

A Study on Human Resource Management Practices and its Impact on Employee Retention in Jindal Steel and Power Limited

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ABSTRACT

This study examines the human resource (HR) practices that promote employee retention. Effective HR practices can reduce employee turnover and increase retention within an organization. Key employees are the instrument for overall growth and development of an organization. The most important HR practices are training and development, compensation and culture. A questionnaire was developed in this study with the help of literature to measure the identified HR practices and employee retention. Correlation and Regression analysis was performed to analyse the data. The results of multiple regressions revealed a significant impact of HR practices on employee retention. Compensation and culture has a positive relationship with employee retention whereas training and development has a negative one. This study guides the management to devise the effective strategies to improve the employee retention.

Keywords: Human Resource Practices, Employee Retention, Training and Development, Organizational culture, Compensation

INTRODUCTION

Human resource is the most important asset of any organization as it is the source of achieving competitive advantage. In order to meet this challenge of achieving competitive edge the employers need to create such an environment that support the practices of retention. In which employees are encouraged. Once they are satisfied with their jobs, it will lead them towards commitment to their work as well as to the organization and their intention to stay within the organization will be maximized. There are different human resource (HR) practices employed by the organization to increase the retention level. The current study is aimed to investigate the impact of these practices on employee retention. It is imperative for an organization to develop an environment within the organization to motivate employees to stay in the organization.

Employee retention consists of procedures through which employees are boosted to become part of the organization for a longer period of time until he/she gets retired or until the project gets completed. For achieving individual as well as organizational goals, it is very much essential to retain talented employees. The HR manager must know how to attract and keep good employees because these are the employees who can make or break the organization's goodwill. Successful employee retention does not rely on a single strategy. The decision of an employee to stay in the organization is affected by a number of factors depending on a variety of elements like the individual's age, the family situation, mentoring, career and learning opportunities, good benefits, networking and the external job market or job title. For this purpose, organization attempts to make policies that are aimed to meet the needs of the employees, enhance their job satisfaction, encourage and motivate them.

Thus, it is necessary to retain the talented employees not because of the costs incurred on them by employers, but also because of the required output they give to the organization.

2. Review of Literature: For the success of the concerned research many literatures as stated by many researchers relating to the same subject matter are given below.

Kerr and Slocum (1995) has stated combating retention problems is a challenging task. Extensive policy debate is required to combat this problem. It cannot be accomplished merely through monetary incentives. While devising an organizational retention plan, management must take into account on-the-job and off-the-job factors. The top brass of the organization should

A Study on Human Resource Management Practices and its Impact on Employee Retention in Jindal Steel and Power Limited

cause a survey to be conducted for identification of those critical factors, which compel employees to leave that organization.

Schein (1997) explained that researchers have a varied comprehension of culture. It can be defined as a set of beliefs, values and behaviour that leaders invent or discover to solve problems in the external and internal environment, which is taught to new entrants as the correct way of solving problems.

Roberts (1999) have examined remuneration is the foundation on which the employee-employer relationship is determined and also shows the indication of expression of appreciation from an employee.

Mitchell (2001) emphasizes that retention of good employees in an organization is one of the biggest challenges, which the companies' now-a-days are facing. Management, top-level executives and HR departments of the companies are splitting their sweat and blood, spending their time, effort, and money to stop turnover and to retain key employees. There are innumerable reasons regarding voluntarily good-bye of the people from their organizations in which they work. The dilemma of turnover needs to be overcome because it foists huge costs on both individuals and organizations.

Mulligan (2001) have stated that the organizational culture is an important element which directs the employees to leave the organization. Managers must evaluate the organizational culture, its different elements and try to find out the ways in which culture can be improved to retain more employees .

Roberts and Outley (2002) suggested that meeting with employee needs through training programs occur when the information provided is perceived as useful, applicable and desirable by them. He further suggests that the keys to employee retention are skills development, competence of management, and rewards both psychological and financial. Organizations need to pay serious attention for their investment in training and development if they want to retain their key employees. A successful retention strategy must include training.

Paul and Anantha raman, (2003) stated that organizations are now greatly interested in career development programs. Studies on HR practices reveal that these programs are of great help for employee development. The organization can increase the employee commitment with the help of these programs. This commitment will increase the personal productivity.

Collins and Clark (2003) have examined a widely used technique employed by many of the managers to foster the employee retention is based on performance compensation, rewarding the employees after evaluation of their individual hard work/performance.

Lewis, (2004) suggested that the increasing competition among the organization demands to retain more and more competent employees who can ensure the sustainability of the organization. The organizations are now also competing for key employees to take the competitive edge in the market. The organizational development may become at stake if its employees lack experience and skills required for growth. Employee retention can be achieved by the organizations by paying high salaries to their employees.

