

EMPLOYEE RETENTION IN ROMANIA. A CASE STUDY OF ROMANIAN IT COMPANIES

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Abstract. *Employee retention is a critical aspect of organizational success in today's competitive business environment. This study presents a quantitative research methodology aimed at investigating employee retention, focusing on two primary objectives. Firstly, it seeks to identify the root causes of high turnover rates within an organization, including factors such as dissatisfaction with compensation, limited opportunities for growth, work-life balance issues, management challenges, and other potential contributors. Secondly, the research aims to gain a comprehensive understanding of employee expectations concerning the workplace and the organization. The study's findings contribute to the development of evidence-based strategies for employee retention, tailored to address the identified root causes and align with employee expectations. By quantitatively analyzing these crucial aspects, organizations can make informed decisions and implement practices that foster a more engaged and satisfied workforce, ultimately reducing turnover rates and enhancing overall productivity and success.*

Keywords: *employee retention, workforce expectations, development opportunities, retention factors, work environment*

INTRODUCTION

In an era of business marked by innovation and intense competition, the human resource is undoubtedly one of the most valuable assets of a company. However, attracting skilled and talented talent is not enough to achieve long-term success. The key phenomenon that ensures the continuity and sustainable performance of an organization is the retention of qualified human resources.

The retention of qualified human resources within companies is a fundamental aspect of human resource management in the modern corporate environment. Although companies invest heavily in recruitment and professional development, retaining talented and experienced employees remains one of the biggest challenges they face today. This aspect becomes even more crucial in an economic landscape characterized by rapid change, fierce competition for talent and

constant technological developments. Retention of skilled human resources in companies is the process by which organizations retain and develop their employees with special experience and skills, giving them strong reasons to stay within that organization. This phenomenon is not only about keeping people in positions, but about creating an environment where they feel valued, stimulated, and motivated to give their full potential to achieve organizational goals.

Employee retention is a paramount concern for organizations in today's dynamic and competitive job market. High employee turnover not only disrupts operational continuity but also incurs significant costs associated with recruitment, training, and lost productivity. To address this challenge effectively, it is imperative for organizations to gain a profound understanding of the underlying causes driving employees to leave and to comprehend the expectations that shape their workplace experiences. This paper provides an overview of the critical issue of employee retention, emphasizing the importance of identifying root causes and understanding employee expectations. In a landscape where attracting and retaining top talent is a strategic imperative, exploring these aspects becomes pivotal for businesses seeking to foster a sustainable and thriving workforce.

According to Romania Insider [1], 40% of individuals who switched jobs within the past two years did so primarily because they were enticed by a higher salary. Additionally, 14% cited an excessive workload as the main reason for their job change, while 12% expressed a desire for a career shift due to a loss of interest in their previous role. A significant portion, accounting for 27%, found themselves compelled to leave their former company due to downsizing efforts. For another 3%, their departure was tied to their employer's reluctance to permit remote work. Among those who transitioned to new positions, 41% reported that their new job came with a promotion, 49% maintained a similar job role, and 11% experienced a demotion. Remarkably, 7 out of 10 individuals now enjoy higher salaries compared to their previous roles. The primary factors driving these job switches included the prospect of a higher salary (mentioned by 47% of respondents), the ability to work remotely (21%), transitioning to a more stable industry (11%), gaining access to additional fringe benefits (8%), securing a more favorable position than their previous one (7%), or the opportunity to relocate internationally (2%).

The categories of organizational incentives that both draw in and retain human resources in outsourcing multinational companies were analyzed [2]. The study was specifically concentrated on two pivotal phases within human resource management: the attraction of candidates for job interviews and the retention of selected personnel within these organizations. The research model has been crafted to enable the simultaneous and comparative analysis of these two facets.

The relationship between employee development, worktime, and workspace flexibility as key aspects of sustainable HRM, and their impact on job satisfaction and job performance among Romanian employees [3]. The authors of this paper want to find HRM strategies for addressing future work challenges. The study also assesses the influence of various flexibility types (contractual, functional, working time, and workspace) on job satisfaction. Results show that most Romanian employees have a moderate level of flexibility, and functional flexibility, working time flexibility, and workspace flexibility play crucial roles in increasing job satisfaction.

