



South East European University

Faculty of Business and Administration

Department of Management

## MASTER THESIS

Topic: "Recruitment and retention of quality employees in organization through contemporary rewarding systems"

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## **Declaration**

*I hereby declare that this Master's thesis is own work, and it does not contain other people's work without this being stated and that the bibliography contains all the literature that I have used in writing the thesis, and that all references refer to this bibliography.*

*I understand that any violation of these rules will be considered cheating and will have legal consequences.*

## Acknowledgment

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## Abstract

This research's aim is to identify the role and value of human resources in a company. The study will focus more on the recruitment process of finding the right person for the right job position and more importantly how to make retention of current employees in the company for a long-lasting period.

Taking into consideration the globalization around the world, there is a huge competition in every work industry and in every level of enterprises, be them small, medium or big ones. By that, there is always going to be hierarchial competition between employees who to be on top management and who to get higher salaries. And, because of that, annually in some companies a huge turnover is happening.

Goal of the study case will be how to recruit the best possible candidates, train and develop them for them at the end of the day to be more motivated, more happy, more connected to the company and more efficient. The answer of this would be through contemporary rewarding systems and we will explore it more further.

Based on research results from 104 respondent divided on 25 non-managers position and 79 respondent with managers/director position from different private and public institutions.

Samples of 104 were taken to study the recruitment and retention procedures towards the organization. Primary data such questionnaire and interview have been conducted to collect the data from the employees. Generally statistical tools such as percentage method, weighted average method, correlation have been used for analysis and interpretation.

Through analysis and findings, it is found that, it is found that most of the candidates are aware about their job description and specification during the recruitment process.

Based on the correlation coefficient and the regression coefficient supported are all hypothesis that we have set regarding recruitment and retention of employees in organization through contemporary rewarding systems.

The results are good proof for research recommendation, such as the idea that recruitment of employees should be made according to their education, working experience and potential to grow

in that position and retention of the same would be achieved by offering competitive salaries, good career growth and promotion, training and development and good working conditions.

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## **FIRST CHAPTER: Study Frame Work**

### **Introduction**

Starting from year 2008 till nowadays many international companies have been implementing HR Management function as an operation field itself, whereas in many cases as a department as well. Its influence has been such big that various corporations from every operation level have started using it with the only goal of having an efficient employee management, effective recruiting process and for a better administration of all documentation related to employees' internal and external requests. It is already known that main asset in the business world nowadays are employees. Satisfied employees mean you have satisfied customers. Even though an organization possess a good mission and vision and has healthy funds, it will not reach its success without loyal and well-trained human recourses.

A series of changes are being written on a range of Management functions – including respectively the recruitment function, but also global staffing, management development and careers, and rewards by the process of globalization highlighting the difference between globally standardized, optimized or localized HR processes. But, anyhow, recruitment as a procedure itself has its own basis upon which the changes are happening due to globalization of the market, and those principles cannot easily be changed, but only enlarged with other additional theories.

Upon that, below I've gathered some opinions of great thinkers from the management world which none of them is false, even if it's different as until now there is no concrete definition of Human Resources Management.

Sarma defines the (HRM) Human Resource Management function as: “an approach to the management of people, based on four fundamental principles”. As I already mentioned above, Sarma shares the idea that employees in the organization are the most valuable and important asset before anything else inside the organization. Second thing he mentions is that the personnel's attitude should be close enough in accordance to the mission, vision and goals of the company, whereas we see that the collective perspective is putted before the individual goals any employees can have. Third, the working conditions, the company's culture, internal policies and the ongoing atmosphere are key to succeed in the competitive market we are living and working on. Finally, working in a fun and not boring environment, it is strongly important that employees are treated

same no matter gender, age, religion or ethnic group. Working together with sense of common purpose will make all felt integrated and part of the team. Efficiency and productivity will be seen very net (Sarma, 2008, p.15-16).

According to my personal opinion, I think that additionally to the corporate's working conditions should be added the opportunity of how top management invests in training and development of its most valued asset, employees. It is already well known that loyalty of employees towards corporate arises when the corporate invests in them in knowledge enlargement and skills improvement. Productivity is well seen here, as well.

Briefly, the HR function itself is more concerned about internal aspects of company's employees as its most valued element and how new hires are made up and how they are managed. So, basically it covers the processes of recruitment, workforces' file administration, reporting, planning, salary calculation, training and development, performance evaluation, health insurance etc. Also, in some specific cases, the HR has to be a touching point with outside institutions and work with external issues as well, such as: join top management for business meetings, event management and other services (Armstrong and Taylor, 2014).

Between years 2007-2008 is the period when huge terminology changes were implemented into employee relations. The expressions such as "personnel administration" or "employee management" will be seen very rare, as the new terminology of Human Resources have been put in using and it refers to company's most valued asset, employees. So, from now and on, employees are called as HR.

Human Resources Management (HRM) after taking on all changes, now it focuses more into practices and policies related to employees' satisfaction, retention and development, as well as rising the workflow effectiveness in the company. According to Noe, Raymond A., 2017, the HR itself is important part of the vision and mission of the company and it plays a key role in success of the business. But, that will be achieved only if effective HR practices are implemented inside the organization, as well as good performance management is shown towards the employees. Moreover, extensive research shows that effective HRM practices can enhance company performance by contributing to employee and customer satisfaction, creativity, innovation, productivity, and development of a favorable reputation in the firm's community. HR Management

practices include different functions, starting from creating the employment structure according to the departments' needs (HR planning), attracting top qualified and potential candidates to fill the vacancies (Recruitment), choosing and selecting the right people for the right place (Interview and Testing), orientation and welcome in the company and also preparation for knowledge enlargement and skill improvement (Training and Development), rewarding (salary compensation) and making sure employees work under good working conditions which at the end of the day will result with effective work.

The recruitment process as one of the main HR functions is responsible for finding the right people to fill the left vacancies in the corporation. Showing good researcher skills in this phase is crucial and successful HR professionals consider this phase with high importance. Therefore, creating a pool of talent and selecting the most relevant candidates is seen as a good solution. Hereby, the recruiter should keep an eye to three characteristics that can decide the future of the potential employee, such as his/her education, experience and potential of succeeding in the opened vacancy position. (Flipppo and McGraw-Hill, 1976)

We are living in a fast moving world where things dynamically change in second as you open and close your eyes and everything is so hard to predict. High competition is another factor that should carefully be taken into consideration; if not automatically you are out of the game. Being innovative is the best answer that can be given in this case. But, regarding big corporates' field operations; they should possess their own formula of success which should always be in the long term step. Matching HR and business strategies is a problematic process but this doesn't mean that the attempt to do so should be abandoned. HR representatives of any organization should build a liaison or a strong bridge with employees by investing in them more in training and development programs which at the end will end up with increasing their loyalty to the company, as well as the productivity at work.

Taking into consideration almost all definitions made regarding the Human Resources Management function, it is clear to be seen that they are all consisting common things, such as: planning, organizing, directing and controlling. In addition to all HR Management definitions, DeCenzo and Robbins came up with an idea that four operative functions should be added to them: (1) Staffing, (2) Training and Development, (3) Motivation, and (4) Maintenance (DeCenzo and Robbins, 2009, p.33-34).

Even small or medium corporates that are still functioning without an HR responsible person or without an HR department at all must recognize responsibility for the above mentioned functions. In practice, line managers of administration and legal departments are responsible for taking care after them and looking towards implementation of the same.

Processes such as preparing job responsibilities for open vacancies, advertising the same on employment portals, doing the interviews with the potential candidates, preparing the contracts, organizing the orientation for the new comers, looking after security and safety at work, health insurance, etc. has been part of the Administration Line Manager. On the other hand, receiving day off requests, preparing accomplishments and punishments, visa issues, salary upgrades, clock in and clock out evidence stuff has been responsibility of Legal department.

But, fortunately, more than ever, nowadays companies have departments on their own and the work flow is so organized, so effective and so productive.

## **RESEARCH GOALS AND OBJECTIVE**

Main goal of the master thesis "Recruiting and retaining quality employees in organization through contemporary rewarding systems" is to see the interview phases through which the candidate passes, how the candidate is assessed and examined till the contract for employment is given to him/her and orientation starts. On the other part, the focus will be on ways how to retain employees in the organization, what motivates them more to stay in and how they can be developed more.

The focus of the study is the effectiveness of recruitment and selection procedure at local Macedonian companies, while the secondary objectives of the study is to study the effectiveness of internal and external factors of retention of employees at various levels.

Part of the study will be all HR management functions and their practical side in a company and how they're implemented. Another point that will be addressed is which contemporary recruiting tools nowadays companies use for finding the right person for the right place.

I will also do research on field on different private enterprises with the goal to measure and analyse HR processes that are being implemented inside the organization. This will be done through

questionnaires that will be given to employees of the company; for measuring motivation level, salary satisfaction, working condition or self-development opportunities.

I hope that by this research will succeed to explain the recruitment procedure of any candidate till the moment of contract offer, ways of retaining human resources in the company, motivation and how high efficiency can be achieved inside the organization.

## **RESEARCH VARIABLES**

According to questionnaires that were distributed to 104 respondents, we have different variables. Below we will show all variables divided on dependent variables and independent variables.

### **1. Dependent variables:**

- Job flexibility and team building
- Company's investment in brand marketing and facilities
- Corporative culture and hierarchy
- Recreational activities (tournaments, social fridays, sports, team buildings)
- Working conditions and working atmosphere

### **2. Independent variables:**

- Employee recruitment
- Employee retention

## **RESEARCH QUESTION**

The general purpose of this study is first to analyze the role of rewarding systems over employees recruitment, respectively the impact of rewarding systems in retaining top quality employees in the organization for a long-lasting period. Offering or giving competitive high salaries is having impact in different field of professional working and also the impact is significant in private life. But in this study we have to focus only in professional work. The main reason to the last point of research is to find if it is necessary every company to implement a contemporary rewarding system in order to retain employees or recruitment and retention of the same can be done through offering good working environment, young energetic team, promotion career opportunities, training and development or team building abroad the country.

Our study involves four main research questions, on which are based our further analyzes. Two research hypotheses are:

H1. Contemporary rewarding systems influences employees' job retention

H0: Contemporary rewarding systems does not influence employees' job retention

H2. Contemporary rewarding systems influence employees' recruitment

H0: Contemporary rewarding systems don't influence employees' recruitment.

The reason why we are going to analyze above mentioned hypothesis is the role which plays changes in today's dynamic business life. In one hand, nothing in business is static, everything is moving fast and things are changing rapidly. But in other hand also, the work need to be approved in continuity, so every time we need to be preoccupied for finding the way which will improve our work and this may be done with looking on new way and methods of work. Is very critical questing, what will help the success of managing changes. According to some analyzes very important roles in companies play the human resources. Also we are interested the same to be tested in employees in Macedonia and to analyze the correlation between recruitment of best talent and the ability of retention the same can take us to further success.

