2001).

Most of the NGOs are highly affected by staff turnover and therefore the quality of the service they provide to the beneficiaries is affected and the financial and non-financial cost of replacing vacant posts is significantly increased. Turnover and retention are also major issues for non-profit organizations (Emmens & Parry, 2006). In a study of staff turnover conducted on an American NGO, International Relief Committee, the findings revealed that the causes of staff turnover are a combination of factors. Family problems, poor leadership, dissatisfaction with the job, better opportunity in other organizations, dissatisfaction with the area, and educational opportunity are some of the causes (Debebe,2007). When humanitarian organizations like the IRC face high staff turnover they will be behind the schedule in utilizing budget and unable to implement quality programs for their beneficiaries. As a consequence their relationship with donors, regulatory bodies and beneficiaries becomes questionable and existing staff will be stressed due to the additional responsibilities to cover the vacant posts.

Park and Word (2012) suggest that individuals who work in the nonprofit sector are intrinsically motivated in terms of job choice. Furthermore, personal

characteristics such as gender, age, ethnicity, type of job, and level of education impact both job choice motivation and the level of intrinsic motivation. It could be argued that employees of non-profits are more likely to experience job dissatisfaction if: (a) they perceive that their organization is not achieving the public good that attracted them; (b) the mission is de-emphasized or derailed by other considerations and (c) the espoused values are inconsistent with those practical in the organization.

In the study of welfare organizations, it has been observed in a study by Howe and McDonald (2001) that increased accountability requirement becomes a source of stress and job dissatisfaction among employees, thereby resulting in possible employee turnover. Similarly, Peters and Masaoka (2000) found that disgruntlement among employees, particularly relating to lack of participation in the decision-making process contributed to increased unionization in non-profit organizations. Compensation is arguably an important factor that influences employee turnover in non-profit organizations. Even though employees are attracted by the mission of the social enterprises and are satisfied with their work, they do not find the compensation attractive enough for them to remain in the organization for long (Brown *et al.*, 2004).

In a study of staff turnover in relief aid agencies, James (2004) outlined the following reasons behind turnover:

> ➢ planning weaknesses
> ➢ poor information systems
> ➢ lack of management support at field level
> ➢ conflicting atmosphere
> ➢ Poor involvement of staff in decision making
> ➢ Lack of transparency in management
> ➢ Stress and burnout
> ➢ Poor management presented as the crucial factor in deciding people to stay

The most stressful events in humanitarian work have to do with the organizational culture, management style or operational objectives of an NGO or agency, rather than external security risks or poor environmental factors (Fawcett, 2003).

According to a research study by CIPD (2006) in UK, in the context of understanding employee turnover, there are certain 'push' factors, which cause individuals to look for another job (for example, dissatisfaction with working conditions) and 'pull' factors, which draw employees towards another organization (for example, higher salary or better benefits). Loquercio *et al.*(2006) in order to describe the factors governing employee turnover, based on such push and pull factors, developed a framework of environmental factors, programme factors, organizational factors and personal factors. Exhibit 2.4 illustrates how these factors influence staff turnover, and how good HR management practice can counteract their effects.

Exhibit 2.4: Factors Affecting Turnover in Humanitarian Sector
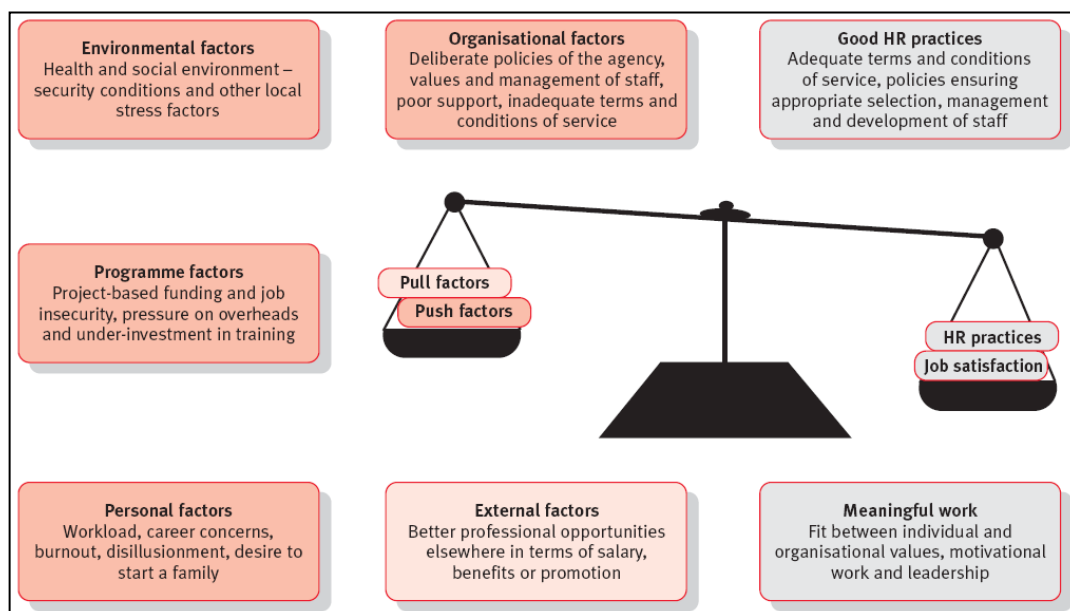
Source: Loquercio *et al.* (2006). Understanding and Addressing Staff Turnover in Humanitarian Agencies, Humanitarian Practice Network (HPN), Number 55, June.

