

Chapter 4

Determinants of Employee Retention: A Study of Reality in Brazil

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ABSTRACT

One of the biggest challenges faced by companies is the retention of employees. Studies undertaken in the area indicate that the high turnover rate, especially characterized by voluntary dismissal, is motivated by non-alignment of employees' interests with company objectives. The author focused on identifying which factors related to the employees and which factors related to the companies are determinant to retain employees and reduce the rate of turnover. To answer this question, a survey was conducted with a sample of 264 people, between employees and employers, treated by factor analysis. The results showed that age, gender, and marital status are not important for the employees' permanence and that the promotion of training, opportunities for advancement, salaries, and fair benefits are more valued, as well as the employee's interest in ascending professionally.

INTRODUCTION

Employee retention is one of the major problems facing companies facing the competitive environment. The big business challenge is to align your goals with the growing demand for a balanced organizational climate that meets basic human needs and where work is synonymous with personal fulfillment and fulfillment (Teixeira & França, 2013).

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Determinants of Employee Retention

In this sense, managers are increasingly convinced that attracting and retaining good employees goes far beyond paying the best salaries in the market. It is imperative to understand the factors that lead people to stay in a job, since all business action requires financial and human resources, and the latter act better when motivated. Thus, implementing an effective employee retention strategy helps the company to ensure better performance by properly utilizing employee capital.

Emphasis is also given to the worsening of the shortage of skilled labor, which hampers the process of replacing good professionals. Even when companies are able to identify skilled people, in many cases, they are faced with the demotivation of employees when they do not perceive alignment between their individual perspectives and company objectives.

Data from the Departamento Intersindical de Estatística e Estudos Socioeconômicos - DIEESE (2014) show that the turnover rate, excluding dismissals on request, for death, retirement or transfer of employees varied between 40% and 45% of admissions in the period of 2002 to 2012. These indices are considered high, mainly because they refer to a cycle of economic expansion. The DIEESE identifies that the most important reasons are: dismissal without just cause, termination of the contract and dismissal on demand, which together represent more than 90% of the total. In 2014, reflecting the first signs of the recession, the overall turnover rate jumped to 63.7%.

It should be noted that the loss of human resources causes not only recruitment and training expenses, but also the discontinuation of activities. Thus, it is concluded that the best policy is to avoid turnover, especially the volunteer, when the employees themselves decide to leave the company. From this reality, the questioning that constitutes the problem of this research: what factors related to employees and what factors related to the companies are determinant to retain employees and reduce turnover rate?

The research aimed to assess which factors are considered most important by employees and employers and to identify common and discordant points between them. In addition, it sought to verify if it is possible to reduce the number of factors to a smaller set without losing the explanatory capacity of these factors. The research was also intended to analyze the correlations between the factors and the level of interdependence between them.

BACKGROUND

Human resources are the most important elements in the competitive process in which organizations are. Establishing lasting advantages in the modern world is only possible when these advantages can't be imitated. Achieving this purpose depends on people, the ability to create, innovate, diversify and offer unique experience to consumers. Das and Baruah (2013) and Ampomah and Cudjor (2015) corroborate that the health and long-term success of any organization depends on employee retention. Therefore, it is the prime task of management to encourage employees to stay in business for a long time.

Aguenza and Som (2012) emphasize that retention and employee involvement are fundamental to the organization. This is because they are the driving force for achieving planned development and achieving organizational goals and objectives.

According to Samuel and Chipunza (2009), turnover occurs when employees leave their jobs and it becomes necessary to replace them, which entails costs for organizations. For this reason, Khan and Aleem (2014) argue that retaining employees, especially the most talented, has become the major challenge for managers.

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