So, briefly, one of the presented hypotheses (first) focuses on organizations or better say on enterprises of any level (small, medium or big) and their access or way of retaining employees. In

this case it shows us how to retain employees by giving them high competitive salaries. On the other hand, results of questionnaires can also show the opposite.

The second hypothesis focuses on recruitment of top quality candidates through offering high competitive salaries, organized training and development, career growth and a modern working environment with opened offices and high technology devices.

## **SECOND CHAPTER: Literature review**

### **Recruitment and Retention**



## **Introdcution to Recruitment and Retention of employees**

### **RECRUITMENT**

Recruitment and selection are getting very much importance these days in the organization. It is very critical thing to evaluate the human resources.

Recruitment is the process of hiring a person for a vacant job position in an organization. It is very important during this process to hire the right person for the right place, while taking into consideration the need of the company and job responsibilities to comparison with the qualifications the candidate offers. Making the right decision will be a very smart decision for the company for hiring a person for a long-lasting period.

Undoubtfully, it is a big function with a long procedure itself involving many activities in the meantime. The starting point of recruitment is screening talent acquisition to fill the opened vacancy in the organization. Paralelly, job responsibilities of the vacancy should be already listed, so the right candidate will be chosen according the need of the company. It is with a huge importance that the HR practitioner provides right people in right place at right time from the talent pool for filling the void inside organization. Selecting candidate with experience and positive educational background, but rude, not very polite, can be very dangerous to the organization. But, however it is the job of HR and psychologist in the organization to look after the behaviour shown, body language and expressions made by the candidate. In many cases, taking the decision of hiring a younger candidate with less experience but good educational background and potential to grow up in job position and be promoted, is seen as a very good long term solution to stability and efficiency of company.

Recruitment is the activity that links the employers and the job seekers. Also, recruitment is the starting point of finding the most suitable candidate from the talent pool and motivating him apply for the vacancy in the organization. To do so, a very professional access should be shown towards the potential candidate, such as offering good working conditions, non-limited employment contract, competitive salary and a good environment of young colleagues (Flippo and Edwin B., 1976).

On one side candidates are selling themselves, however, on the other side the organization is buying the best possible potential in candidates (Armstrong and Taylor; 2014).

Recruitment as a process as well as a function of HR itself, doesn't have any definite and/or final definition, but has several of them made by big HR influencers. One of them says the following, recruitment is the process of finding, interviewing, testing and engaging the right people organization needs. On the other hand, selection is the 2<sup>nd</sup> part coming after recruitment which has to do with choosing the right candidate for the right vacancy at the right time. Briefly, this is the last phase of deciding 1 out of best 3 candidates listed by the HR practitioner (Armstrong, 2014).

Recruitment is of the most crucial roles of the human resource professionals. The level of performance of organization depends on the effectiveness of its recruitment function. Organizations have developed and follow recruitment strategies to hire the best talent for their organization and to utilize their resources optimally. A successful recruitment strategy should be well planned and practical to attract more and good talent to apply in the organization.

According to Armstrong (2014), the following steps are required when planning how to attract candidates:

1. Analyze recruitment strengths and weaknesses to develop an employee value proposition and employer brand.
2. Analyze the requirement to establish what sort of person is needed.
3. Identify potential sources of candidates.

As mentioned above, according to all world-wide management field professionals are sharing the same opinion that hiring an individual in a company is a hard process, because in every case there is a possibility of having a high cost after all the employee to look for a new challenge elsewhere. In order to lower down or reduce to the maximum the cost of leaving the company, the HR responsible should take into consideration every aspect of the individual.

This can be explained clearer through the so called "Person specification" process.

Person specification process covers three important areas regarding the job requirements, such as: educational and experience background, as well as the potential seen in the candidate. In case to carry out the role, the candidate must also show good behavior, good eye contact, should be sharp

looking, cleaned up and with high self-confidence. Training certificates and knowledge of foreign languages will be considered as an asset (Armstrong, 2014).

According to Armstrong (2014), the specification is set out under the following headings:

- **Knowledge** – what the individual needs to know to carry out the role.
- **Skills and abilities** – what the individual has to be able to do to carry out the role
- **Behavioral competencies** – the types of behavior required for successful performance of the role. These should be role-specific, ideally based on an analysis of employees who are carrying out their roles effectively. The behaviors should also be linked to the core values and competency framework of the organization to help in ensuring that candidates will fit and support the organization's culture.
- **Qualifications and training** – the professional, technical or academic qualifications required or the training that the candidate should have undertaken.
- **Experience** – the types of achievements and activities that would be likely to predict success.
- **Specific demands** – anything that the role holder will be expected to achieve in specified areas, e.g. develop new markets or products; improve sales, productivity or levels of customer service; introduce new systems or processes.
- **Special requirements** – travelling, unsocial hours, mobility, etc.

### **What are the stages of recruitment?**

#### **➤ Identifying a Need**

The HR Manager in direct communication with the Managing Director or any other member of the top management, including Heads of Units, discusses the profile of the individual that should be hired to take over some responsibilities other can't not do, or don't have the space to do so.

Also, the same can be done by the HR Manager alone, in accordance to the systematization of workplace where the organization chart and hierarchy is decided.

#### **➤ Analyzing the Job**

The Line Manager/Head of Unit where the new employee will be working specifies the job responsibilities and does the job specification. Afterwards, the HR Manager takes over, possible adds something if needed. Managing Director reviews and approves.

➤ **Attracting candidates**

The HR team after having finalized the job description, prepares the job add and publishes it on social media or professional recruitment websites. Incoming resumes of candidates are received and a pool of potential talent is created. Qualified ones with good education background, proper working experience and good potential, are short listed and called for interview.

➤ **Pre-selection**

In practice many companies are implementing a 3 phase interviewing. It all starts with HR with general interview of candidate; testing knowledge, checking experience and potential to fill the vacancy. Afterwards, the same candidate if getting green light from HR is directed to a technical interview with the Line Manager/Head of Unit for technical checking of knowledge and experience. Third and final interview is completed by the CEO/President of company who takes into account opinion of HR and Managing Director and approves if she/he will be hired or not.

➤ **Selection**

One of 3 or 5 potential candidates is selected upon his results and is called for discussing the other remaining issues, such as: when is the possible starting date, how much is his/her notice period, what is predicted salary etc.

In practice, this phase lasts for 1 week to maximum 1 month, if the vacancy we are recruiting for is of high level position. But, as mentioned in average the negotiation process lasts 1 week.

➤ **Appointment**

Upon appointment to the candidate, training and orientation process is given to the new colleague.

On the first day of arrival, new employee is welcomed by HR department and is shown office and working place. In the meantime is give the “Welcome Book” to read about the mission, vision and working industry of the company. This is followed by a short paperwork procedure and later on the HR staff invites him for a general meeting where he meets all new colleagues.

## **METHODS OF RECRUITMENT**

Attracting candidates is primarily a matter of identifying, evaluating and using the most appropriate sources of applicants (Armstrong, 2014).

One of the most important parts of recruitment is not to only identify the right potential, but to be specific and/or decisive on job responsibilities related to the job position. Briefly, each recruitment processes must start with need analysis and defining day to day activities and responsibilities assigned to the new employee. As much clear the image of job description it is the less errors and misunderstandings can happen on behalf of employees job, as nowadays we are witnessing many templates of employment contracts where not most of employees’ responsibilities are mentioned, which at the end of the day can cause small misunderstandings regarding who should do what.

Then it turns also to be decisive the requirements putted on the open vacancy, whereas not every profile (from any field) is acceptable to be taken into consideration for further assessment from the HR. It is mostly recommended we proceed with profiles who have similar background to the job position we are recruiting for and as well as with experience and potential to grow at the same position, or wider.

The next step will be to consider the source for recruitment, will it be decided to be internally from the organization or externally from employment agencies or employment websites.

In few cases, happening very rarely in Macedonia, to recruit a candidate from a competitor company can be risky as in the employment contracts there are specified points which show that the same employee cannot work for the competitor in the next 2 years, if yes there could be high financial punishments. Also, recruiting a candidate from abroad can be a little costly for companies, however not undoable. The requirement of having to arrange all accommodation,

flight, transport and all other social needs is a bit expensive for the employer, because of that local recruitment is mostly practiced. Last but not the least, terms and conditions with the new comer should be defined. For some high level positions, companies tend to offer managerial contracts with bigger benefits compared to the standard definite or non-definite employment contracts. However, all of this is done in accordance to the vision and mission of the organization. In most cases, employer offers the definite contract of 3 months, considered as a coaching period (for younger candidates) with the possibility to sign a 1 year contract after the coaching period. On the other hand, the status of mid-level and senior level positions is different, in most cases they are offered 3 years contracts with better benefits and salaries.

This information can be analyzed to determine benefits and pay according to years of experience, educational background and potential to grow on position.

What is also important in this process, the recruitment professionals conducting the interviews and the other recruitment activities should be well-trained and experienced to conduct the activities. They should also be aware of the major parameters and skills (e.g.: behavioral, technical etc.) to focus while interviewing and selecting a candidate. (Vinondiny, 2014)

The main sources used by employers, as established by the 2013 CIPD survey, were:

- own corporate website – 62 per cent;
- recruitment agencies – 49 per cent
- employee referral scheme – 33 per cent;
- professional networking, e.g. LinkedIn – 32 per cent;
- commercial job boards – 32 per cent;
- local newspaper advertisements – 29 per cent;
- specialist journals – 24 per cent;
- Job centre Plus – 19 per cent;
- search consultants – 17 per cent;
- links with educational establishments – 14 per cent;
- national newspaper advertisements – 12 per cent;
- Social networking sites – 9 per cent.

Nowadays, internet based recruitment processes are mostly used because of the cost effectiveness, time saving and fastness of closing the needs of the organization. Furth most, many recruiters

implement Skype interviews not face to face meetings (for time saving) and also employers tend to offer flexibility in the working aspect, such as giving the opportunity to work from home. This is happening more and more in some US and European companies, showing result orientation is more important than everything else.

Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs (Vinodiny, 2014).

Internal sources of recruitment refer to obtaining people for job from inside the company. This method increases the trust, loyalty and effectiveness in peoples' mood. Many big companies nowadays are implanting the same, showing employees that they are the most valued element above all.

According to a research made by Vinodiny S. in 2014 there are different methods of internal recruitment:

### **1. Promotion:**

In most of the cases promotion is given to extra ordinary profiles that have shown high level of professionalism at work, efficiency, high results and good profit as well. In some specific cases, a promotion can be given to an existing employee without even completing a specific time in the organization, only for motivating him and keep him loyal to the company. Seeing it from the other perspective, this method of recruitment is also implemented in order to fill voids left in the company with existing potential employees which at the end of the day results with time saving and cost effectiveness. This will not only create a very positive internal atmosphere between employees, but also will give them a strong message that anyone can reach everything in the hierarchy of company. For outside marketing purposes, this will also make a strong reputation to the company in the market towards competitors on showing how much company values its employees (Vinodiny, 2014).