Turnover rates in non-profit sector have been reported to be very high, the figure for Oxfam Great Britain being 60% (Emergency Publication Network (EPN), 2005). In the seventh seminar of EPN (2005) it was acknowledged by the opening speaker that the Office Coordination of Humanitarian Assistance (OCHA) had faced the highest staff turnover in relation to the other United Nations (UN) bodies due to poor job security and heavy job demand on its staff. The international and

the national non-government organizations (NGOs) working in the developing countries admitted turnover was a problem at various rates ranging from 0% to 39 % in a case study conducted by People in Aid (2007) covering Kenya, Honduras, India and Pakistan. Some of the reasons for high turnover reported were increased labor market opportunity following natural disaster in case of Pakistan and poor leadership.

According to CIPD (2006) report, turnover rate for 2005 and 2006 for volunteers and staff of a non-profit organization in UK were higher at 15.9% and 18.9 % than public sector figure of 11.5 % and 13.3% respectively. Similarly, Loquerico *et al* .(2006) based on their qualitative studies with 15 NGOs found the employee turnover to be higher in humanitarian sector than other sectors.

The shortage of skilled and experienced personnel was reported as a reason that makes recruitment difficult (Taylor, 1997; People in Aid, 1994). A study carried out on the employees of Interagency Working Group (IWG) found that the median retention rate (time spent by an employee in current position) was one year (Emmens & Parry, 2006). Loquercio *et al.* (2006) found that the average duration of a mission for expatriate ranges from 5.2 months (Medicine San Frontier (MSF)-France) to 10.1 months (ICRC). In terms of first mission, 33 % of staff leaving for a mission were first timers in MSF-France (EPN, 2003) while 23% of the study population in the study of Macnair (1995) had returned from their first overseas assignment. It was noted that satisfying the human resource capacity demand is and will continue to be a challenge especially in hardship posts (Emmens & Parry, 2006).

Middle and senior level managerial positions are known to be the most difficult posts to fill by different organizations (Emmens & Parry, 2006; Loquerico, 2006). Managers are expected to do incredible jobs and to be a master of everything. Brew (2002) summarized the expectation on the field program mangers as a "work of superman and superwoman". This overstretching expectation was summed up by Hayward in Emergency Personnel Network Seminar (EPN, 2005) as "overload concept of universal humanitarianism (OCUH)". The other positions, which were cited as difficult positions to fill were Country Directors and health professionals, such as doctors and nurses.

Male and female differences in turnover in humanitarian sector have also been a subject of study. In terms of gender, the study carried out by Emmens and Parry (2006) indicated that females are more disengaged and likely to leave than their male counterparts (13% and 4% respectively). According to the study, 13% of the female employees stayed with the agency because of no alternative choice, while 13% indicated they no longer have a feeling of belonging to the agencies for which they were working. Likewise, Taylor (1997) reported that females were marginally under- represented amongst emergency relief personnel and the number of female personnel employed in relief agencies declined during 1994-96.

Also, the national and the international staff turnover may not be identical and within the international organization difference of turnover between head office and field staffs may exist. Bailey *et al.* (2005) reported the overall turnover rate to be 21% for voluntary sector and 17% for international development agencies without including those staffs in expatriate post. Bailey *et al.* (2005) also reported a voluntary turnover (12%) to contribute to larger share of turnover rate in international development agencies. In another study, Salamons *et al.* (1998) estimated expatriate turnover rate to be 25%. In summary, the limited literature in the sector suggests that there is a problem of turnover among the humanitarian organizations. Variation exists among occupation, gender, field versus head office or national and expatriate staff.

