

IMPACT OF EMPLOYEE WELFARE AND BENEFITS ON EMPLOYEE RETENTION : A CONCEPTUAL MODEL

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Abstract

Human resources are the most important assets of an organization. Employees are important at all levels. In order, to get the best results from workers, the employer must be aware what employees expect. Therefore, apart from basic pay, the organization should form a competitive remuneration package along with sound welfare and benefits to retain the young and talented employees in an organization. The purpose of this research is to find out the impact of employee welfare and benefits on retention of employees. The current study will be an effort to examine the effect of welfare and benefits on employees, and how it contributes in increasing the retention rates in the organization. The research also aims to find out the effect of employee welfare and benefits on job satisfaction and on performance of employees and will attempt to identify strategies on how organization can retain employees and reduce employee turnover.

Keywords: Employee welfare and Benefit, Retention, Turnover

Introduction

Human resources are the most important asset of an organization. Every organization wishes to have high performance and fewer turnovers. The turnover of core employees is a great loss for companies. The cost of employee turnover adds a lot of money to the company's expenses. When an efficient employee leaves an organization, it adds a hidden cost to the company's expenses in terms of cost incurred on the training and hiring the employee. It also adds to the expenses incurred on re-recruiting and training the employees hired for vacant positions. Thus, retaining talented employees is a big challenge for human resource professionals. Therefore, organizations today need to keep an extra edge apart from meeting the basic welfare needs of an employee. Today companies need to enhance its remuneration package. A competitive remuneration package should include more than traditional welfare and benefits. Employee welfare and benefits are the elements of the remuneration package given in addition to various forms of cash pay. A sound remuneration package helps in attracting, retaining as well as improving the performance of the employees. A good remuneration package should cater the personal needs of employees and also helps in enhancing employee commitment towards organization. Some types of welfare and benefits are mandatory on employees while others are voluntary in nature. Various studies have shown companies offering more voluntary benefits have better chance of attracting as well as retaining the employees. This research paper will aim at understanding the impact of various welfare and services on employees' commitment and its impact on retaining the employee's. The conclusion for the research will be drawn out by reviewing the work done by various researchers.

Objective of the Study

1. To identify the factors affecting employee commitment.
2. To study the impact of welfare and benefit practices on employee retention.
3. To evaluate the impact of welfare and benefit practices on employee’s performance and effectiveness.

Research Methodology

This study is conceptual in nature based on extensive literature review to reach on a meaningful conclusion.



Employee Welfare and Benefit

Welfare is an area of social welfare. It is a state of being happy and satisfied at the workplace. According to Oxford dictionary, employee welfare or labour welfare means “the efforts to make life worth living for workmen.”

Labour Investigation Committee (1946) states that employee welfare means ‘anything done for intellectual, physical, moral and economic betterment of the workers whether by employees, government or other agencies, over and above what is laid down by law, or what is normally expected on the part of the contracted benefits for which workers may have bargained.’

Thus employee welfare can be defined as a comprehensive and dynamic concept which includes various services and amenities provided to employees for their betterment in addition to the regular wages and other economic benefits given to employees under legal provisions. Employee welfare can be statutory and non-statutory.

Statutory welfare work constitutes those provisions of welfare work which are provided in different factory acts and it is obligatory on the part of the employers to observe these provisions. Non statutory welfare includes those welfare activities which are not obligatory in nature but are taken by the employer and employees association which can further be divided into voluntary and mutual welfare. Often voluntary work includes those activities which are undertaken by employers for their workers voluntarily whereas mutual welfare is undertaken by both employer and employees together.

Welfare activities can further be divided into intramural and extramural activities. Welfare activities undertaken within the precinct of the establishment are termed as intramural activities and welfare activities outside the establishment are termed as extra- mural activities.

Employee benefits are more than ‘Fringe Benefits’. It is a blend of comprehensive range of benefits that is required to maintain the balance between employee’s personal and professional life. Benefits for employees include health, welfare plans and retirement plans provided by the organization to protect and ensure employees financial and social security.