[4] Currently, in Romania, there are limited studies available that document the initiatives undertaken by companies to enhance their commitment to their employees. In other words, there is a scarcity of research that explores the intersection of Corporate Social Responsibility (CSR) and Human Resources Management (HRM). This study reveals that multinational companies in the automotive sector recognize the far-reaching benefits of CSR, both externally and internally. Externally, CSR enhances the company's reputation, strengthens its identity as an employer, bolsters its competitive edge in the market, and boosts its media visibility. Internally, it fosters an organizational culture that can lead to increased employee engagement and financial advantages.

Recently, the concept of employer branding has gained considerable attention and popularity. Beyond its well-documented advantages in terms of attracting and retaining talent within organizations, there is a growing curiosity about whether companies operating in developing countries like Romania genuinely and effectively implement its principles to establish themselves as employers of choice (EOC). Additionally, authors aim to explore what candidates or existing employees consider when assessing an organization's employer brand, and whether their perceptions align with the image portrayed by these organizations on social media platforms. This paper serves as an introductory exploration of employer branding within Romania's IT sector, conducted in the city of Iasi, the country's third-largest IT hub [5].

IT professionals are crucial to an organization and retaining them is vital. To address turnover, there is a need to understand the factors that lead them to consider leaving. This paper explores specific factors influencing turnover among Romanian IT professionals. The study examines financial factors (like pay satisfaction and organizational justice) and self-concept-related factors (such as work meaningfulness and work role fit). The results confirm two key findings: pay satisfaction significantly affects employees' intentions to leave, mediated by perceptions of organizational justice; work meaningfulness is influenced by perceived work role fit, and it fully mediates the impact of work role fit

on turnover intentions. Understanding these dynamics can help companies reduce turnover rates among their IT staff [6].

Furthermore, understanding what employees expect from their workplace and their employers is equally crucial. Employee expectations extend to the work environment, management styles, prospects for career growth, and the recognition they receive for their contributions. Aligning an organization with these expectations can not only bolster employee satisfaction but also help build a culture that fosters engagement and loyalty.

EXPERIMENTAL

Identifying the main aspects that lead to the low level of satisfaction of employees and that can lead them to change their current job in the field of information technology is a challenge for companies, which have to find another qualified human resource in a short time, in which to invest in order to familiarize that resource both with the projects that will be part of, as well as with the processes within the company, the organizational culture. Thus, primary research of the questionnaire type was carried out to determine the causes underlying the employees' decision to leave the current job to take measures to increase the level of satisfaction and the degree of retention of the qualified human resource.

The problem defined for the research is to increase the degree of retention of employees within the organization. The companies are facing a significant challenge in retaining its skilled workforce, which has the potential to negatively impact productivity, company culture and overall performance. Therefore, general objective is defined: The main objective of this research is to understand the underlying factors that contribute to this high attrition rate and to identify key areas that require improvement to increase employee job satisfaction and increase retention.

Secondary objectives serve as intermediate steps within a larger plan and contribute to the achievement of the main objective. They can be considered as steps on the ladder to reach the ultimate goals:

1. Identifying root causes: to identify the primary factors contributing to the high turnover rate, including issues such as dissatisfaction with compensation, limited opportunities for growth, poor work-life balance, poor management, and other challenges potentials.
2. Understanding expectations: To understand employee expectations from the workplace and the company, including work environment preferences, management style, growth prospects and recognition.

By gaining a deeper understanding of these issues, the organization can develop targeted strategies and initiatives that can effectively address identified challenges, improve job satisfaction, and create an environment that encourages long-term commitment among employees. Ultimately, the goal is to improve the overall employee experience and contribute to the company's sustainable success.

The study participants in this research consisted of 40 individuals employed in IT companies situated in Bucharest, Romania. The distribution of the questionnaire was carried out between February and June 2023, and the conditions of application are represented by the survey based on the questionnaire, which had as methods the analysis of the questions to the respondents were the same, through a link that facilitated them viewing questions and the option to answer them. The questionnaire contains a brief presentation intended for respondents to understand the purpose of the research as well as the information that their data remains anonymous, complying with GDPR rules.

RESULTS

In this era of rapid change and innovation, organizations face a unique set of challenges in retaining their most valuable asset, their human capital. From dissatisfaction with compensation and limited opportunities for growth to struggles with work-life balance and managerial concerns, there is a multitude of factors that contribute to high employee turnover. Identifying these root causes is the first step in implementing targeted strategies that can stem the outflow of talent and build a more stable and committed workforce.

On average, the positivity rate stands at 22.5%, yet it exhibits significant variation among countries, as depicted in Figure 1. Specifically, it spans from 12% in Luxembourg to as high as 30.6% in Finland.