Retention of non-leadership staff in non-profit organizations needs special attention since the loss of such staff is expensive in terms of cost of new recruitment, training and development of new joiners, cost of making stop gap arrangements, and decreased employee morale (Ban *et al.*, 2003; Lynn, 2003). Researchers maintain that the most important goal of the contemporary human resource systems is not to recruit the finest professionals, but to create congruence between people and organizations so that they would stay and work with the organization (Lynn, 2003; Vigoda & Cohen, 2003). Watson and Abzug (2005) refer to it as the process of creating 'fit and embeddedness'. Value and goal congruence positively affect employee performance, job satisfaction, tenure, and career success. In the absence of such congruence, an employee cannot reach the expected level of performance, and tends to accuse the organization of being politically discriminative and inequitable. In order to avoid such a potentially

destructive situation, there has to be a continuous assessment of the interface between the employees and their work environment, and the development of advanced HR strategies for recruitment and retention (Vigoda & Cohen, 2003).

According to a study by Light (2002), non-profit workers focus more on the nature of the job than do their for-profit counterparts. It was observed that people come to work because they love their job even though they consistently suffer from stress, burnout and the persistent lack of resources (Light, 2002). Non-profit workers may therefore spend more time in searching out the organizations they want to work for.

Recruitment issues are critical for non-profit employers (Sturgeon 1994). As Rose-Ackerman (1996) argue, the main advantage of non-profit founders and managers is that they are motivated by ideology and not by profit. Because they are motivated by the same ideology, employees of non-profits will need little supervision and will work to provide a service that reflects their shared ideology. Non-profit costs and pay will be less, and they will attract contributions from donors who believe in their pure motives to provide services that reflect the donors' values.

In the context of voluntary sector, Agenda Consulting (2005) noted that good practice points in recruitment, selection and retention focus on the following aspects:

- ➤ Use of competency based interviews for recruitment
- ➤ Conducting staff surveys to find out why staff leave or stay
- ➤ Providing training to those who conduct interviews
- ➤ Being clear with employees on what they should expect
- ➤ Advertising jobs internally as a way to retain staff

James (2004), reflecting on ideas for a retention strategy in relief aid agencies, advises to pay special attention to:

- ➤ the importance of the induction period
- ➤ developing a sense of belonging to the organization
- ➤ avoiding information overload
- ➤ creating a career development plan
- ➤ using mentors

> ➤ favouring flexibility

The author also underlines the importance of having a coherent training policy, and the need to invest in training, even though high turnover can discourage humanitarian agencies from investing for fear of losing their investment. Employer branding is seen as especially important for the charity sector where competing for staff on the basis of high salaries is not possible (CIPD, 2005).

The core of every nonprofit organization is its mission (Angelica, 2001). Mission statements are formal declarations of organizational values. More than a statement or a symbol, the mission is a tool that provides a clear, compelling statement of purpose that the organization disseminates both internally and externally. A mission statement helps define an organization, expressing its values and envisioning its future simply and clearly. Often, the mission statement attracts clients, donors, funders, employees, and volunteers to an organization (Glasrud, 2001).

Experts recognize that relying on the mission as a management tool is an effective strategy to improve performance in nonprofits (Drucker, 1990; Garner, 1989; Herman & Heimovics, 1991; Mason, 1996; Pearce & David, 1987; Sawhill & Williamson, 2001). A mission statement identifies operational objectives, gives staff goals to direct its behavior, describes performance standards, and speaks to organizational survival and vision for the future (Smith *et al*, 2001).

Several aspects of nonprofits compel them to keep the mission central in decision making (Fairhurst *et al*., 1997). First, the mission is the bottom line for nonprofits (Sawhill & Williamson, 2001; Sheehan, 1996).Without a clear financial bottom line to guide their decision-making, nonprofits must use the mission as a management tool that sets an agenda (Garner, 1989; Watad & Ospina, 1999). Second, many nonprofits exhibit the characteristics of loosely coupled organizations (Orton & Weick, 1990), with a decentralized organizational structure in which the manager does not directly control the activities of a program or staff member (Anthony & Young, 1989; Hasenfeld, 1983).