The importance of welfare and benefits measures can be summarized as follows:

- Welfare and benefits activities provide better and healthy environment
- Facilities like housing schemes, medical benefits and education and recreation facilities for workers families help in raising their standard of living as well as help them to focus towards work and increase their productivity.
- Employee gets stable workforce which increase the retention rates by providing welfare facilities, with good welfare and benefit. These things motivate workers to take active interest in their jobs and work with loyalty.

Recent Trends in Employee Benefits

Earlier in India, only a few economy sectors dominated manufacturing firms, engineering companies, government–owned enterprises and others use to undertake welfare and benefits activities which were targeted to adhere to the needs of the employees who believed in the concept of lifelong employment.

However as the economy grew, more employment avenues opened for the employees. Gradually, HR managers started developing newer employee benefits to attract and retain employees. Earlier welfare programme such as recreational facilities benefits such as employees provident fund, pension plans, gratuity, leave encashment etc were implemented but nowadays various health plans, flextime benefits, food coupons (sodexo coupons), company car lease policy, retirement education etc are undertaken to retain employees.

Welfare and benefit activities in Bajaj Electricals: There are many welfare activities for employees such as long services and retirement awards (which happen on July 14th every year for employees). There is also a welfare trust which is found by Bajaj electrical for providing loan to employees for housing needs and also for the reimbursement of medical expense. The company also provides scholarships to employees and children for education.

Welfare and benefit activities in Tata Steel: The Company respects the right of employees to exercise freedom of association.

Joint consultation: The Company has a three-tier joint consultation for discussing issues related to production, productivity, quality etc.

Work life balance: In 2011, the company introduced the scheme of wellness at work and work life balance.

Skill development: In April 2011, Tata Steel Academy was launched in Europe to enable employees to achieve the highest standards of technical and professional expertise.

Thus, various Indian organizations are customizing welfare and benefits programs in order to retain as well as increasing the loyalty of the employees.

Employee Retention

Employee retention refers to the ability of an organization to retain its employees. Retaining the workforce is the measure challenge for various organizations.

When an employee leaves an organization it increases the expenses of company (including training and hiring costs). Turnover also harms the goodwill of the company; it also leads to interruption of customer service. Turnover often leads to more turnovers because it creates a negative impact on the other employees as well.

Recent Trends of Attrition in India

Various studies have shown that Indian sectors are facing high attrition. The figure below shows the current scenario in Indian sector. The B.P.O and retail sector has the highest attrition rate i.e. 50% while the education sector has the lowest rate i.e. 17%.

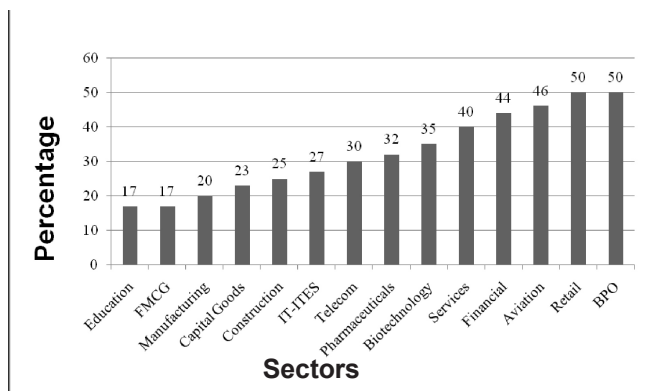


Figure 1 : Trends of Attrition in India

Studies have also shown that compared to other countries, India has only 18% attrition rate whereas U.S.A has the highest attrition rate which is low as compared to the other countries. This needs to be addressed otherwise it can create serious repercussions on our economical growth.