Kevin (2004) stated that huge costs are usually incurred by the employers on their workers in terms of attracting, hiring, maintaining, training, developing and holding them back in their organization. Managers of the organizations should do their level best to adopt such measures, which minimize employee's turnover. Employee turnover is such a phenomenon, for the understanding of which no standard formula exists; therefore, so many elements have been determined which would be helpful in understanding employee turnover.

Barringer (2005) made a comparison between the firms with rapid growth and slow growth firms. Their study revealed that the organization with a rapid growth heavily rely on the abilities of their employees. These employees put their efforts to uphold the growth-oriented strategies of the organization. To achieve strategic objectives, growing firms widely use training programs for their employees. They emphasize upon employee development as compared to their non-growing competitors. Hence, training and employee development programs are quite common in growing organizations.

A Study on Human Resource Management Practices and its Impact on Employee Retention in
Jindal Steel and Power Limited

Ongori, (2007) stated that there are various ways and means to minimize employee turnover. Management is strongly required to point out the factors why employees quit organization so that the proper treatment can be adopted by the management because of increase in direct and indirect expenses incurred on the employees' turnover.

Chew and Chan, (2008) in their study examined failing to pay attention to retain committed employees could prove fatal as far as survival of the organizations is concerned. A number of organizations are conducting research to find out the effect of different HR practices on employee retention. These HR practices can help the employee in deciding the intentions of an employee whether to stay in the organization or not .

Chew and Chen, (2010) stated that compensation plays a leading role to retain the talented employees. Therefore, many of the organization announce and provide the remuneration that is over and above the prevailing market rates. This can be in the form of security plans, free education to children, special pay premiums and bonuses, house allowance, vehicle allowance, and stock options, etc. Moreover, some leading organizations exercise the practices like profit sharing and group-based incentive plans.

Chipunza and Samuel (2013) highlight that it is not only the private sector, but governments are also facing difficulty in retaining skilled employees. Private sector managers admit this facts that retaining key employees of the organization is the most difficult aspect of their job. Most of the time when these employees move, they migrate to competing organizations with the knowledge and trade secrets acquired from their former employers, thus, creating a critical situation for the former bosses. This situation demands that management should identify the reason/s for frequent change of employment by employees. Once this reason/s has been identified, management can then devise retention strategies that would help in keeping essential employees for a longer tenure.

Zingheim (2015) stated that organizations should opt the retention approach that amalgamate the organization's distinct culture, pay, total rewards, and value key talent by making them feel

important. A competitive pay and benefit package is an important element to affect employee retention, but this cannot be referred as a whole picture.

Vlachos (2016) suggested that the culture varies across the organization. It is a combination of norms and values of members of an organization, passed along to new entrants to organizations. It is a normal way to guide people of what is expected of them at the work place. However, culture does not remain stagnant. It is a dynamic element, which takes the effect of the changes occurring in the environment and resultantly, new thoughts, beliefs and feelings get in it with the passage of time.

Heathfield (2017) said talented and good employees are asset of an organization. Retaining talented employees is highly important for the long-term growth as well as success of the business but the retention of employees has become the major problem facing today's organizations.

Carsen, Wocke and Heymann (2019) stated that the cost of hiring new employee varies and it includes a wide variety of expenses such as advertisements, recruiters' salaries and reimbursements of candidates' expenses. The company also incurs the various start-up costs of replacing an employee such as administrative expenses and training).

STUDY BACKGROUNDS

Jindal Steel and Power Limited (**JSPL**) is an industrial power house with a dominant presence in steel, power, mining and infrastructure sectors. Under the leadership of Mr Naveen Jindal, Chairman, JSPL, the company's enviable success story has been scripted essentially by its resolve to innovate, set new standards, enhance capabilities, enrich lives and to ensure that it stays true to its cherished value system.

Steel: As one of the largest steel producers in India with a turnover of more than \$5.5 billion, JSPL has revolutionised the process of steel making in India. Company's ceaseless drive for excellence, unmatched quality and innovative approach have enabled it to become a trailblazer in the steel industry.

A Study on Human Resource Management Practices and its Impact on Employee Retention in Jindal Steel and Power Limited

Power: Jindal Power Limited (JPL), a subsidiary of Jindal Steel & Power Limited, has emerged as a significant player in the power industry. Its technical and managerial capabilities have allowed the company to contribute significantly to the growing needs of power in the country and also become the first private player in the country to set up an Independent Power Plant (IPP).

HR Practice at JSPL

The HRM strategy of JSPL emphasizes on key areas like recruitment, placement, training, retention, empowerment and job rotation. The HR department at JSPL has been accordingly planned to meet these aspects of organizational and human requirements and there by optimizing the productivity of each person in the organization. Personnel of the HR Department are always accessible to the employees for any problems faced by them. Orientation, on- the- job training programmes may be conducted regularly for both existing employees and new recruits. This is backed by a comprehensive performance evaluation system that assesses the performance of each individual and rewards them accordingly. Employee welfare schemes, safety measures, facilities on the plant premises and compliance with applicable laws are reviewed periodically to ensure the employee retention policy of the organisation. The organization believes in workers participative management and encourages all employees to express their opinions on management policies, systems, and procedures. Interactive sessions are held to elicit employee opinion and feedback on prevailing work conditions to enhance their productivity.