### **2. Departmental Examination:**

Above mentioned method of recruitment is not that much implemented in private owned organizations, but only in governmental ones. As state owned institutions undergo changes time by time, due to political reasons, many higher level posts are left empty for the new ones to fill in. In that case, many statesmen move from one place to another with approval of government, ministries or directorates. This method ensures selection per need and partiality (Vinodiny, 2014).

### **3. Transfer:**

This method nowadays is quite active in big corporations. HR Managers tend to fill open vacancies with existing employees who are not showing proper results in one department, or maybe are not happy with their job, team members or salary. The idea is not to fire anyone internally, but to find the right people for the right places where there is shortage staff.

In practice in most cases, transfers are done with the goal not to fire the employee, but to give another chance to show the value and do the maximum to help organization achieve mission and vision (Vinodiny, 2014)

### **4. Retirement:**

Dependable of the culture and internal policy companies implement regarding retirement, there are a few advantages and disadvantages of the same. This organizational culture, which is very rare nowadays, is intending to recruit or attract older workers to fill open vacancies in the company. This, not only will show trust, but at the same time shows big loyalty from the employer to the employee. However, taking into consideration that elder people can't cope up with the pace of how fast technology is moving forward and is becoming part of almost each small, mid and high level enterprises, employers can't allow employing people who cannot work with technology tools (Rau, Barbara L. & Gary A. Adams, 2012).

### **5. Internal Advertisement:**



Big corporates employing hundreds of candidates on monthly basis for its fast growing departments use this method as a more cost and time effective solution. In this method vacancies are filled from current employees who have shown great results at work and would like to take more responsibility or probably change positions as a new challenge. HR department will not have the need to do job ads, interviews and tests. But, will only transfer them from one to another place, with coaching to be conducted as well as part of orientation on the new job position. This method helps obtaining quality people who are not satisfied on current positions, but on the other hand also shows trust and opportunity given by the company (Vinodiny, 2014).

According to Vinodiny (2014), there are few advantages and disadvantages of Internal Recruitment:

#### **ADVANTAGES OF INTERNAL RECRUITMENT:**

1. Internal methods are time saving.
2. No separate induction program is required.
3. The method increases loyalty and reduces labor turnover.
4. This method is less expensive.

#### **DISADVANTAGES OF INTERNAL RECRUITMENT:**

1. There is no opportunity to get new talent in this method.
2. The method involves selecting people from those available in the company so there is limited scope for selection.
3. There are chances of biased and partiality.
4. Chances of employee discontent are very high.

#### **6. Employee Recommendation:**

In this case, HR department can implement a recruiting process by taking recommendations internally from current employees. However, this cannot be used for close family employments, but only for attracting top candidates for filling the right positions.

As another tool for attracting new hires in the organization can be mentioned the external recruitment.

As can be seen above, there are many recruitment options for filling open job positions in the organization with the right new people.

Each corporate has its own vision and mission, according to what the strategy of people is based on. Results of many case studies have shown that external recruitment is more effective tool for bringing new people inside the company.

According to Armstrong (2014), external recruitment approach can be seen through the below listed tools:

### **1. Online recruitment**

This is one of the most effective and hugely desired tool for recruitment and employment. Employers use it for finding right profiles of candidates, and on the other hand job seekers use it for finding the most suitable company they'd like to work on.

Some online employment websites charge for their services, but nowadays many of them are for free. This enables job seekers and employers share e-mail communication also to get and give information regarding anything related to work.

The advantages of online recruiting are that it can reach a wider range of possible applicants. It is quicker and cheaper than traditional methods of advertising, more details of jobs and firms can be supplied on the site, and CVs can be matched and applications can be submitted electronically (Armstrong, 2014).

As online recruitment we can list: corporate websites, commercial job boards, agency sites, employment portals.

### **3. Social media**

In case e-recruitment tool doesn't bring the right results to the company and no candidate fits the requirements set from the HR, then we transfer the recruitment process to other platforms, this time on social media. According to some researches, LinkedIn is the most successful professional platform when it comes to business work and many companies, especially HR use it for finding new talents.

Facebook and Instagram can also be used as non-formal recruitment tools.

#### **4. Advertising**

Nowadays, only a few companies do it. Only governmental institutions use it the most for letting people know about the open governmental vacancies. In practice they publish the ads on TV, radio or newspaper. To reach the viewers statistics in most of the times the salary is mentioned above or below.

#### **5. Recruitment Agencies**

In cases when filling open vacancies is urgent, employers tend to contact recruitment agencies for recommending 3-5 profiles from their database. If the company decide to hire the recommended candidate given by the agency, they will be charged 15% from the first year's salary.

#### **6. Recruitment consultants**

These are also called Freelance Recruiters who are working independently, but have a wide range of network. They might charge 15, 20 or 30% for their services.

### **Methods of selection**

In order to hire the right person for the right position in the organization, HR has to take into consideration diverse criteria and go on with a few psychological tests which should shared with the candidates from the pool of talent. And, nowadays in the world of globalization, several of online methods can be found on the internet.

According to Taber and Hendricks (2003); Arthur (2001), recruitment efforts may be formal or informal. Formal activities are those face to face contacts between employer and job seekers which most of times happens in campus fairs, advertisements; posting on the Internet; using search firms. On the other side, informal recruitment operates through social networks, employee referrals, and the organization's reputation or image (Taber, Hendricks & Arthur, 2001).

Below the most commonly used employee selection methods are presented:

1. **Ability tests** – First test candidates are requested to take has to do with their soft skills, called ability tests. These tests are useful for understanding the communication level and how they behave in specific cases. This test can be computer or paper based, and is very useful for taking into consideration its results before making any final decision regarding any hot potential for filling a vacancy (Pulakos 2005, 6; Rashmi 2010, 89).
2. **Integrity tests** – second test for helping measure soft skills, but mostly attitude, honesty and trustworthy of candidates is the Integrity Test. This test is strongly correlated with ethics and, therefore, a perfect supplement to personality tests (Pulakos 2005, 10).
3. **Personality tests** – third test for helping HR collect more information related to the candidate's personality, emotional stability and openness is the Personality Test. This test usually consist of multiple choice and true/false questions measuring each personality factor (Pulakos 2005, 8; Rashmi 2010, 90).
4. **Group situational tests** – In order to measure the level of being a team player or a team leader, the group of candidates are given one task to complete inside a limited period. Supervisors of such tests look at the results carefully and check who how behaved under pressure of completing the task on time, who helped each other the most and above all who was more successful (Rashmi, 2010, p.91).
5. **Work simulation tests** – Under the supervision of HR and Head of Department where candidate might operate in, is given a problem to solve. At the same time, candidate is requested to use his knowledge, experience and potential he has regarding the field he/she

has been engaged at, and probably will be recruited to work on. This selection method helps an employer to understand if a candidate is capable of completing the tasks and if his/her qualifications and skills are suitable for the vacancy (DeCenzo and Robbins 2009, p.160).

6. **Assessment Centers** – Nowadays, almost no company uses this method as it is expensive to implement. In most of the cases, organizations go for cost effective and time effective solutions, such as above mentioned tests (DeCenzo and Robbins, 2009, p.160; Rashmi, 2010, p.91-92).

7. **References** – One of the most trustworthy methods for recruitment is creating a pool of talent by recommendations made by colleagues, friends or family members. They will go and explain each detail, everything related to the experience and personality of the person they think is suitable to fill the void left in the organization.

Full selection process must be reliable and ensure all tools are used in the right way for each applicant, no matter gender, religion or ethnicity. All candidates are considered hot potentials for the vacancy they are applying for; otherwise they'd have not applied (DeCenzo and Robbins 2009, p.171). Hereby, HR must use valid methods for measuring the talent and potential of candidates by considering three aspects: 1) Educational background; 2) Experience background; and 3) Potential related to the position applying for (Rashmi, 2010, p. 87-88).

## **RETENTION**

Recruiting and retaining best talent is for sure one of the hardest processes of HR. For doing so, organization itself has to be a well-known brand, to own a well-structured hierarchy, offer modern working conditions, high competitive salary and career growth opportunity (Brewster, 2005).

Talent management has become one of the most important sub-functions of HR and is considered as a strategic tool for the organization, playing a big part towards employees' retention and career development (Bhatnagar, 2004).

In today's highly competitive labor market, there is extensive evidence that organizations regardless of size, technological advances, market focus and other factors are facing employee retention challenges.

Taking into consideration the fact how much organizations are putting effort and investment in training and development programs for its employees, it can clearly be seen that they do really care about them. However, it is highly recommended to do so for the right people, as it is rational to firstly identify, analyze and decide with whom to proceed (Ramlall, 2004).

According to Hale (1998) it was stated that 86% of employers were experiencing difficulty attracting new employees and 58% of organizations claim that they are experiencing difficulty retaining their employees. Even when unemployment is high, organizations are particularly concerned about retaining their best employees.

Many small and mid-level companies tend to give tasks to employees out of the listed job responsibilities from the employment contract and this really irritates them. Also, last minute given tasks from the Direct Manager are contributing to employee dissatisfaction.

Top quality employees showing big results at work are the ones organizations wish to retain forever, however these are the ones most likely to leave. We are living in a big open labor market whereas at any time a big offer can come across any employee. Every worker in the company is 5 minutes away from submitting resignation or is 150 hours away from walking out of the company as a result of receiving better working conditions from another company. Truly to be said, companies don't have much to do in this case as they also have their own limits (Armstrong, 2014).

Various organizational cultures can be found in companies. In many cases this company value is the key factor deciding rates of strong and weak performers. Some companies put as key indicators for performing at work 3 elements, such as: team work, security and respect among working environment. No matter results, performers possessing these values/characteristics will always be loyal and respected by the organization. On the other hand we have companies focusing more on personal initiative and individual reward, meaning creative performers initiating different processes that will bring more business as well as marketing of company brand in the labor market are well rewarded. However, this type of culture doesn't give security for long term loyalty to the company, as any time business can fall and results may not be seen, meaning no rewards to be

taken. This means, weaker performers would soon leave such a company culture, and stronger performers would stay in order to achieve higher rewards ( Ker and Slockum, 1987, p.103).

In addition to the above mentioned organizational cultures focusing rather on values such as team work or self-initiation, nowadays within organizations can also be seen cultures based on rewards for retaining top quality employees. For instance, hierarchy of organization may not be satisfied by the overall performance of an employee, who may have caused internal negative behavior or communication towards any colleague, but however he/she is bringing a lot of business to the company. And on the other hand, HR cannot find a proper replacement for the same individual who may not be that much happy in the company, but however he/she is making a lot of money from the same company. In this case, company is rewarding him for the high income company is receiving as a result of him, and him getting the reward for the good business coming to the company.