Benefits of Employee Retention

The process of employee retention will benefit organizations in the following ways:

- The cost of turnover: The cost of employee turnover adds hundreds of thousands of money to a company's expenses.
- Loss of company's knowledge: When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history.
- Interruption of customer service: Customers and clients do business with a company because of the people. When an employee leaves, the relationships that employee built for the company are served, which could lead to potential customer loss.
- Turnover leads to more turnovers: When an employee leaves, the effect is felt throughout the organization. The negativity intensifies in the remaining staff.

- Goodwill of the company: The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.
- Regaining efficiency: If an employee resigns, a lot of time is lost in hiring a new employee and then training an employee and this goes to the loss of the company directly which many a times goes unnoticed. And even after this, companies cannot assure the same efficiency from the new employee.

Relationship between Employee Welfare and Benefit and Employee Retention

The relationship between employee welfare and benefit can be understood by reviewing the work done by various researchers. A study conducted in Chittoor district revealed a positive relationship between employee welfare and benefit and employee satisfaction and employee retention. The study also recommended that these industries should adopt more welfare facilities such as gratuity, pension and welfare fund in order to increase employee retention and to improve quality of work life. (*Venugopal P. et.al2011*)

(Narkhede & Chaudhari) undertook a study to observe the attrition trends in India. The study recommended that in order to control attrition, organization should adopt measures such as mentoring, recreation, health care, gym facilities, financial support for performing family weddings, festival celebration, property purchases etc. (Employee Stock Ownership Plan) ESOPs help employees to have ownership in their own company without investing.

In a study conducted on employees in private sector, Sugar Mill suggested that to retain employees, industries should offer a benefit package that fits the need of the employees. It should be a combination of health and life insurance, retirement savings plan, financial and non financial perks, flexible timings etc. (Mathur et.al 2013)

A similar study was carried out in Kenya on police officials. The results revealed that better welfare and health services have a significant impact on the performance of the officials (Nyamwamu et.al 2012). Therefore, in order to increase the performance and to retain employee, organizations should pay attention to improve the level of welfare and services.

Many organizations provide benefits program to develop employees' skills in the belief that this investment will strengthen their human resource. Overall attractiveness of firms also gets enhanced through benefits and employees also have a greater satisfaction and loyalty towards organization. (Tsai and Wang 2005)

A similar case study was undertaken in cement industry of Pakistan which studied the effect of employee welfare and services on performance and retention of employees. The study also revealed that organization can improve competitive edge by introducing enriched welfare and benefits programs which in turn will help in retaining the talented and skilled employees.

Yao et.al (2005) has confirmed that the total remuneration package, long-term accumulation have a significant impact on the satisfaction and long term incentive have a significant impact on employee retention.

Another study conducted by (Wanous 1974, Shi 1991) discussed that a good remuneration system can motivate employees, thereby reducing the intention of looking for other jobs.

A study was conducted to identify the employee welfare measures in the auto sector of India. The study revealed that welfare activities help in increasing the motivation level of employees. The study also highlighted

that most of the employees were satisfied with the employee welfare activities implemented in the sector. (Salaria Poonam 2013)

Cao Zhoutao et.al (2013) undertook a study to examine the impact of total rewards on turnover intentions. The study confirms the effect of total rewards to reduce the turnover intention. This study also highlighted the importance of career development and performance appreciation.

Conclusion and Findings

In the current scenario where every organization wants to be at its competitive best, retaining the employees can prove to be a big challenge. The intent of this research was to provide a general view about the current scenario of welfare and benefits practices and to highlight the areas for future consideration in order to retain competitive and talented employees. After reviewing literatures by various authors and discussing the work done by researchers, the study revealed that there is a significant impact of employee welfare and benefits on employee retention. The results of the study revealed that employee welfare and benefits not only helps to retain but it also helps in attracting talented employees towards the organization. The study also revealed that there is a positive and significant relationship between employee welfare and benefits and effectiveness of the employees. The study indicated that employee welfare and benefit is also important in order to increase motivation, job satisfaction and loyalty among the employees. Therefore, organization needs to emphasize on the importance of employee welfare and benefit activities and its impact on organization.

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