



A STUDY ON EMPLOYEE RETENTION AS A CHALLENGE IN INDIAN LEATHER INDUSTRY

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ABSTRACT

Employee retention is the vital challenge faced by all organizations. This papers focus on one industry that is the leather industry of India which is facing the same problem of retention of employees due to many reasons. The Indian leather industry is the major contributor in the whole Indian GDP. The turnover rate in Indian Leather Industry is around 35 – 40% annually. It is observed that mostly second line managers change their jobs for higher salary, top position, authority and also to seek more knowledge and to get more competitive edge in terms of processing and finishing. In tanneries it's critical and alarming because of the process and product secrecy.

In order to achieve competitive advantage, maximum utilization of resources and to get organizational efficiency employees must be retained in a true spirit in order to cope with all these conditions. In this research paper we have tried to know the motives behind this dilemma that how employees can be retained and few suggestions were given to deal with it.

Keywords: Employee retention, Performance, Indian Leather Industry.

JEL classification: J53, L67, M12

INTRODUCTION

It is a new era of modern technology and competitive business environment. Organizations are continuously adapting to change. This changing and competitive business environment is not only effecting the organizations but also the employees working in it. The human resources have to be managed properly, in order to maximize organizational efficiency and for optimal utilization of the resources within the organization. Human resource management plays a vital role in this regard.

Now days, Employee retention has become a serious and perplexing problem for all types of organization. There are many factors; it may be either external or internal and the combination effect of both, which promote the employees to stay or leave the organization. Human resource practices counts a lot in this regard.

It is the need of the hour that HR managers should recognize the needs of the employee and then formulates the retention strategies. One strategy does not fit to all as different individuals have different priorities. So, Human resources professionals face the vital challenge to hold talented employees. Employee retention is very critical and important to the long term health of any organization. When an organization loses its talented employee it leaves a negative impact on innovation, customer satisfaction, knowledge gains during the past years and on the profitability of the organization. More over replacing cost of another employee will contribute more to the organization.

More than half a century ago, Abraham Maslow and Frederick Herzberg and many other Management theorists believed that people have needs that should be fulfilled with in the work place. They have proposed the hierarchy of needs to motivate the employees with in a working environment. So, it is a biggest challenge which management have been facing for a long time.

In Indian Economy, Leather industry holds a prominent place. This sector is known for its steadiness in export earnings and it is among the top ten foreign exchange earners for the nation. India is the second largest producer of footwear and leather garments in the world. With an annual turnover of over US\$ 11.5 billion, the export of leather and leather products increased manifold over the past decades and touched US\$ 5.82 billion during 2014-15. The Leather industry is bestowed with a wealth of raw materials as India is endowed with 21% of world cattle & buffalo and 11% of world goat & sheep population. Added to this are the strengths of skilled manpower, innovative technology, increasing industry compliance to international environmental

standards, and the dedicated support of the allied industries. The leather industry is an employment rigorous sector, providing job to about 2.5 million people, mostly from the weaker sections of the society. Women employment is predominant in leather products sector with about 30% share.

There is an urgent need of training the labor force on modern pattern to improve the finish product to develop reliability of leather products. On the whole, it is a job-oriented sector providing employment to a very large sector of the society and having problems with their retention and high turnover. Industries are continuously facing this challenge and much of work has been done and a lot of the researches have applied to deal the situation. So this research study is a little milestone to it.

LITERATURE REVIEW

Retention is the ratio of employees remaining in the organization. Employee retention means keeping right people on right jobs in every organization. The concept of employee retention was defined variedly in the literature. James and Mathew (2012) and ALDamoe et al. (2012), defined the concept as a controlled process by any concern to avail an environment which raise your spirits and motivates people to remain with the entity for the maximum time period. Cascio (2003) and Mahal (2012), defined employee retention "as initiatives taken by management to retain employees from leaving the organization, such as rewarding employees for performing their jobs effectively, ensuring harmonious working relationships between employees and managers, and maintaining a safe, healthy work environment."