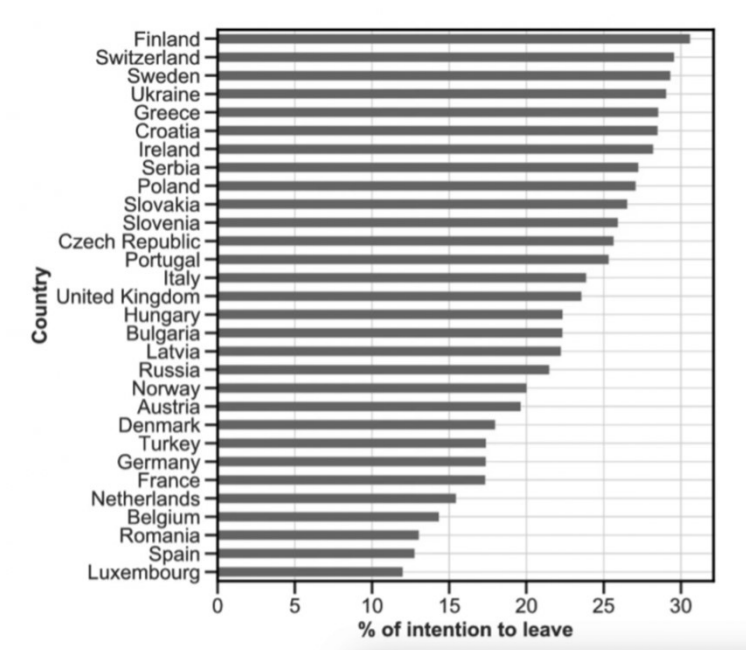


Figure 1. Employee intention to leave by country

Source: Lazzari, M., Alvarez, J.M. and Ruggieri, S., Predicting and explaining employee turnover intention. *International Journal of Data Science and Analytics*, 14(3), 2022, pp.279-292. [7]

The economic challenges encountered by employees are compelling companies to contemplate fundamental salary adjustments or adjustments based on the cost of living. Furthermore, it is always prudent to ensure that the organization is providing competitive compensation packages to entice potential candidates and retain top talent, preventing them from migrating to better-paying competitors. While pursuing this, a company should consider offering benefit packages that enable employees to tailor their benefits according to their unique requirements. This approach can enhance the value and job security for employees while potentially managing expenses for employers (Figure 2).

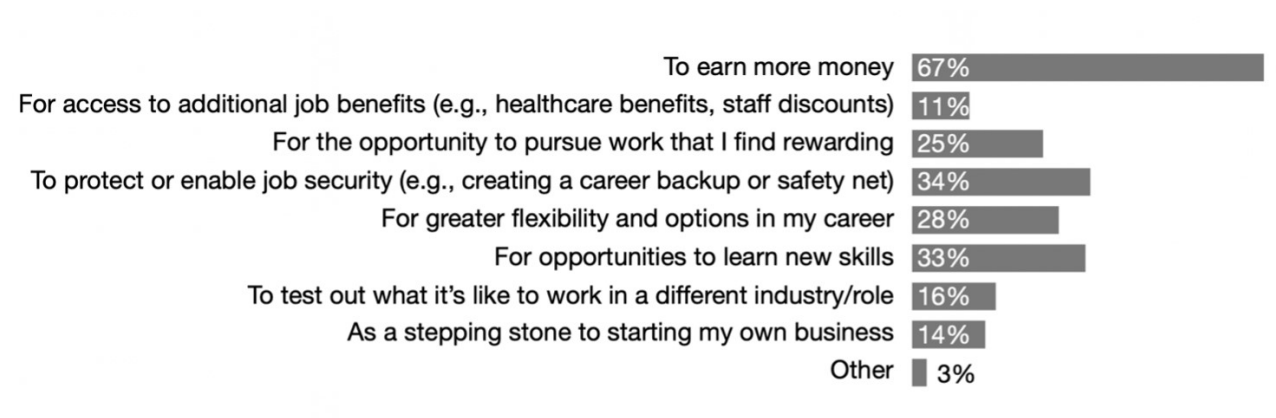


Figure 2. Main factor in respondents' willingness to look for a new job

Source: Pwc, Romania Survey 2023 [8]

Objective 1. Identifying root causes: to identify the primary factors contributing to the high turnover rate, including issues such as dissatisfaction with compensation, limited opportunities for growth, poor work-life balance, poor management, and other challenges potentials.