When it comes to employee retention impact there are three characteristics that determine whether someone will leave the company or not. Companies prefer including these kind of strategies upfront for assessment, rather than being late after on. Those three credentials are: education, experience and potential (Starks, 2007). By implementing these 3 factors organizations see the compatibility with the people and how they fit together. And, this is very fundamental when it comes to company culture.

As important as why employees decide to leave organizations may also be why they stay. Over time, employees get to know the company, its vision and mission, structure of hierarchy, way of working and by that they develop a strong connection and a relationship both on and off the job and that is called network (Mitchell, Holtom, Lee, Sablinski & Erez, 2001).

Working in a positive atmosphere, with good working conditions and a perfect organizational structure knowing what it really wants to achieve, is one of the important values of a company and employees as well.

## **WHY IS IT NECESSARY TO RETAIN CRITICAL EMPLOYEES?**

Situations most of companies don't prefer to face up with are the ones that have to do with employee turnover as this is one of the most time and energy consuming processes. Noticed or planned departures leave more space for replacement preparations, but in most of the cases employee departures are unexpected which force HR professionals spend valuable time, effort and finances in finding the new right person for the right place (Buck, Jeffrey M. & John L. Watson, 2002).

Talent management strategy (including recruitment and retention of employees) should stay high on the vision and mission of company. The contribution of doing so is belonging strictly to HR who is responsible for building that engagement between company and employee. According to Gibbons (2006) "employee engagement is a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that in turn influences him/her to apply additional discretionary effort to his/her work" (Gibbons, 2006).

Briefly, the more engaged the employee is towards company, the bigger the chances are of him/her continuing the work engagement at the same place, as well as expressing positive things about the organization, contributing to the brand awareness. Thereby, this situation will minimize overall turnover and potentially influence variables such as service quality, customer satisfaction, productivity, sales, profitability, etc.

Truly said, retention of quality employees in the company has become one of the hardest processes HR members of companies have to deal with, and by that they have to be very careful with how they treat this sensitive topic. By not succeeding to have good negotiations with the employee, anytime he/she can turn the back on the company and leave.

By not wanting that to happen at all, every possible tool that is on the table from the company's side must be taken into consideration in order to make the impossible possible and keep the employee motivated and contracted to the company as long as possible. By doing so, company is sending a strong message to current employees showing how much they value the most important element of the company, its employees who are the ambassadors of the same.



Today's labor market is far wider to what it was years ago and saying competition is big, will not be a wrong expression. Researches have also shown that people focus more on financial benefits rather than career development opportunities offered by the company. By saying so, in most of occasions retention of employees is achieved easily with good compensation packages.

Coming to conclusion, one of many key factors that can reduce employee turnover inside company is giving competitive high salaries to employees, especially to top management individuals as they are the driving machine of company when it comes to implementing the vision and mission of organization.

According to Armstrong and Taylor (2014), they suggest analyzing in details all internal and external factors that affect employees think of leaving the company or staying at the same. By putting the focus on understanding those factors, succeeding on retention process will be easy. For instance, understanding personal needs of each individual group is tremendous important. First group belongs to employees (30 years old and under) for whom career development is priority and they are eager to learn, listen and get better in every possible area. On this stage, desire for getting better is high. To the second group employees (age 31-50) self-investing and career growth doesn't matter at all, as they are at a phase where they've achieved what they've looked for. However, on this stage ability to manage what they have achieved and satisfaction from work is their goal. On the last but not the least group of employees (aged over 50) stability or job security is what they are intending for. So far, they've invested in education, training programs, possessing +30 years' experience and transferring the knowledge, helping others and receiving monthly financial benefits is really satisfaction (Armstrong and Taylor; 2014).

The value and importance of knowledge management concept is that people/individuals possess knowledge, skills and experience. Therefore, these elements considered as human capital add economic value to the organization itself (Snell and Dean, 1992).

The other factors that affect retention are:

- Company image (individuals join organizations because of its brand on the market, because of the privilege working at the same)

- The effectiveness of recruitment, selection process (believing in a proper interviewing process, without making any gender, religious or ethnical separation);
- Leadership opportunity – employees join companies with to get promoted, to be given more responsibilities to show themselves
- Performance recognition and rewards (at the end of the day all work for money, so financial packages offered as a sign of appreciation are always motivational)

### **Employee motivation**

When we speak of employee motivation within organization, we have to be reminded of Maslow's Hierarchy of Needs (1943). That Pyramid of needs presents what humans need in general, starting from bottom with physiological needs (water and food), to safety (security), to be followed by love (family and friends), then esteem (accomplishment, rewards) and to complete it with self-actualization (achieving the potential and be happy). The Maslow's Hierarchy has become a popular model in the business environment in terms of understanding worker needs, as well (McLeod, 2017).

The key step representing effective recruitment and maintaining new hires comes to do with launching a critical link between offering quality staff and growth opportunities within the organization (Stouthamer-Loeber, van Kammen & Loeber, 1992).

Maintaining continued involvement in a career growth towards employees is a continual challenge for an organization but is built on that principle that it helps the retention. By effectively developing initial contact on daily, weekly or monthly basis between top management staff and employees, helps understand their needs. By listening to what employees wants, you are tying them towards company's mission and vision.

### **What are the stages involved in retention of employees?**

Recruiting and selecting are two different functions that are closely connected to HR, however retention of employees or better said talent management is what should matter the most. Talent management was created and putted high on HR functions as its aim is to recruit, develop and retain employees in the organization (Romans and Lardner, 2006; Heinen and O'Neill, 2004; Scheweyer, 2004).

It is of high importance to mention once again that one of top tools for employee retention is the opportunity of Training and Development towards employees. This motivates them to remain loyal to the organization and create a cohesive workforce (Heathfield, 2008).

Other elements contributing to employee retention:

➤ **Passion to work**

Working with colleagues or having employees with high passion of work (which raises the effectiveness at work and make everyone more productive) is the best thing one employer desires to have. On the practical side this is possible for achieving only if companies own a good cultural spirit inside them and have good internal relations between each other.

To listen one employee, to respect his opinion and in some cases implementing one of them, can make him/her feel very valuable for the company and he/she will do the best to achieve what are so called needs of company.

On the other side, providing good technology tools for usage of the same during working hours, offering recreational activities inside the company for relaxing, organizing casual Fridays with music and food will only benefit the company and engage its employees to itself more.

By this, percentage of employee turnover will fell down by drastic numbers.

➤ **Engrossing environment**

By offering employees good working environment with open offices will make them feel good, valued and friendly. By decreasing the level of hierarchy and bureaucracy inside the

company and implementing more open access to each department will only make the atmosphere more opened and more friendly and people will enjoy working in it.

➤ **Growth opportunities**

Career growth is all what it matters to most of employees.

Loyalty, working professionalism, good communication, perfect good looking and will of learning can be decisive in promotion.

Many organizations establish their own training and development programs with the purpose of improving the productivity and quality of work as well as the personal growth of the employees. A new employee should go through various training activities in order to be prepared for the future tasks in the company. At the same time all other employees should be periodically trained as well.

➤ **High competitive salary**

Another essential issue with huge importance regarding employee rewarding is the level of salary, which the employee deserves for his service towards the company. It is highly recommended by HR professionals to be careful with this sensitive point as it can result with negative output.

Before deciding the quantity of financial package that will be offered to the new employee it is highly recommended to take into consideration the employee's education background, working experience in that field and potential to grow even more and productive for the company. Also, market research should be done or the HR team must have a clue regarding market salaries of same or other industries in the local region.

But, it is well known that giving high competitive salary will only maximize the performance of employee and will give a continuous work experience that is difficult for competitors to replicate.

A good orientation week, coaching period, growth and training opportunities are key motivators to make an employee stay in a company for a longer period of time. In order to make the same be loyal and productive, more responsibilities and leadership job position should be offered. (Bogatinova; 2017, p. 28).

### **Research paper conclusions and summaries upon recruitment and retention of employees**

From the moment HR was divided as a function on itself, it was clear how important it is for any organization structure possessing it. Many scientists go even further saying HR as department is 2<sup>nd</sup> the best after the CEO in any company. However, recruitment and selection, as sub topics of HR, are crucial but at the same time complex for implementing. By saying so, I mean if selection is not completed in a proper way, his/her work will not be effective and will reflect negatively on the company. On the other hand, in a situation where the right person is chosen for the right place, he/she will definitely be a very big asset to the organization.

Loyal employees within an organization are the best thing an employer can think of. Having employees engaged to company is a competitive advantage to organizations in the market. These human resources should not only be seen as physical, technical or financial resources, but as a true most valuable asset of the company, because they are very hard to be replaced with (Lado and Wilson, 1994; Wright and McMahan, 1992).

Bad working conditions, low and unattractive remuneration packages, not enough career growth opportunities, not giving managerial competencies to employees are few of the most often used prejudices leading employee migration to other organizations within or abroad the country.

### **THIRD CHAPTER: METHODOLOGY**

In this chapter we will try to describe the methodology that was used in this master research. The main point that we would like to focus on are research methods which will help to achieve a conclusion, type of the data and the method of data selection, analyzing and interpretation of data, population etc.

## **Research Methodology and data collection**

Our master research is descriptive research which is based on primary source data collection. The method which was used in our research is deduction method, according to the same from existing theory we have built our hypothesis and we have done the observation in order to achieve the confirmation. The primary source was collected by using questionnaire on Google surveys forms which was developed specially for this purpose. The questionnaire was built based on our master thesis requirement.

### **Main parts of questionnaire**

The questionnaire was developed through 5 sections. The first section includes the general questions for respondent such as: job position, department, gender, age, education, marital status, company type, number of employees, industry of company, years engaged to organization.

The second section of questionnaire is the section where the respondents give their opinion on the recruitment function and its processes, like who manages recruitment, changes of recruitment in recent years, rewarding systems' influence in employee recruitment, what channels and recruitment tests are implemented.

The third part of questionnaire includes questions regarding the concept of retention of employees in organization and its main reasons for happening so. Questions like who is responsible for employee retention, what kind of tools are used for retention, importance of rewarding systems in retention, basic needs for showing loyalty to company, etc.

Fourth part of questionnaire includes questions regarding working conditions and targets set for achievement, promotion in hierarchy of company.

And, the fifth section of the survey has to do with need of change within organization in order to maintain good employee engagement and work flow and efficiency. In this part we have included questions related to motivation, productivity and loyalty.

### **Population and sample size**

Primary source of data was collected with distribution of google questionnaire to private and public organization in the Republic of North Macedonia.