It is observed that employee retention is 'controllable element' by the management. J. Leslie Mckeown says that 'There is No single plan that fits every situation'. As an alternative, we have to discover how to hold employee for every specific department / divisions in the organization. We have to study how to stimulate the exact strategies and technique to retain employees and study the degree of their success. And the way how to manage our employee retention goals, policies, and strategies over a period of time in a day by day changing circumstances.

Jim Collins (1995;2001) - author of 'Built to Last' and 'Good to Great' - explains that definitely people is the first key to success in any process of work. You have to find the right

people first; the vision and strategic approach can follow. The key to success in any organization, is the people in that organization.

In this era of high employment levels, organizations find out that equilibrium of authority has shifted from the employer to the employee since the turn over impact have not be reduced well. Too much turnover is often an indicator of basic problems within the business. It is critically important to retain the employees to do this one must know how an employee can remain in the particular concern. Many researchers examined that holding employees is considered as a key approach to achieve financial success. The challenge might be increasing day by day. The organizations want to hold the valued employees. Many methods are used in this concern. The one approach sees success is rewards, the second in making jobs more valuable. Most witnesses suggest a combination of both approaches.

Recent evidence by Gbervbie (2008); Cascio (2003) ;Heneman and Judge (2003) have agreed that the main challenges faced by the organization in the area of performance is the management's inability to formulate and implement strategies capable of recruiting competent personnel and holding them to achieve the goals of the organization.

Previous studies by Raudenbush & Bryk (2002); Cappelli (2000:104) that several factors are considered important in a well-functioning of employee retention. The determinants that are considered to have a direct affect are career prospects, work atmosphere and work-life balance. Cole (2000) suggests that people stay in the organization where there is a sense of pride and will work to their fullest potential. The reasons to stay in the same organizations are work environment, rewards, growth and development and work-life balance.

Leaders should provide support to their staff because in most of the cases "People Don't Leave Organization People Leave Managers" (Jim Collins). Many employees would like working in organizations with pleasant working environment. They would be more productive if the relationship between themselves and also between them and the employer are enhanced (Asmed, 2006).

Retaining employees consist of understanding the motivators in them which many organizations not capable to identify. The reason is personalities differ significantly in this regard. A company should make some effort and undertake round about analyses to determine the non-monetary benefits and first choice of its key employees, and then attempt to meet these choices in action. Relevant retention strategies have to be implemented in the organization. The

HR managers have to identify the needs of the employees and then plan the strategies for retention accordingly, because one strategy does not fit in for all the organizations.

The main objective of all the business enterprises is only to serve the needs of the people. All the organizations are run by the people who are establishing the competence and efficacy at various levels. This means that if organizations have to maintain their competence and efficacy, there should be maintenance of the retention of the employees within the system. Thus competency, efficacy and survival of any organization anywhere, whether big or small, depend on the human resource.

The relationship between the employee's job performance and their retention also differ considerably with organizational culture values. The cultural effects were stronger than the mutual influences of the labor market and the new employees' demographic characteristics (John E. Sheridan). Selecting and retaining upright staff is key for success in any business. Talented people who continue to develop skills and increases their value to the business and to the customer are the most vital resource (Susan Heathfield). One of the most important indicator of turnover and intention to leave is Organizational commitment. It was found that employees who were more committed to their organizations had lower intention to leave than those with lower organizational commitment (Griffeth & Hom,1995; Igharia & Greenhaus, 1992).

Don Grimme recommended some ways to retain the employees. In his view pay employees rationally and well. Treat each and every employee with respect. Show them that you care about them as persons, not just as workers. Praise their efforts; clearly communicate goals, duties and outcomes. Never criticize in open. Reward for their exceptional performance (e.g., with incentives, promotions, opportunities, etc.). Involve employees in plans and decisions. Ask for their ideas and opinions. Encourage initiative. Create opportunities for staffs to learn & grow. Link the goals of the organization with the goals of each individual in it. Intensely listen to employees concerns — both work related and personal. Share information openly and clearly. Celebrate successes and milestones reached — organizational and personal.