According to Figure 3, a significant percentage of respondents (26.47%) indicated that the lack of growth opportunities within the company was the main factor influencing their decision to leave. This suggests that employees appreciate the chance to advance their careers and develop new skills. Companies should focus on creating clear professional development paths to effectively retain and engage their workforce.

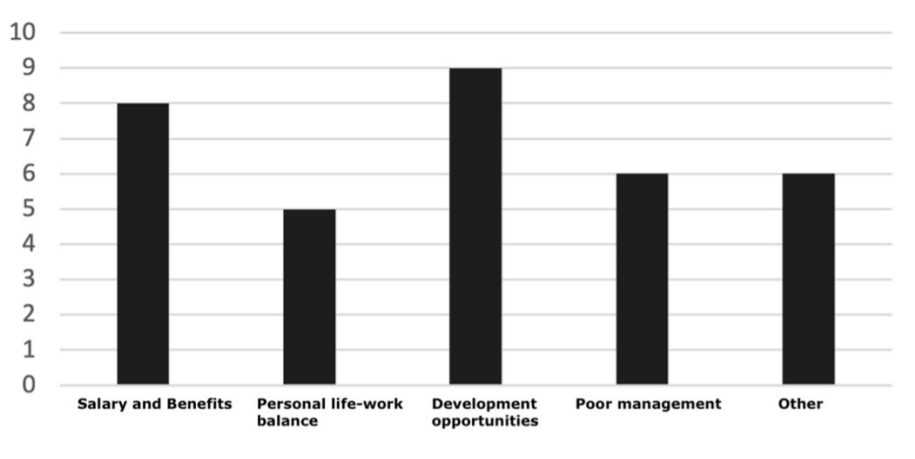


Figure 3. Primary factors influencing the decision to leave a company

Career advancement opportunities are a cornerstone of employee motivation and engagement in any organization. This statistic highlights the importance employees place on their career development prospects. The answers in figure 4 were predominantly "important", "extremely important". Analyzing these responses helps organizations assess the importance of providing advancement pathways, allowing them to adapt strategies that align with employee aspirations, ultimately increasing job satisfaction and contributing to long-term retention.

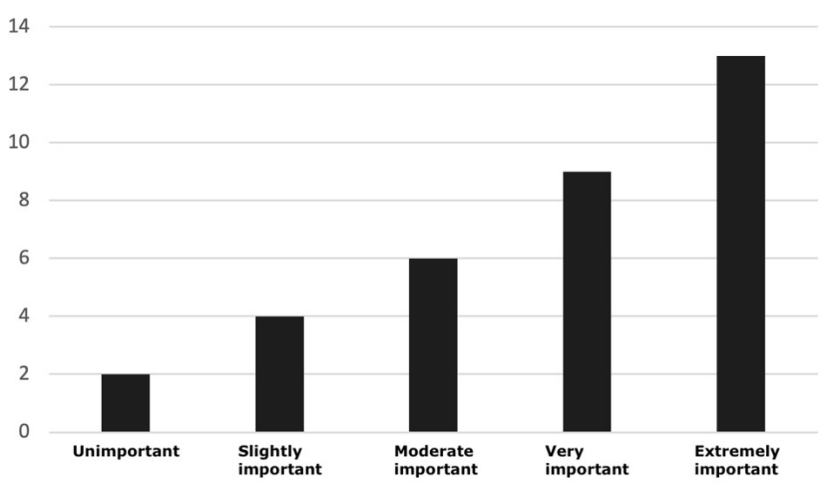


Figure 4. Importance of development opportunities

Objective 2. Understanding expectations: To understand employee expectations from the workplace and the company, including work environment preferences, management style, growth prospects and recognition.

Employees' preferred work environment is a crucial aspect that has a direct impact on productivity, satisfaction and overall engagement in the workplace. This statistic provides insightful data about employee preferences for different work environments, with collaborative and team-oriented at the top, followed by fast-paced and dynamic (figure 5). By examining these responses, organizations can gain a deeper understanding of the types of work settings that resonate most with their workforce. This information is critical in tailoring the work environment to align with employee preferences, resulting in increased job satisfaction and overall performance.