We have used the electronically methods for distribution of questionnaire, so the link of Google questionnaire was sent to private and public organization and we have asked to fill the questionnaire electronically. One benefit of this methods was that the data were collected automatically and generated in excel spreadsheet so it was easier to be processed further. Another advantage was that the link could be accessed easily in all electronic devised from PC, laptops, mobile phone making the process of fulfilling to the respondents very easy. So we have sent questionnaire in three different languages English, Albanian and Macedonian via email to most known companies in Macedonia. We have sent approximately above 100 questionnaires in three different languages and we have received respond from 101 respondent. Finally our research is realized with totally 101 numbers of questionnaires. Also based on gender we have 69 female responds and 32 male responds, based on organization we have 88 private organizations and 13 public organizations.

### **Data measurement**

For every question the responded was asked to answer in each statement which best matches their personality. The possible answers for majority of questions were: multiple choices, in some cases with “Always”, “Usually”, “Sometimes”, “Never”, and Yes-No-I don’t know. And based on question they were evaluated with 4, 3, 2 and 1 point. Based on calculation for each section we have found the result in order to have final research result.

### **Pilot Questionnaire Distribution**

Before finalizing the questionnaire and to make the final distribution to employees and manager we have done pilot distribution to some employee and managers. The point of this distribution was to see if all question are understandable and every of them have sense to respond. The responded was asked only to read the question and take note if he or she understands it and is ready to answer on the same.

This action helped us to make some correction in some of the questions. Correction is done to the question in which respondent wasn't able to understand the point of question.

## **FOURTH CHAPTER RESEARCH RESULT AND DATA ANALYSIS**

### **Research Result**

In this part is represented the own research result, gained from the questionnaire distributed to 101 private and public organizations in North Macedonia.

#### **Results of General Information of Questionnaire**

##### **Gender**

From 101 respondents we have 32 males and 69 female, divided in percent 31.7% male and 68.3% female.



## Gender

101 responses

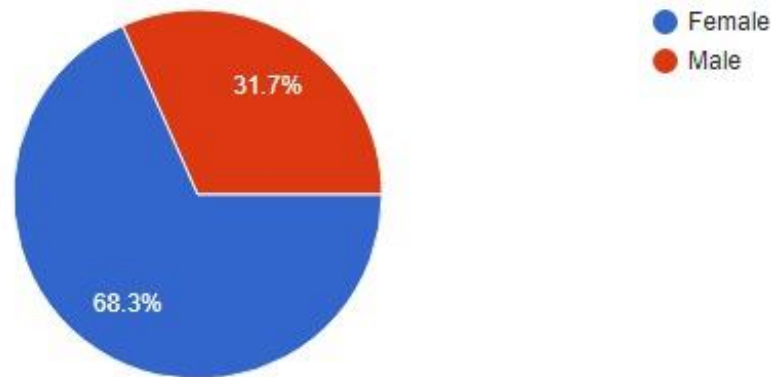


Figure 1 Gender

## Marital Status

From question regarding marital status of respondent we have these responds:

### Marital status

101 responses

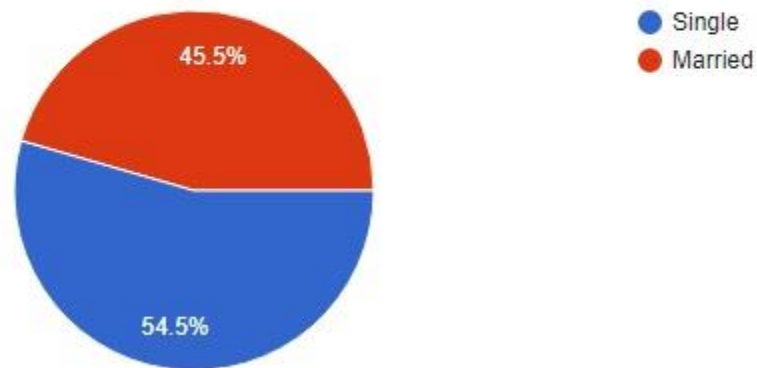


Figure 2 Marital status

As we can see 54.5% of respondents are single, respectively 55 from 101. And, on the other hand, 45.5% of them are married or 46 of 101.

## University Degree

Based on the answers that we have from respondents we have this evidence regarding their educational degree:

### Education

101 responses

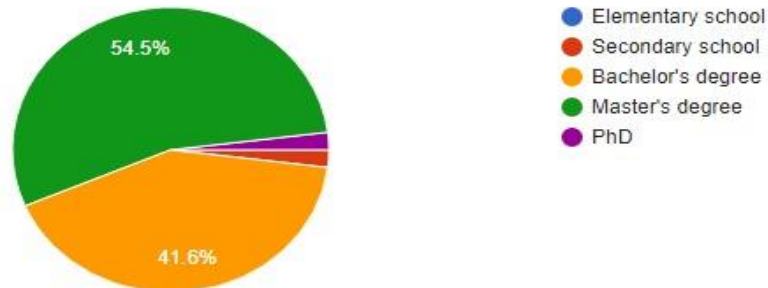


Figure 3 Education Degree

So, out of 101 respondents of the questionnaires presented in value for Educational Level, 2 of them have secondary school as educational degree, 42 have Bachelor's degree, 55 of respondents have Master degree and only 2 of respondents have PHD studies.

### The age of respondents

The age of respondents was in between 20 to 60, and the same we have grouped as below.

### Age

101 responses

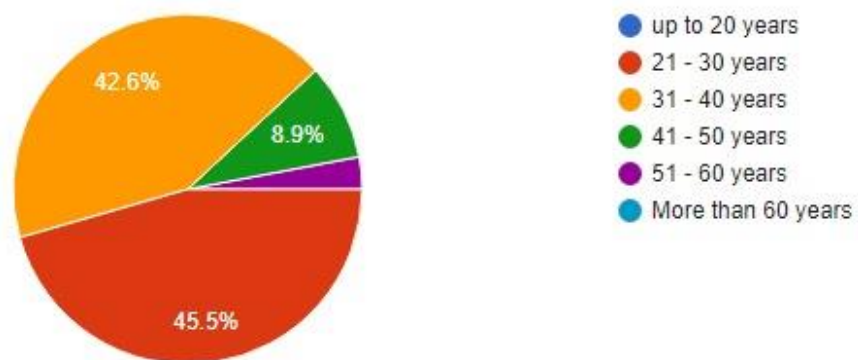


Figure 4 Age

According to the result we have this range of respondents grouped as the above groups: 46 of respondents or 45.5 % are between 21 - 30 years, 43 of respondents or 42.6 % are between 31 and 40, 9 of them or 8.9 % are in a range between 41 and 50 years. 3 of respondents are in a range between 51 and 60 years respectively 3%.

## Company Profile

The questionnaires were distributed in two different company profiles, public organization and private organization. According to responds, we have:

### Company type

101 responses

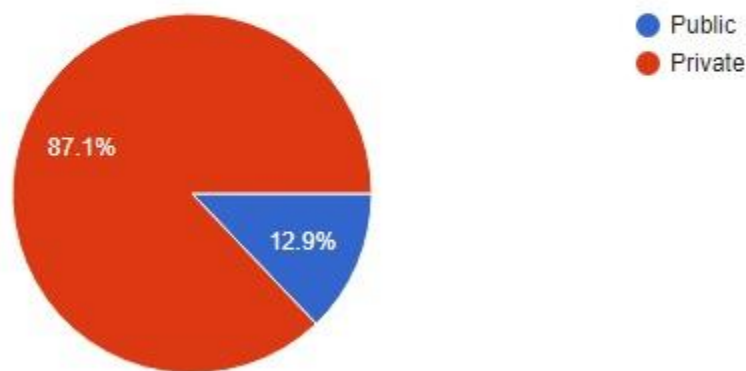


Figure 5 Company type

Based on questionnaire result, 88 of respondents from 101 are working in private organization or 87.1% of them and 13 from 101 are working in public organization or 12.9%.

## Experience in current work

Regarding the question of the years of experience in the current job we have these answers:

How many years you are engaged to the company?

101 responses



Figure 6 Years in Company

From 101 respondents, in the range of 0-1 years of experience we have 25 respondents, respectively 24.8% of total respondents, in the range of 1-3 years of experience we have 35 employees or in percentage 34.7%, in the range of 3-5 years of experience we have 24 respondents respectively 23.8%, range 5-15 years includes 14 respondents or 13.8% and more than 20 years of experience there is 1 respondent, 1% of the total percentage.

### Number of employees in organization

Regarding the question of number of employees working in the company we have these answers:

Number of employees in the company

101 responses

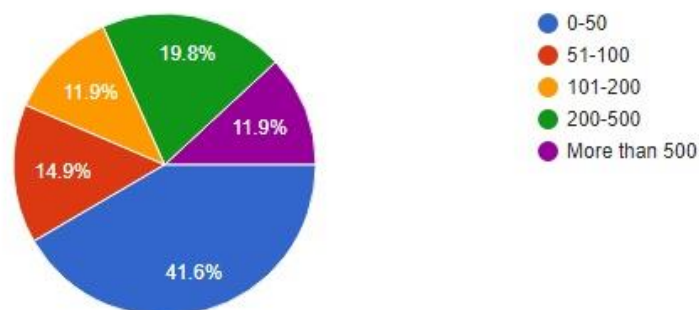


Figure 7 Employees in Organization

From 101 respondents, we have 42 respondents, respectively 41.6% of total respondents working in company with 50 employees, in the range of 51-100 employees company we have 15 respondents or in percentage 14.9%, in the range 101-200 employees company we have 12 respondents or in percentage 11.9%, in the range of 200-500 employees company we have 20 respondents or in percentage 19.8% and in the range of more than 500 employees company we have 12 respondents or in percentage 11.9% of the total percentage.

### Company industry

Please select one of the following industry categories:

101 responses

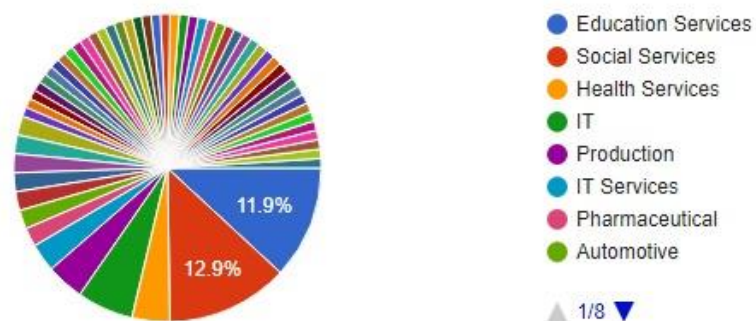


Figure 8 Company's Industry

From 101 respondents, we have 13 respondents, respectively 12.9% working in Social Services, 12 respondents or 11.9% working in Educational Services. The others are involved in: health services, IT, Production, Pharmacy, Automotive, Sales, Marketing, Production, Finances, Consultancy, and Construction etc.