Create an organizational culture that is open, trusting and fun. It has been proved that both the hiring and training processes are costly and employees increase in value as they become ever more experienced. Employees stay with a company either because the organization satisfies their needs and uses their abilities to an ideal level (in good case) or because they just can't find another job (in bad case).

It is fairly obvious that retention policies based simply on reward procedure will be insufficient. Retention will work best if the company's values are very clear, encouraging to employee ambition, and implemented to provide both "rewards" and "capacity" within the organization. Finally, organizations need to be more concern about the employees because if there is stronger commitment towards the organization goals, the employees are retained longer.

OBJECTIVE OF STUDY

The objective of this study is to find out the reasons and to know how to retain employees in Indian leather sector.

RESEARCH METHODOLOGY

A questionnaire was developed and tested in order to confirm the relevancy, clarity and applicability to the leather industry. A total of 100 respondents consisted of Leather firms were selected as the sample for this study. From 100 export-oriented leather firms, only 74 responses were usable to be analyzed for the study. All the selected companies from records of council for Leather Exports (CLE) were personally contacted and the interview was conducted to the First line and Second line managers of the companies so as to have their consent and consensus effort from all and sundry to adequate cooperate in respondent to the survey. Unit analysis for this study was the export oriented leather firms.

RESEARCH RESULTS

Table 1 – Type of the Ownership

Ownership Type	N	Percent
Proprietorship	13	16.96
Partnership	6	7.83
Private limited	53	73.04
Joint foreign owned	2	2.17
Total	74	100

The above table shows the type of the ownership in the leather industry, more than 53% of the respondents are owing a private limited, 13 % proprietorship, 6% Partnership and 2% of joint foreign owned.

Table 2 – Years of exporting

Years of exporting	N	Percent
Less than 5 years	13	17.57
5 - 10 years	20	27.03
11- 20 years	22	29.73
21 - 30 years	9	12.16
More than 30 years	10	13.51
Total	74	100

Graph No 1 - Years of exporting

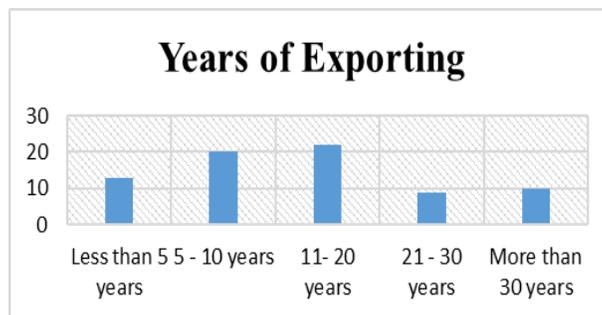


Table 3 – Type of products export

Type of products	N	Percent
Finished leather	14	19.13
Leather Footwear	43	57.83
Leather Footwear	2	3.04
Leather garments	3	3.48
Leather goods	3	3.48
Others	9	13.04
Total	74	100

Graph No 2 – Types of Products Exported



Table 4 – Full-time and Part-time Employees

No of employees	Full time employees'	Percentage	Part time employees'	Percentage
Less than 50	10	13.51	37	50.00
51 - 100	17	22.97	18	24.32
101 - 250	20	27.03	4	5.41
251 - 500	16	21.62	9	12.16
Above 500	11	14.86	6	8.11
Total	74	100.00	74	100.00

The above table shows the full-time and part-time employees employed by these units. 50% of the units have less than 50 employees as part-time employees, 24.32% of the respondents have part-time employees from the range of 51-100 employees, 12.16% have 251-500 employees engaged. 8.11% and 5.41% have employees range above 500 and 101-250 respectively. 20 units have employed between 101-250 full-time employees, 17 and 16 units have employed between 51-100 employees and 251-500 employees each respectively. 11 respondents employed above 500 full time employees and 10 units' have full-time employees less than 50.