This is further complicated because many individuals in nonprofits conceptualize money as a means to accomplish larger objectives and not as an end in itself, either personally or organizationally (Mason, 1996). This suggests that financial

incentives and controls might be less effective in nonprofits. These constraints cause managers to use strategies that draw on employees' intrinsic motivations rather than on the extrinsic motivation of money. It is the expressive benefit (participating in something one believes in) that attracts and may retain paid and unpaid employees in nonprofits (Mason, 1996). The presence of a salient mission statement reminds employees of the purpose of their work and helps managers guide employees in the fulfillment of that mission. Despite the mission's significant and fundamental role in the management and leadership of nonprofits, we know relatively little about how employees perceive the mission and how those perceptions relate to other organizational attitudes (such as satisfaction) and behaviors such as turnover (Knauft *et al.,* 1991; Sheehan, 1996).

Several studies have investigated employee perceptions of organizational values (Kristof, 1996). Consistently, those studies have found that a better match between employee and organizational values predicts commitment and satisfaction (O'Reilly *et al.*, 1991). Jeavons (1994) recognized that nonprofits need employees who share the organization's values because those employees enact the mission in the programs and services they provide. As a result, they are critical in upholding the organization's public image and in accomplishing its purpose. Exploring employee attitudes toward the mission can inform its relevance in retaining employees. Experts recognize that relying on the mission as a management tool is an effective strategy to improve performance in nonprofits.

Brown and Yoshioka (2003) identified three broad areas as explanations of why individuals in non-profit organizations intend to stay: belief in the mission and the desire to help people, satisfaction with the organization and coworkers, and satisfaction with their job and opportunities for personal and professional growth.

In a study of factors affecting commitment of volunteers in non-government charity organizations in Tehran city, Chenari (2011) found a significant relationship between occupational, environmental and personal factors and individual commitment. The study revealed that in terms of priority, enviromental factors, such as supervision, working conditions, organizational policies and size, safety, health and relationship with the colleagues were most important. Next, in terms of significance were the occupational factors such as promotion and growth opportunities, participation, independence, respect and appreciation. Least

important were personal factors, such as experience, age, education and individual expectations prior to recruitment.

2.5 Turnover and Retention in Non-Profit Sector: Indian Scenario

In the Indian context, while not many research studies exist on the subject of turnover and retention in non-profit sector, the challenges faced by this sector are no different from other countries. In a study conducted by People in Aid (2007) covering Kenya, Honduras, India and Pakistan, 4 International NGOs and 4 National NGOs participated from India. The findings were quite varied, with some NGOs reporting high levels of motivation of employees but no motivational strategies in place, lack of motivation to the work culture in India etc. On the other hand, some participant organizations reported open working environment, exciting work of advocacy, staff autonomy, emphasis on performance management process, result focus, transparency and accountability were some of the factors that contributed to high motivation of their employees.

In another study of 120 employees from 20 select NGOs by Chandra Sekhar and Anjaiah (2009), it was noted that NGO staff had significantly varied in their levels of commitment to their organizations according to their designations, years of experience and gender. Perhaps that makes the current research topic of this study more relevant and the findings of this study are expected to be useful. Problem of low staff capacity and high staff turnover in NGOs in India is compounded by the mandate to keep the staff salaries low so that major portion of funding goes into the programs (Atkinson, 2012). It has been noted by Bhati and Manimala (2011) that non-profit organizations continuously undertake HR innovations, particularly in the area of employee retention. In a nutshell, they have listed the following few such innovative employee retention strategies used by non-profit organizations:

- ➢ Offering jobs to people with vision and value congruence
- ➢ Enhancing the credibility of the organization through brand-building
- ➢ Providing opportunities for personal growth
- ➢ Creating a sense of ownership among employees through participation in decision making
- ➢ Creating a sense of ownership among employees by giving equity shares

- ➢ Creating entrepreneurial opportunities within the organization
- ➢ Finding employees from among beneficiaries
- ➢ Attracting employees to serene lifestyle in peaceful and scenic locations
- ➢ Providing attractive fringe benefits to employees

A number of examples exist in the Indian non-profit organizations, where innovative strategies are being used for attracting and retaining employees. For instance, Mirakle Courrier Service, based out of Mumbai aims at providing better service to its clients at competitive prices by engaging deaf people as employees. The top management of the company consists of committed individuals, who have the passion for the cause and are committed to bring about a change in the lives of deaf people all over the world. Thus, the sense of purpose attached to the work done is the biggest reason that the organization is able to retain competent employees because of high levels of job satisfaction flowing from a sense of accomplishing their mission and actualizing their ideology (Sivaswamy, 2007).