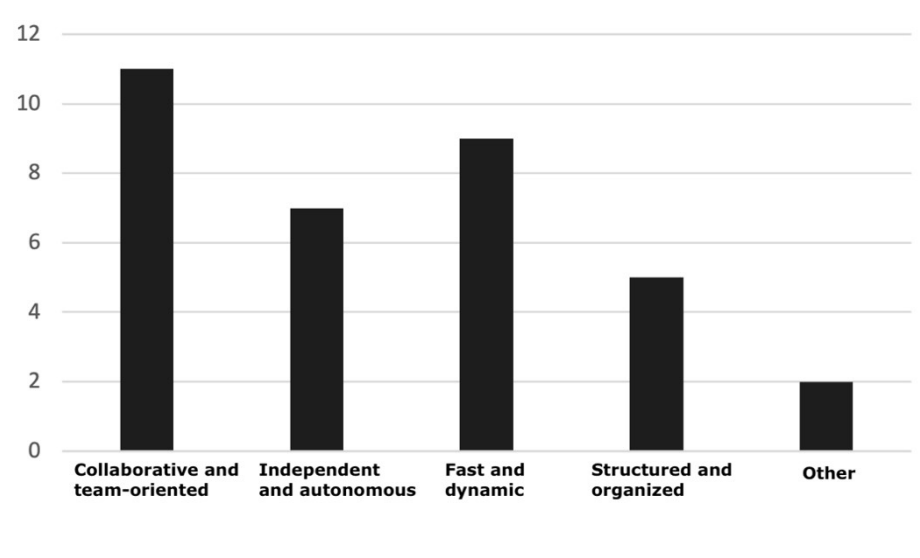


Figure 5. Preferable work-environment

The management style adopted within an organization significantly shapes work dynamics and employee experiences. Respondents' preferences for different management styles are participative, transformational, laissez-faire, other and autocratic, in that order (figure 6). Analysis of this distribution provides valuable insight into the types of management approaches that resonate most with employees. Understanding these preferences is vital for organizations that want to create a leadership framework that aligns with employee expectations, fostering a positive work environment that fosters collaboration, innovation and effective communication.

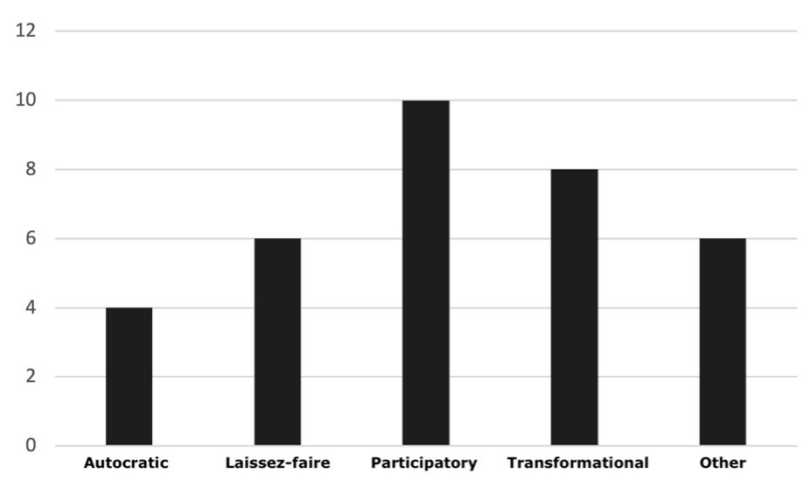


Figure 6. Preferable management style

Workplace benefits play a critical role in attracting and retaining employees by addressing their needs beyond pay. This statistic looks at employee preferences for various workplace benefits, including health insurance, paid time off, retirement savings plans, employee discounts, and other considerations. The breakdown of responses sheds light on the benefits that are most important to employees (figure 7). Analyzing these preferences provides insight into aspects that can make a job offer more attractive and competitive, tailored for employee well-being, financial security and overall job satisfaction. Understanding these preferences guides organizations in designing benefits packages that align with employee expectations, contributing to increased retention and engagement in the workplace.