### Section 1 results of the Questionnaire (Recruitment)

#### Recruitment inside Organization

This section of questionnaire was designed with the aim of collecting information if the employees have a basic idea about the concept of recruitment, who manages recruitment, in how many phases is recruitment done, changes of recruitment cycles in recent years, etc.

In the question asked in questionnaire “Who manages recruitment processes for any open vacancy in your company?” answers were as following:

1. Who manages recruitment processes for any open vacancy in your company?

0 / 101 correct responses

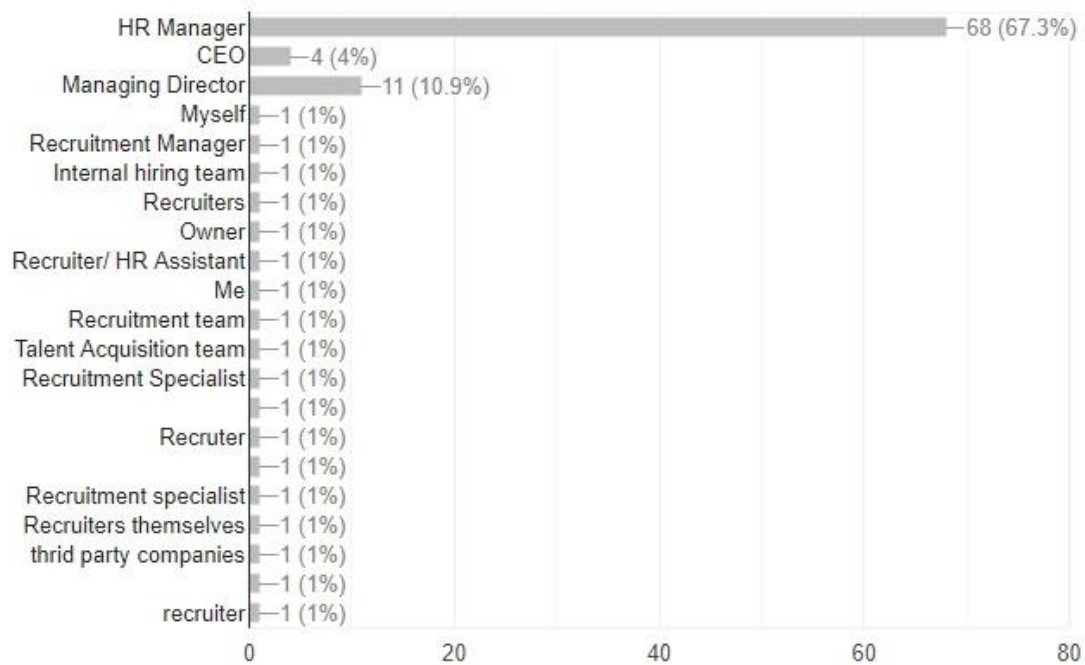


Figure 9 “Who manages recruitment in your company?”

Out of 101 employees, 68 employees, respectively 67.3% of them answered that in their company recruitment is managed by the HR Manager, while 11 of them or 10.9% indicated that recruitment is done by Managing Director and only 4 respondents or 4% answered that recruitment is done by CEO.

In the question asked in questionnaire “What is the recruitment process that is being implemented in your company?” answers were as following:

## 2. What is the recruitment process that is being implemented in your company?

0 / 101 correct responses

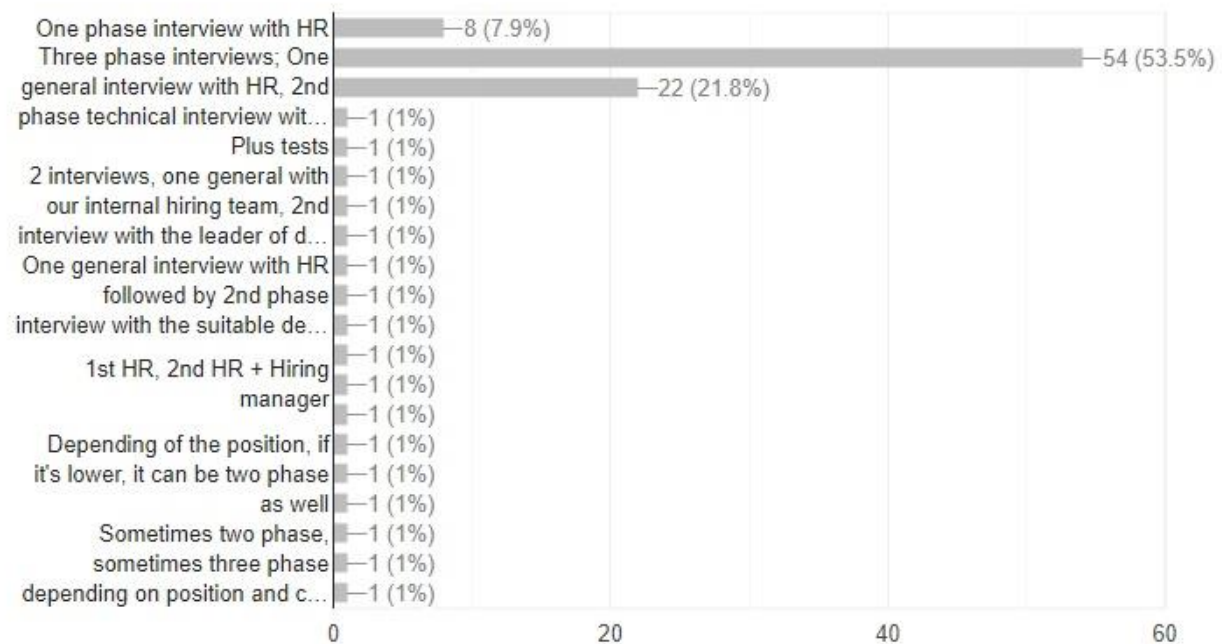


Figure 10 “What recruitment process is implemented in your company?”

Out of 101 employees, 54 employees, respectively 53.5% of them answered that in their company recruitment is done in 2 phases; one general interview with HR, followed with a 2<sup>nd</sup> interview with the Managing Director. On the other hand 22 respondents or 21.8% concluded that recruitment in their companies is done in three phases: one general interview with HR, followed with a 2<sup>nd</sup> interview with the Managing Director and final 3<sup>rd</sup> interview with CEO.

In the question asked in questionnaire “Over the last 12 months, how difficult has it been for your organization to FIND/SOURCE qualified applicants?” answers were as following:

3. Over the last 12 months, how difficult has it been for your organization to FIND/SOURCE qualified applicants?

0 / 101 correct responses

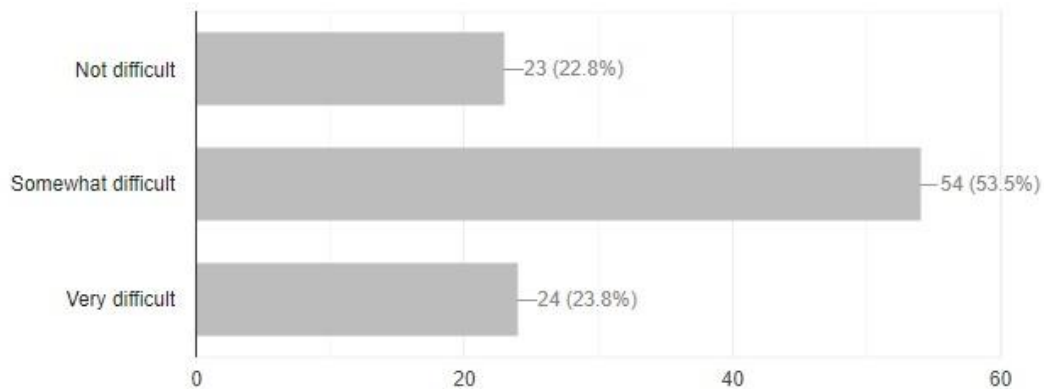


Figure 11 “How difficult has been for your organization to find qualified applicants?”

Out of 101 employees, 54 employees, respectively 53.5% of them answered that in their company finding/sourcing a qualified applicant is somewhat difficult, while 24 respondents or 23.8% answered that it is very difficult to find qualified applicants to fill open vacancies in organization. Only 23 respondents or 22.8% concluded that nowadays finding a right person to fill the right place in company is not difficult at all.

In the question asked in questionnaire “In your opinion, which from the following rewarding systems is influencing employees’ recruitment the most?” answers were as following:

6. In your opinion, which from the following rewarding systems is influencing employees’ recruitment the most?

101 responses

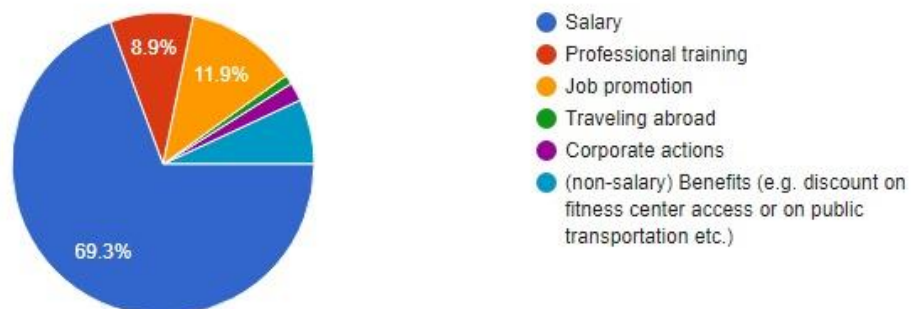




Figure 12 “Which from the following rewarding systems influences employee’s recruitment?”

Out of 101 employees, 70 employees, respectively 69.3% of them answered that in their company Salary is the main factor on influencing employees’ recruitment. While 12 respondents or 11.9% answered that Job Promotion is key factor on influencing employee’s recruitment. Only 9 employees or 8.9% concluded that Professional Training is reason of being recruited to that company. Only 7 employees or 6.9% said that Non-Salary benefits are key factor for being recruited to the organization. Only 2 respondents, respectively 1, answered that Traveling abroad and Corporate Actions are main factors on influencing employee’s recruitment.

In the question asked in questionnaire “Contemporary rewarding systems (Salary, Professional Training, Job promotion, traveling abroad, corporate actions) don’t influence employees' recruitment?” answers were as following:

10. Contemporary rewarding systems (Salary, Professional Training, Job promotion, traveling abroad, corporate actions) don’t influence employees' recruitment?

101 responses

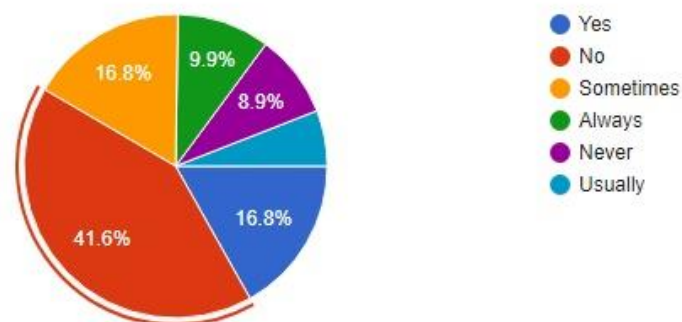


Figure 13 “Contemporary rewarding systems don’t influences employee’s recruitment?”