While the image-building exercise is relatively easy for social enterprises because of the generally acceptable nature of their social objectives, it is the consistency and commitment with which they promote such social objectives that builds the image of the organization. Adjudged among the world's top 100 NGOs by The Global Journal, ACES, Aravind Eye Hospital, a chain of eye-hospitals in the state of Tamil Nadu has the policy of not giving any kind of advertisement for jobs. In spite of this, a large number of applications are received for jobs from different parts of the world, which is a testimony to the power of brand image created by Aravind Hospital (Sood, 2013).

Prasad (2009) examined that in order to attract and retain talented employees, some of the social enterprises create opportunities for their employees to participate in conferences and workshop within and outside the organization so that they could develop themselves for effective performance on the job as well for career growth. Grassroots, a social enterprise, established in 1991 in Himalayan Region with a focus on the ways and means to improve the quality of life of the rural communities. To attract and retain talents, Grassroots encourages employees to go for foreign degrees or short term courses and support them through a tie-up with Ford Foundation, giving them a feeling that they are growing with the

organization, which acts as motivation to continue with the organization in-spite of the isolated locality of mountainous terrains as well as low financial compensation

Similarly it was observed by Jaya (2006) that some non-profit organizations create a sense of ownership in their employees in various ways such as giving them freedom to choose a specific project or issue, permitting flexible timings of work, inviting them to participate in decision-making etc, with such policies serving as influential retention strategy, as employees feel a sense of ownership and importance within the organization, and continue to work for it. Aarohi is a non-profit, grassroots organization committed to need-based and people-planned integrated rural development in the Central Himalayan region of Uttarakhand. It engages about 50 full time staff and over 250 associate staff from all over the world. The organization tries to address staff retention issues through employee empowerment and participation schemes.

Another strategy followed by non-profit organizations has been to recruit their own clients or beneficiaries as employees. This strategy of developing beneficiaries-employees is particularly suitable for organizations that provide subsidized or free services to their clients. Since the 'clients' have received free or subsidized service from the organization they would be willing to work for it for low pay or no pay. For example, a hospital that picks up sick and abandoned people from the streets and treats them to health, and once restored, employ them. Similarly, a home for mentally challenged children engages the mothers of some of these children work as nurses and care-givers. Such employees are among the most committed and empathetic, as they are aware and sensitive to the mental and physical agony of the clients because of their own experience of having gone through the same situation. Besides, they do have a thorough understanding of the functioning of the organization (Bhati & Manimala, 2011).

In a case study on Jaipur foot, conducted by Michigan Business School (Macke *et al.,* 2003), it was noted that BMVSS, the organization engaged in providing prosthetic foot does not face much problem in finding the right kind of employees who are recruited primarily from among its own clients. The employees work hard to meet the requirement of each and every customer and provide a complete solution within a day. The whole process of providing an amputee with prosthetic limb is a very labour intensive requiring high level of skills. The major strength of

BMVSS lies in its committed employees who work hard and go the extra mile to bring smiles on the faces of its clients at very cheap prices.

2.6 Problem Areas and Research Gaps

Following research gaps were identified after an extensive literature review in the field of employee turnover, specifically in the context of non-profit organizations, and more particularly in the Indian context:

> ➢ Most of the studies on employee turnover and retention have been undertaken in the context of business organizations. There is not much research work carried out in the context of non-profit organizations. Practitioners agree that there is a growing problem related to employee turnover and retention in the non-profit sector and therefore this area merits serious research attention. Over past decades, staff turnover has become a major concern for humanitarian agencies, yet only a few researchers have attempted an in-depth study offering detailed consideration of causes and consequences of employee turnover in the humanitarian sector (Loquercio *et al*., 2006), indicating this as a research gap.

> ➢ Furthermore, most of the existing studies on employee turnover and retention in the non-profit sector have been carried out in the Western context. The researcher did not come across any Indian study, barring a few studies discussed in the above section, which comprehensively investigates the issue of employee turnover and retention in the context of non-profit organizations in India.

> ➢ The researcher did not come across any Indian study available that investigates the reasons as to what factors attract employees to join a non-profit organization and what factors become the causes for the same set of employees to leave the organization. Most existing studies in India (e.g. Anjaiah, 2009; Bhati & Manimala, 2011; Sivaswamy, 2007) on the subject have focused on turnover as an issue for NPOs, but they have not captured employee perceptions on factors that attract one to join and factors that cause one to leave an organization.

> ➢ Staff turnover and retention continues to be an area of interest as well as importance in non-profit organizations, in view of the limited compensation