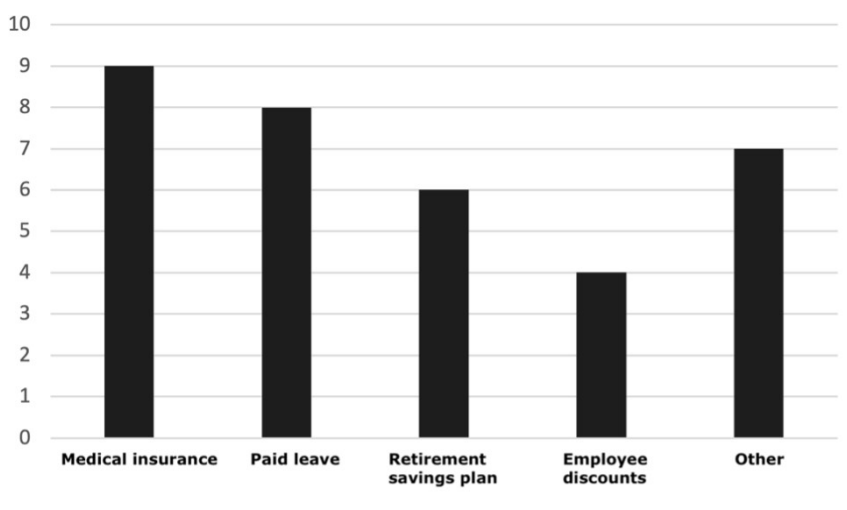


Figure 7. Main benefits seek by employees

DISCUSSIONS

The findings presented in these research papers shed light on various aspects of the labor market and human resource management in Romania, particularly within the context of IT and outsourcing multinational companies. These findings hold significant importance for both the business community and policymakers, as they offer valuable insights and implications.

The data from Romania Insider underscores the pivotal role of salary in job transitions, with 40% of respondents switching jobs primarily due to higher compensation. This highlights the significance of competitive remuneration in talent attraction and retention. It implies that companies seeking to attract and retain top talent in Romania should place a strong emphasis on offering competitive salary packages.

The research on multinational companies in the automotive sector reveals the multifaceted benefits of Corporate Social Responsibility (CSR). Beyond external advantages, CSR practices also influence organizational culture and employee engagement. This emphasizes the importance of CSR in enhancing not only the company's reputation but also its internal dynamics.

The exploration of employer branding within Romania's IT sector indicates the growing interest in this concept. It emphasizes the need for companies to effectively implement employer branding strategies, especially in developing countries like Romania, to establish themselves as preferred employers. It also highlights the importance of aligning the company's image portrayed on social media platforms with candidates' and employees' perceptions.

The findings presented in Figures 3, 4, 5, 6, and 7 offer a comprehensive insight into various facets of employee preferences, aspirations, and work environments. These insights are vital for organizations seeking to create a workplace that not only attracts top talent but also retains and engages employees effectively. The fact that over a quarter of respondents highlighted the lack of growth opportunities as a reason for leaving underscores the paramount importance of career advancement in employee retention. It emphasizes that organizations should invest in clear and structured professional development paths. The career advancement aspect is not only a cornerstone of employee motivation but also a critical component in nurturing long-term employee engagement. The need for organizations to tailor strategies that align with employee aspirations has the potential to increase job satisfaction, which is closely linked to employee retention.

These research findings contribute to a deeper understanding of labor market dynamics and HR practices in Romania. They provide actionable insights for companies and organizations operating in this region, helping them make informed decisions to attract, retain, and engage their workforce effectively. The studies also add to the body of knowledge in HR management and labor economics, with potential implications that extend beyond the Romanian context.

CONCLUSION

The insights gleaned from the data presented reveal a profound connection between employee satisfaction and several key factors within the workplace. These factors include career advancement opportunities, work environment preferences, management styles, and workplace benefits. Employee preferences within these domains have a direct and substantial impact on retention, engagement, and overall workplace satisfaction. Organizations that acknowledge and act upon these insights are better positioned to create an environment that fosters employee well-being, collaboration, and long-term commitment.

Career advancement opportunities are crucial as a substantial percentage of respondents (26.47%) identified the lack of growth opportunities as the primary reason for leaving their current positions. This underscores the significance employees place on professional development and career advancement. To retain and engage their workforce, organizations should prioritize the creation of clear career development paths.

The statistics related to employee preferences for work environments, with a preference for collaborative and team-oriented settings, highlight the importance of tailoring the workplace to align with employee preferences. Adapting the work environment to resonate with employees can significantly enhance job satisfaction and overall performance. Employee preferences for participative and transformational management styles over autocratic or laissez-faire styles underscore the significance of leadership approaches in shaping employee experiences. Understanding and aligning with employee expectations in terms of management can foster a more positive and collaborative work environment.

The employee retention is also determined by workplace benefits, such as health insurance, paid time off, and retirement savings plans, provide insights into the factors that can make a job offer more appealing and competitive. By designing benefits packages that align with employee expectations, organizations can enhance retention and engagement among their workforces.

In summary, the data emphasizes the critical role of career advancement, work environment, management style, and workplace benefits in retaining and engaging employees. Organizations that take these preferences into account and adapt their strategies accordingly are more likely to foster a positive work environment, increase job satisfaction, and achieve long-term employee retention.

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