Employee retention strategies: Today many organizations are increasing salaries and additional benefits of employees to fight back with employee retention. Basically, several organizations now a days are recognizing that retention is a tactical concern and helpful in achieving the competitive advantage

1. Retention starts with recognising and recruiting the right person for right position with suitable compensation and promotional aspects.
2. Identify candidates who'll stay and continue in the organisation to minimise the cost of employee turnover.
3. Provide ongoing education, on the job training and clear paths to advancement in service career.

4. Offer the right benefits and perks which play a large role in keeping employees happy, engaged and healthy.
5. Be transparent and open to Create an open communication between employees and management.

Objectives of the Study

Based on the reviewed literature and the research gaps identified, the following research objectives have been proposed:

- a) To study the present HR practices of the sample industry
- b) To explore the activities related to training, development and employees retention undergoes in the organization.
- c) To examine the organizational culture and HR practices initiatives
- d) To suggest measures on the basis of findings of the study

Hypotheses of the Study

Focusing on the above cited objectives, and the proposed research model, the following research hypothesis has been formulated:

- a) **H1**: There is a positive relation between training and development and employee retention
- b) **H2**: There is a positive relation between compensation and employee retention
- c) **H3**: There is a positive relation between organizational culture and employee retention
analysis was performed to check the relationship of HR practices with employee retention.

RESEARCH METHODOLOGY

This section explains the conceptual framework and the research design used in this study. This study is co-relational in nature with cause-and-effect approach. For the purpose of data collection convenient sampling technique was employed. The data was collected through self-administered questionnaires. This questionnaire was developed on the basis of the literature review. The questionnaire was consisted of 30 items, excluding demographics.

RESULTS AND DISCUSSIONS

A Study on Human Resource Management Practices and its Impact on Employee Retention in
Jindal Steel and Power Limited

In a nutshell, review of existing literature finds that there are HR practices positively linked to employee retention. A survey of managers and employees demonstrated that HR practices are linked to employee retention. All three HR practices contributed to perceived employee retention.

- (a) Training and development,
- (b) compensation policy and
- (c) organizational culture.

These aspects are examined with the help of hypothesis testing as mentioned above. For the testing of hypothesis following tables were prepared.

Demographic distribution of Samples

The data pertaining to the demographic profile of the respondents working in different departments of the state government in Odisha. The demographic characteristics of the respondents are given in Table 1.

Table 1:
Demographic Profile of the Respondents (N = 256)

Particulars	Frequency	Percent	Cumulative Percent
Gender			
Female	51	19.9	19.9
Male	205	80.1	100.0
Total	256	100.0	
Age			
below 30 yrs	49	19.1	19.0
31 - 40 yrs	159	62.1	81.3
41 and more yrs	48	18.8	100.0
Total	256	100.0	
Category			
General	183	71.5	71.5

OBC	9	3.5	75.0
SC	43	16.8	91.8
ST	21	8.2	100.0
Total	105	100.0	
Marital status			
Married	207	80.9	80.9
Unmarried	49	19.1	100.0
Total	256	100.0	
Education			
Graduate	39	15.2	15.2
Masters degree	43	16.8	32.0
Post graduate	9	3.5	35.5
Professional Degree	165	64.5	100.0
Total	256	100.0	
Annual Salary			
Below 4 lakhs	9	3.5	3.5
4 to 6 lakhs	229	89.5	93.0
Above 6 Lakhs	18	7.0	100.0
Total	105	100.0	
Yrs of Experience			
Less than 5 years	103	40.2	40.2
06 to 10 years	153	59.8	100.0
Total	256	100.0	

In gender of the respondents, majority of the respondents are male (80.10 percent) and few are females (19.9 percent). Further, in age maximum of the respondents (62.10 percent) are coming between 31 to 40 years of age and then coming below 30 yrs (19.10 percent) and 18.80 percent belongs to 41 and more. In marital status, maximum of the respondents is married 80.90

A Study on Human Resource Management Practices and its Impact on Employee Retention in
Jindal Steel and Power Limited

percent and 19.10 percent are unmarried. In education of the respondents, majority of the respondents are having professional degree 64.50 percent and then coming master's degree (16.80 percent) and master degree 15.20 percent and post graduate (3.50 percent) respectively. In annual salary of the respondents, majority of the respondents are having annual income between 4 to 6 lakhs i.e. 89.5 percent and then coming above 6 lakhs (7 percent) and few are coming below 4 lakhs (3.50 percent). In years of experience majority of the respondents are having experience between 6 to 10 years i.e. 60.9 percent and rest belongs to less than 5 years 29.0 percent.