Table 5 - Number of Exporting Countries

Exporting Countries	N	Percent
1 to 10	23	31.30
11 to 20	41	54.78
21 to 30	2	3.04
31 to 40	6	7.83
More than 40	2	3.04
Total	74	100

The above table shows the number of exporting countries by the respondents, 54.78% of the units are exporting their products from a range of 11 to 20 countries. 31.30% of them are exporting from 1 to 10 countries. 6% of the respondents are exporting from 31 to 40 countries. 2% of the units are exporting to 21-30 and more than 40 countries each respectively.

Table No 6: Correlation Results

		Carrier Prospects	Attitude of Employer	Employer Loyalty	Job and Life Balance	Job Security	Job Opportunities
Carrier Prospects	Pearson Correlation	1	.680**	.590**	.470**	.357*	-.003
	Sig. (2 tailed)		.000	.000	.001	.011	.981
	N	74	74	74	74	74	74
Attitude of Employer	Pearson Correlation	.680**	1	.552**	.462**	.121	.028
	Sig. (2 tailed)	.000		.000	.001	.404	.846
	N	74	74	74	74	74	74
Employer Loyalty	Pearson Correlation	.590**	.552**	1	.420**	.351*	-.036
	Sig. (2 tailed)	.000	.000		.002	.012	.805
	N	74	74	74	74	74	74
Job and Life Balance	Pearson Correlation	.470**	.462**	.420**	1	.325*	.174
	Sig. (2 tailed)	.001	.001	.002		.021	.226
	N	74	74	74	74	74	74
Job Security	Pearson Correlation	.357*	.121	.351*	.325*	1	.056
	Sig. (2 tailed)	.011	.404	.012	.021		.701
	N	413	413	413	413	413	413
Job Opportunities	Pearson Correlation	-.003	.028	-.036	.174	.056	1
	Sig. (2 tailed)	.981	.846	.805	.226	.701	
	N	413	413	413	413	413	413

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

The data was entered in SPSS by predefined coding scheme through exploratory factor analysis technique factors are determined and the items which shows low communalities (< 0.60) are discarded and then re-factor analysis applied to decide the factors. The exploded factors are as under; Carrier Prospects, Attitude of Employer, Employer Loyalty, Job and Life Balance, Job Security and Job Opportunities.

To determine the relationship between the factors, Pearson correlations method was used. The significant correlations are highlighted in below table no 2. There is positive correlation between Career Prospects and Attitude of Employer, Employer loyalty, Job life balance and Job security. To know about the association between demographic variables and the explored factors Chi-Square analysis is performed and it is found that the Age is associated with Attitude of Employer at 10% level of significance.

THE REASONS FOR WHICH EMPLOYEES CHOOSE TO STAY

From the analyzed results, the reasons for which the employee wants to stay in Leather industry are:

- There should be good Career prospects within an organization to retain employee for longer.
- More over attitude of employer, or a supervisor or a manager is very important in this regard.
- Employee loyalty comes when an employee is fully satisfied with his employer.
- Good working conditions, having benefits and fair pay, recruitment should be on merit.
- There must be no favoritism and the abilities are being polishing through training and development time by time.
- There should be proper work and family life balance having flexed working hours.
- An employee should have job security at all the times.

CONCLUSION

The results confirmed that all the factors of employee retention are correlated directly or indirectly. One has an ostensible result on other. So not only a single factor stimulates an employee to leave the organization but it's a combination of many reasons. According to nature and priorities of a human being, an employee is more concern with one reason as compared to other to leave the job. But it is a challenge for an organization to be more concerned about their employees to pace with them for longer.

RECOMMENDATIONS

It was highly recommended to hire right person for a right job for long-term relationship. Role of a supervisor is very important to gain the trust of an employee. The employee should be sure about the job security and future prospects in an organization. Restrain favoritism. Establish Flexible Work Hours. Safe and good working environment must be there because of hazardous chemicals used in leather sector.

Personal development and Training should be in place which will show more affiliation between employer and employee and it will also play a vital role in eliminating the GAP between the top, higher and middle level management.

Personal development plans have to be developed for every individual in the organization based on their Job description. Individual's performance measurement should be in place based on tangible and measurable goals. Definitely there should be Human Resources department in the organization. Finally, there should be effective communication throughout the organization.

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