Out of 101 employees, 42 employees, respectively 41.6% of them answered that in their company Contemporary Rewarding Systems (salary, professional training, job promotion, travelling abroad and corporate discounts) are NOT key factors for influencing employees’ recruitment. Only 17 respondents or 16.8% answered with a YES, meaning contemporary rewarding systems influence employees’ recruitment. With the same numbers, 17 respondents or 16.8% answered with

SOMETIMES, meaning contemporary rewarding systems influence employees' recruitment. 10 respondents or 9.9% concluded that contemporary rewarding systems ALWAYS influence employees' recruitment. 9 respondents or 8.9% answered NEVER contemporary rewarding systems influence in employees' recruitment. USUALLY contemporary rewarding systems influence employees' recruitment answered only 6 respondents or 5.9%.

## Section 2 results of the Questionnaire (Retention)

### Retention inside Organization

In the question asked in questionnaire "How important are the contemporary rewarding systems in influencing employees' job retention? answers were as following:

13. How important are the contemporary rewarding systems in influencing employees' job retention?

100 responses

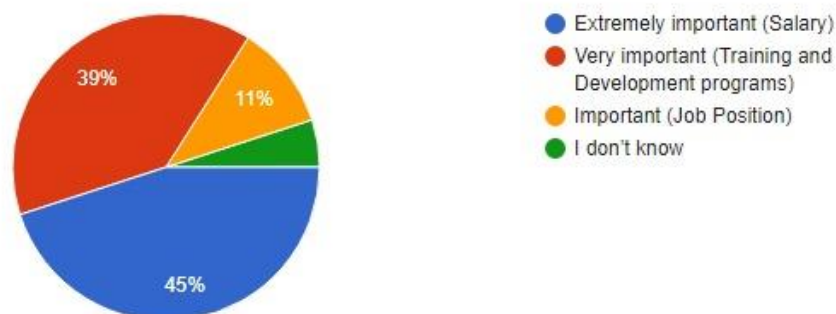


Figure 14 "Importance of Contemporary rewarding systems in influencing employee's retention?"

Out of 101 employees, 45 employees, respectively 45% answered that in their company Contemporary Rewarding Systems (Salary) are EXTREMELY IMPORTANT factors on influencing employees' retention. Only 39 respondents or 39% answered that in their company Contemporary Rewarding Systems (Training and Development programs) are VERY IMPORTANT factors on influencing employees' retention. 11 respondents or 11% out of 101 concluded that in their company Contemporary Rewarding Systems (Job Position) is IMPORTANT factor on influencing employees' retention. Only 5 respondents or 5% answered I DON'T KNOW whether contemporary rewarding systems influence employee's retention or not.

In the question asked in questionnaire “In your experience, what are the most critical factors impacting your organization's ability to RETAIN key employees?” answers were as following:

20. In your experience, what are the most critical factors impacting your organization's ability to RETAIN key employees?

100 responses



Figure 15 “Most critical factors for retaining key employees”

Out of 101 employees, 31 employees, respectively 31% answered that key factors on influencing employees’ retention are Employee Growth and development. Close to that, only 30 respondents or 30% answered that key factors on influencing employees’ retention are Base Salary or other cash incentives. 19 respondents or 19% answered that key factors for employee retention are Working Environment or Conditions/Location. 11 respondents or 11% concluded that Flexible Work Arrangements/Perquisites are key factors for retaining employees in organization. 6 employees or 6% of respondents answered that Effectiveness/Strength of Supervisors/Managers are key factors for employee retention in organization.

In the question asked in questionnaire “What motivates you to be more loyal to company?” answers were as following:

## 26. What motivates you to be more loyal to company?

100 responses

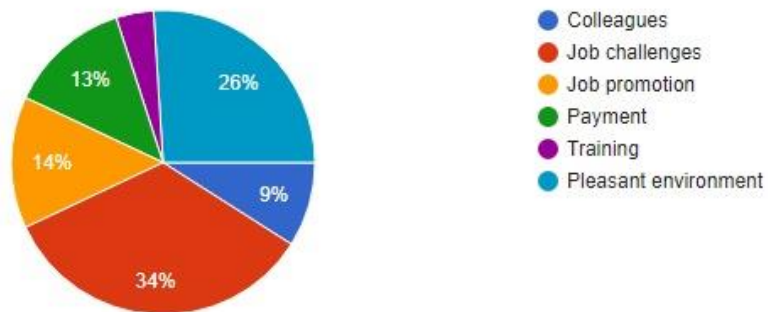


Figure 16 "What motivates you to be more loyal to company?"

Out of 101 employees, 34 employees, respectively 34% answered that main reason for staying in one company would be Job Challenges. 26 respondents or 26% answered that Pleasant Environment is reason for staying loyal to the company. 14 respondents or 14% answered that Job Promotion opportunities are main reason for staying loyal to the company, 13 respondents or 13% said Payment and only 9 respondents or 9% said Colleagues would be the reason to stay loyal to the company. 4% or 4 respondents said if there would be Training opportunities they would stay loyal to company.

In the question asked in questionnaire "I think I am more productive, creative and motivated when:" answers were as following:

27. I think I am more productive, creative and motivated when:

100 responses

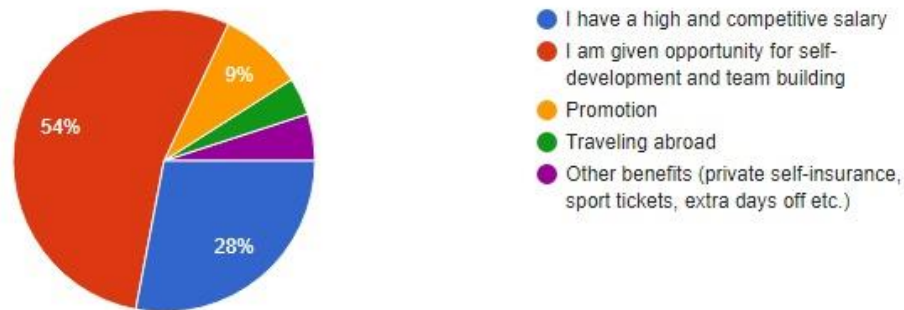


Figure 17 "I think I am more productive, creative and motivated when:"

Out of 101 employees, 54 employees, respectively 54% answered that to be given opportunity for self-development and team building is main reason for being productive, creative and motivated. 28 respondents or 28% answered that Having a High and Competitive Salary is main reason for being productive, creative and motivated. Only 9 respondents or 9% answered that Promotion is main reason for being productive, creative and motivated. 5 respondents or 5% answered that Other Benefits (private health insurance, sport tickets, extra days off) would be reason for staying loyal, motivated and productive in the organization. 4 respondents or 4% answered that Traveling Abroad is reason for being productive, motivated and staying loyal to the organization.

### Data Analysis

Analyze of gained data is done for SPSS. The data base is created based on questionnaire responded from 104 managers from different private and public organization. We had different kind of variables, but used are only those which we were able to include and to analyze.

### Variable description

Main variables, such as salary increase, training and development opportunities, job promotion, traveling abroad and other benefits, which are used in regression analysis are index variable and these are converted in numbers.

## Correlation

According to correlation result gained from SPSS with main variables of our analysis, such as: Salary Increase, Training and Development Opportunities, Job Promotion, Traveling Abroad and other benefits evaluated from Managers, the most important correlation is between Retention and Salary with coefficient 0.96 which means that we have positive correlation between mentioned variables. Also, another important correlation is between Recruitment and Working Environment with coefficient of 0.36 with means that we have positive correlation between mentioned variables.

## HYPOTHESIS TESTING

### 1<sup>st</sup> Hypothesis

H1 - Contemporary rewarding systems influences employees' job retention

Source	SS	df	MS	Number of obs	=	104
Model	17.5015385	1	17.5015385	F(1, 102)	=	1859.54
Residual	.96	102	.009411765	Prob > F	=	0.0000
Total	18.4615385	103	.179238237	R-squared	=	0.9480
				Adj R-squared	=	0.9475
				Root MSE	=	.09701

Akenikrite~h	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Salary	.96	.0222622	43.12	0.000	.915843	1.004157
_cons	.04	.0194029	2.06	0.042	.0015145	.0784855

$$\text{Modeli } Y = \beta_0 + \beta_1 X_i + \epsilon_i$$

$$Y = 0.04 + 0.96x$$

Table 1 First Hypothesis

### Comments

According to the result we can conclude that Salary has an impact on employees' job retention. For 1 value increase in Salary index, the index of retention will be increased for 0.96.

Based on the result we have good evidence regarding the main factor of keeping top quality employees in organization. Meaning, the coefficient of the variable Salary is positive and

statistically significant at 0.96 level of significance suggesting if there the share of salary increases then job retention will be higher for 0.04.