Table 2: Correlation matrix

Variables	Training and development	Compensation	Organizational culture	Retention
(i) Training and development	1			
(ii) Compensation	0.606**	1		
(iii) Organizational culture	0.636**	0.786**	1	
(iv) Employee retention	0.376**	0.727**	0.756**	1

** $P < 0.01$

In the above table of correlation matrix, there is a positive relationship exists between training and development, compensation, organizational culture and employee retention. All have a positive correlation with each other. Among all, there is a high degree of positive correlation exist between organization culture and employee retention (0.756). all the relationship are positive with 1 per cent level of significance. This shows null hypothesis is rejected and alternative hypothesis is accepted i.e., H_1 : *There is a positive relation between organizational culture and employee retention. Similarly, the correlation coefficient between training and development and employee retention (0.376). This reveals, the hypothesis ' there is a positive relation between training and development and employee retention '.*

Training programs enhance the employee skills, which ultimately reduce turnover and result in employee retention The failure to retain employees in many organizations is due to lack of adequate

training at the entry level. It concludes that training and development is related to employee retention. Similarly, Compensation policy also related to employee retention, being the strongest predictor of retention. Linking retention to compensation benefits is an explanation of the high correlation between compensation policy and employee retention. This finding may provide some justification of the claim that employee retention is vital to sustain organizational growth as it's a competitive task in today's scenario and to attract and retain key employees, compensation plays a key role. Further, organizational culture is known as the predictor of employee retention. In this case organizational culture is related to employee retention. Linking retention to organizational culture is an explanation of the high correlation between organizational culture and employee retention.

Table 3: Regression Analysis

Variables	B	Standard error	t	Significant	Collinearity statistics	
					Tolerance	VIF
(Constant)	1.471	0.229	6.432	0.000		
(a) Training and development	0.312	0.075	4.000	0.000	0.566	1.766
(b) Compensation	0.322	0.060	5.407	0.000	0.363	2.753
(c) Organizational culture	0.588	0.080	7.334	0.000	0.342	2.923

$R^2=0.653$, Durbin–Watson=1.852, $F=99.828$; VIF: Variance inflation factors ($P<0.01$),

Dependent: retention

We know that if tolerance is less than 0.20 or 0.10 / a VIF is 5 or 10 and above it indicates a multi collinearity problem (see O'Brien 2007). But in our case as shown in the Table 2, the value of tolerance of all items are more than 0.20 and the value of VIF of all items are less than 5. This suggests that no multi collinearity exists among the explanatory variables which explained the explained factor i.e., retention.

A Study on Human Resource Management Practices and its Impact on Employee Retention in Jindal Steel and Power Limited

The ANOVA (F-test) indicates that all the three explanatory variables for studying retention is quite significant. Further, it is seen from the table, that the significant value (p-value) of F-test is 0.000, which means that all the three explanatory variables are highly significant with respect to the explained factor i.e., “retention of employees”. Thus, the model that used in this research is good.

Based on the Multiple Regression output table of “retention (Y)” and its constituent variables, the following equation is formulated.

$$\text{Retention (y)} = 1.471 + 0.312 (\text{Training \& development}) + 0.322 (\text{Compensation}) + 0.588 (\text{Organisational culture})$$

Retention of employees is influenced by three components i.e. Training & development, Compensation and Organisational culture. Out of the three, organisational culture is the main component (0.588) which influences retention more, though rest are influencing.

CONCLUSION

Attracting and retaining key employees is always a challenge, but it has become more difficult due to the competition for skilled employees. The employees feel that effective HR practices (training & development), compensation, organizational culture have a direct and positive relationship with employee retention. The companies that successfully attract and retain key employees offer high compensation packages and dynamic environment. The employees generally hold the opinion that compensation/rewards contribute to improving an employee’s loyalty and retention toward organization. Training and development is a process of developing expertise in employees for the purpose of better performance. Employees are loyal to the employer if the employer is committed and helpful for their long-term career development. Employees come to the organization with certain needs, desires and skills and expect that they would be given an environment where they can utilize and enhance their abilities and satisfy many of their needs. If these things are fulfilled then retention policy of the organization will be possible.

SCOPE AND FURTHER EXTENTION OF THE STUDY

Future researchers can easily pinpoint the variables that affect the retention of employees. Furthermore, the national researchers can use the results of this study in order to make the base for future study in this area. Future researchers can carry it on broader aspects by considering the impact of other HR practices on employee retention. Other HR practices could be recruitment and selection, performance management and information sharing.

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A Study on Human Resource Management Practices and its Impact on Employee Retention in
Jindal Steel and Power Limited

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