## 2<sup>nd</sup> Hypothesis

H2 – Contemporary rewarding systems influence employees’ recruitment

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. regress Akenikritereparasetepunsoh Environment
```

Source	SS	df	MS	Number of obs	=	104
Model	2.24532225	1	2.24532225	F(1, 102)	=	14.12
Residual	16.2162162	102	.158982512	Prob > F	=	0.0003
				R-squared	=	0.1216
				Adj R-squared	=	0.1130
Total	18.4615385	103	.179238237	Root MSE	=	.39873

Akenikrite~h	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Environment	.3243243	.0863008	3.76	0.000	.1531471 .4955016
_cons	.6756757	.046351	14.58	0.000	.5837387 .7676126

$$\text{Modeli } Y = \beta_0 + \beta_1 X_i + \epsilon_i$$

$$Y = 0.67 + 0.32x$$

Table 2 Second Hypothesis

Comments

According to the SPSS result, Working Conditions is a dependent variable and Employees’ Recruitment is independent variable. The coefficient of the variable Working Environment is 0.32, showing that for increase in 1 value will cause positive increase of job recruitment for 0.32.

## CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

### Conclusion

According to our research that was based on primary sources of data collection with

electronic questionnaire through Google survey from 101 HR Managers, HR Practitioners or HR Responsibles in the Republic of North Macedonia and after statistical analysis we came to some conclusions.

Finding a job in our country is a major problem youth is facing up with. According to recent researches unemployment rate of age 16-25 is up to 44.7%, meaning this widespread phenomenon is becoming an important issue to be considered more seriously in finding better long term solutions. In most of the cases, recruitment goes through 3 phases until employer finds the right person for the right place. 41% of respondents answered that salary, training and growth opportunities, traveling abroad don't influence their decision to work for the company. What really influences them for recruitment is salary.

On the other hand, retention of employees in an organization is an important topic on itself, as well. According to survey's results, salary and employee growth and development are the most common traditional reason for employees to leave companies.

Based on the data collected from HR professionals from different private organizations and state institutions, we can see that a majority of them have the same principles when it comes to recruitment and retention of employees.

## Recommendations

The purpose of the research was to identify main indicators of employees' recruitment and retention in North Macedonia. Based on the result we would like to give below suggestion to all private and public organization

According to our research results below show some helpful suggestions for future improvements recruitment and retention of top quality employees in organization:

- The company itself; Top Management and especially HR Manager/Director as first point of contact with candidates, need to go through 3 phase interview. This will help build a professional recruitment system with a pool of talented professionals, while ensuring from the beginning that the candidate after completing 3 phases of interviews is the right person for the position to fill and execute its job responsibilities.



- The most important fact is that companies' employee retention statistics can be improved. Companies need to organize a better salary structure for employees and offer better conditions compared to competitors in order to keep the best inside. Also, another important factor is employee growth and development trainings need to be provided to employees to further their skills and knowledge in working areas. Working conditions are also one of the main indicators employees intend to stay loyal to company.
- For a proper recruitment, organizations need to consider 3 important factors upon taking decision on if the candidate is the right one or not. It is not important to consider only educational degree, but previous working experience and potential to succeed in that job position should be crucial factors in selection process of candidates.

### **Restrictions**

From all 170 distributed questionnaires we have received respond from 101 respondents, not all companies and HR Managers were ready and able to collaborate with us, even that we have guaranteed that all response will be used with strict confidentiality.

Some of companies have asked to change some of the question from questionnaire which according to them, they were confident information. Even we have done pilot questionnaire distribution to some of employees, to check if all question where clear and understandable. But again in some of question, respondent required as additional information to make clearer for them what we have asked from them.

### **Suggestion for future research**

Suggestion for future plans regarding Employees' recruitment and retention research are to extend the research over other Balkans countries and comparing the difference with North Macedonia's result. Also, we intend in the future to do research in governmental institutions regarding the same topic, as in these analysis 70% were from private sector, which will make the results more interesting while comparing private and state sectors.

## Appendix

### SURVEY QUESTIONNAIRE FOR MASTER THESIS “RECRUITMENT AND RETENTION OF TOP QUALITY EMPLOYEES THROUGH CONTEMPORARY REWARDING SYSTEMS”

Thank you for accepting to become part of this research. I am Gazmend IBRAHIMI, a Master student of postgraduate studies at the South East European University, Faculty of Business and Administration. This questionnaire is part of my Master's thesis aiming to identify the whole recruitment process of top candidates and main reasons of retaining top quality employees within the organization.

It would be very much appreciated if you could kindly answer the following questions to your best ability and would like to highlight that the information obtained here will be held in the strictest confidentiality and the name of yourself and company will not appear in the analysis.

#### General Information

Company's name (optional): \_\_\_\_\_

Location: \_\_\_\_\_ Position: \_\_\_\_\_ (Administrator, Supervisor, Manager ,Director , CEO etc.)

Department: \_\_\_\_\_ Years of experience in the company: \_\_\_\_\_ Employee number in the company: \_\_\_\_\_

Gender: Male \_\_\_\_\_ or Female \_\_\_\_\_

#### Age:

- a) up to 20 years
- b) 21 – 30 years
- c) 31 – 40 years
- d) 41 – 50 years
- e) 51 – 60 years
- f) more than 60

#### Education level:

- a) Elementary School
- b) Secondary School
- c) Bachelor Studies
- d) Master Studies
- e) PHD Studies

**Marital status:**

- a) Married
- b) Single

**Company Type:**

- a) Public Organization
- b) Private Organization

How many employees does your organization have?

- a) Less than 50
- b) 51 to 100
- c) 100 to 200
- d) 201 to 400
- e) More than 500

Please select one of the following industry categories:

- a) Education Services
- b) Health Services
- c) Social Services
- d) Other \_\_\_\_\_

How many years you are engaged to the company?

- a) 0 to 1
- b) 1 to 3
- c) 3 to 5
- d) More than 5

**Part One: Recruitment**

1. Who manages recruitment processes for any open vacancy in your company?
  - a) HR Manager
  - b) Managing Director
  - c) CEO
2. What is the recruitment process that is being implemented in your company?
  - a) One phase interview with HR

- b) Two phase interviews; One general interview with HR, followed by 2<sup>nd</sup> phase interview with Managing Director or General Manager
  - c) Three phase interviews; One general interview with HR, 2<sup>nd</sup> phase technical interview with GM or MD and 3<sup>rd</sup> final interview with CEO
3. Over the last 12 months, how difficult has it been for your organization to FIND/SOURCE qualified applicants?
- a) Not difficult
  - b) Somewhat difficult
  - c) Very difficult
4. Has the recruitment process changed over the last 5 years?
- a) Yes
  - b) No
  - c) I have no answer
5. Does HR department in your company experiences difficulties to attract people for voiding open vacancies?
- a) Yes
  - b) No
  - c) I have no answer
6. In your opinion, how important are the following rewarding systems in influencing employees' recruitment?
- 1: not important at all, 2: somewhat important, 3: neither important nor unimportant, 4: important, 5: very important

Factor	1	2	3	4	5
Salary					
Professional Training					
Job promotion					
Traveling abroad					
Corporate actions					
(non-salary) Benefits (e.g. discount on fitness center access or on public					

transportation etc.)					
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7. Which recruitment channels do you usually use??
  - a) Local newspapers
  - b) Employment agencies
  - c) Internet employment sites
  - d) Company website
  - e) Job fairs
  - f) Intern program
  - g) Social media (LinkedIN, Facebook, Instagram)
  
8. What type(s) of employment test does your organization utilize?
  - a) Assessment center
  - b) Integrity test (honest)
  - c) Job knowledge
  - d) Personality test
  - e) Other
  
9. Does your organization maintain an employee referral program?
  - a) Yes
  - b) No
  
10. Which selection methods did you go through when having applied for a job?
  - a) Personal Interview
  - b) Group Interview
  - c) Reference Check
  - d) Written Tests
  - e) Work Simulation Tests
  
11. Contemporary rewarding systems (Salary, Professional Training, Job promotion, traveling abroad, corporate actions) don't influence employees' recruitment?
  - a) Always
  - b) Usually
  - c) Sometimes
  - d) Never

## **Part Two: RETENTION**

12. Who is responsible for retention of top quality employees in your organization?
  - a) HR Manager
  - b) CEO
  - c) MD or GM or VP
  
13. How often your department experiences difficulties in retaining employees?
  - a) Very often
  - b) Rare
  - c) Never
  
14. How important are the contemporary rewarding systems in influencing employees' job retention?
  - a) Extremely important (Salary)
  - b) Very important (Training and Development programs)
  - c) Important (Job Position)
  - d) I don't know
  
15. What is basic required need for staying loyal to the company?
  - a) Payment
  - b) Colleagues
  - c) Pleasant Working Environment
  - d) Promotion Perspectives
  - e) Job Challenges
  - f) Recognition
  - g) Training
  
16. Do measures exist in your company to increase retention of top quality employees within the organization?
  - a) Yes
  - b) No
  - c) I have no answer
  
17. How important are HR manager's performance and behavior during the application process?
  - a) Very important
  - b) Fairly important
  - c) Important
  - d) Slightly important
  - e) Not important

f) No opinion

18. How concerned is your organization regarding its ability to retain key employees over the next 12 to 24 months?

- a) Not concerned
- b) Somewhat concerned
- c) Very concerned

19. Does your organization utilize any form of retention bonuses?

- a) Yes
- b) No

20. Under what circumstances are retention bonuses utilized?

- a) Case by case studies
- b) Merger
- c) Operation
- d) Project completion

21. What type of payment method is used for the retention bonus?

- a) Big sum
- b) Increase to base pay
- c) Combination
- d) Other

22. In your experience, what are the most critical factors impacting your organization's ability to RETAIN key employees?

- a) Base salary, other cash incentives
- b) Health/welfare benefits, etc
- c) Flexible work arrangements/perquisites
- d) Employee growth and development
- e) Working environment/conditions/location
- f) Effectiveness/strength of supervisors/managers

23. Among the following components, how will your organization's focus change in 2020 in an effort to RETAIN key employees?

- a) Competitiveness of base salaries

- b) Employee development training
- c) Employee recognition/rewards
- d) Flexible work arrangements
- e) Health benefits
- f) Other cash incentives, long-term
- g) Other cash incentives, short-term
- h) Succession planning/career pathing
- i) Supervisory/managerial development
- j) Welfare/retirement benefits

24. How important are contemporary rewarding systems (Salary, Professional Training, Job promotion, traveling abroad, non-paid benefits) on influencing employees' job retention?
- a) Very important
  - b) Important
  - c) Not Important
  - d) I don't know

### **Part Three: Working Conditions**

25. Did you reach the targets which your manager has set for you?
- a) Always
  - b) Usually
  - c) Sometime
  - d) Never
26. I go over my targets?
- a) Always
  - b) Usually
  - c) Sometime
  - d) Never
27. How many times you have been promoted?
- a) Every month
  - b) Every year
  - c) Only one time
  - d) Never
28. When was your last promotion?
- a) Last month
  - b) Before 6 months



- c) Last year
- d) Never

29. Are you satisfied with your work?

- a) Always
- b) Usually
- c) Sometime
- d) Never

30. I improve my work method to increase my work performance.

- a) Always
- b) Usually
- c) Sometime
- d) Never

31. How do you rate your job performance?

- a) Excellent
- b) Very good
- c) Good
- d) Bad

32. I am able to meet my appointments.

- a) Always
- b) Usually
- c) Sometime
- d) Never

33. I am able to complete my responsibilities.

- a) Always
- b) Usually
- c) Sometime
- d) Never

#### **Part Four: Need of Change**

34. What motivates you to be more loyal to company?

- a) Colleagues
- b) Job challenges

- c) Job promotion
- d) Payment
- e) Training
- f) Pleasant environment

35. I think I am more productive, creative and motivated when:

- a) I have a high and competitive salary
- b) I am given opportunity for self-development and team building
- c) Promotion
- d) Traveling abroad
- e) Other benefits (private self-insurance, sport tickets, extra days off etc.)

36. What motivated you more to be recruited by the company?

- a) Company name
- b) Company approach
- c) Working environment and staff
- d) Financial package
- e) Career opportunities

37. I think I will recommend/refer my company to friends, ex colleagues and relatives if:

- a) There is equality in salary
- b) There is equality in career growth
- c) There is equality in upgrade of job position
- d) There is equality in other benefits (traveling, team buildings, sport activities etc).

Thank you for your participation in this survey!

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