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CHALLENGES OF EMPLOYEE ENGAGEMENT AND ITS IMPACT ON TALENT RETENTION IN SERVICE SECTOR

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ABSTRACT

Since the early 2000s the topic of employee engagement has entered the HR and management agenda, increasingly attracting the attention of executives and professionals. Higher engagement levels can have a positive impact on employee turnover, productivity, and financial performance (Baumruk, 2006). Employee Engagement is the dedication an employee feels regarding their establishment and its objectives. It goes beyond job satisfaction; it includes the vivacity and commitment an employee possesses for their work and the organization. Committed workers typically work more productively, provide better customer service, and contribute to a positive work environment. The service sector is also known as the tertiary sector. It is one of the three sectors of the economy, Service sector retention is a significant focus for companies, driven by the city's large IT and service-based economy, but also facing challenges like high employee turnover and poor infrastructure. The service sector faces unique employee engagement challenges due to its heavy reliance on human interaction and often high-pressure environments. Understanding that talent retention is important so as to avoid the cost of frequent hiring and re-training, organizations, must implore relevant employee engagement strategies to retain talented employees. This paper is based on conceptual research and Secondary data collected from various websites, journals, newspaper articles etc...

Keywords: Employee Engagement, Challenges, Service sector, Talent Retention.

Introduction:

Employee engagement is vital in the service sector because it directly links to customer satisfaction and a company's bottom line. Engaged employees are more creative, dedicated, and likely to provide better service, which leads to increased customer loyalty, higher retention, and enhance productivity and profitability. In a service-based economy, a workforce that is motivated and emotionally connected to the company's goals is a critical asset.

Cultivating a culture of employee engagement is essential for organizational success. It fosters happier, more motivated employees who are less likely to leave the organization. Strong employee relationships, built through team-building activities and collaboration, further contribute to higher engagement levels. So much so, research suggests that companies with highly engaged employees can see:

- A 23% increase in profitability
- A 51% drop in turnover
- Lower absenteeism rates

Importance of employee engagement in service sector:

The service sector is India's largest and fastest-growing economic sector, accounting for over 55% of the Gross Value Added (GVA) and contributing significantly to foreign direct investment and exports. It encompasses a wide range of activities like trade, transport, finance, IT, healthcare, and real estate.

Major human resource challenges in the service sector include high turnover, difficulty recruiting and retaining skilled employees, keeping the workforce engaged, and adapting to technology.

Gallup defines employee engagement as the involvement and enthusiasm of employees in their work and workplace. Highly engaged employees are emotionally connected and committed to their work, and they perform better. A highly engaged workforce nurtures overall cultural health of the organisation which lays a foundation to lead employee retention, efficiency, with enhanced customer satisfaction and enriched brand value within stakeholders.

Volvo Group defines "Employee engagement as the extent to which employees are committed and enabled to go the extra mile for the long-term success of the organization and themselves". Initiatives like Volvo Group Attitude Survey and VE Attitude Surveys are conducted to measure and improve employee engagement and commitment towards organisation strategy, shared values and culture.

Employee talent retention has emerged as one of the most pressing concerns for modern organizations, especially in competitive industries where retaining top talent is crucial for maintaining a competitive edge. It varies widely across sectors, with industries like IT, healthcare, and retail experiencing higher turnover rates due to demanding job roles, stress, and fast-paced work environments. Employees now seek workplaces that offer not only fair compensation but also meaningful career development opportunities, work-life balance, and a supportive work culture. Excessive employee turnover can have far-reaching consequences. It imposes financial burdens on organizations through recruitment costs, onboarding expenses, and lost productivity.

Organizations that fail to address employee engagement challenges and also lose their competitive advantage, especially in sectors that demand specialized skills. Companies with low retention rates often struggle to meet customer expectations, innovate effectively, and build stable teams. Moreover, frequent turnover can damage an organization's reputation, making it difficult to attract high-caliber candidates in the future

Talent management plays crucial role in employee engagement. It involves creating right strategies for attracting, developing, and retaining employees who have the necessary skills and abilities to help an organization achieve its goals. When implemented effectively, talent management can significantly enhance employe e engagement.

Retaining Talent: Retaining top talent is critical in maintaining a highly engaged workforce. Talent management strategies can help organizations retain employees by providing them with opportunities for advancement, recognition, and compensation that are aligned with their contributions. When employees feel that their work is valued and that they have opportunities for growth and advancement, they are more likely to stay with the organization.

Literature review:

Eirene Sana, Li Wei Ming, Daniel Hernandez, Rasmus Kask, South Africa Leadership Styles and Employee Engagement, published in APTISI Transactions on Management (ATM) Vol. 8, No. 2, 2024, this article analyse about A management perspective in service Industry and the study delves into the relationship between leadership styles and employee engagement within the service sector. The findings underscore that transformational leadership, emphasizing inspiration and individual development, significantly impacts employee engagement. Transactional leadership, which centres on rewards and punishments, also influences engagement, albeit to a lesser degree.

G. Nalini and Dr. Khyser Mohd (2022) The article "Employee Engagement" appeared on pages 168–179 in the International Journal of Creative Research Thinking. Additionally, Tamil Nadu saw its release. The International Journal of Creative Research Thought (IJCRT) features a discussion by co-authors on the influence of employee engagement on organizational outcomes, emphasizing the significance of proactive and enthusiastic employees in contemporary firms.

N Krishnamoorthy, Ambreen Aisha (2022), closely observed missing links in the arena of Employees attrition and retaining in service industry wide-ranging and IT Sector specifically. Fulfilment of resources is a key issue and because of this issue service sector has high level of employee churn. The aim of this study was to enable the management of the IT Sector to come up with an effective strategy to contain the employees. This research identified that impact of HR procedures, salary and perks, work burden and affiliation with the seniors on employee retention. Companies that offer flexible and stimulating work environment along with Rewards and recognition will be in for a long haul. With the ever-rising increase in employee expectation at various levels, most of the workforce is now looking up for better quality of work life balance.

Neha Choudhary Arokiaraj David Assistant Professor, Feleen Christy (2021) Employee Engagement and Commitment in service sector published in Wesleyan Journal of Research, Vol.13 No4(VII) [107] This study was investigated employee engagement and commitment in different organizations. An expansive review of the literature was done which created the framework of the research. The researcher also concludes that finally, is the mindset of the employees and the working environment will be reflected in employees' commitment towards the work and as well as balancing their personal and work life.

Meenakshi Sharma (2020) 'Impact of Effective Leadership on Employee Engagement' was published in the International Journal of education & management studies. It was published in Delhi on august 8. Talk about how job characteristics and organizational support affect employee engagement in public sector units. You should also look at how different job characteristics and organizational support levels affect employee engagement. Furthermore, the results emphasized the critical significance that well defined job functions and robust organizational structure play.

Manish Mishra (2020) 'Non Monetary levers to enhance Employee Engagement' was published in the strategic hr journal and the journal was published in Maharashtra on January 24. The authors also developed the care model of engagement to address various constructs of

Dr.M. Patel (2019) 'The Impact of engaging leadership on employee engagement on team effectiveness' was published in the international journal of knowledge management from page no 45-60. This journal was published in Gujarat, India. And this author discusses the impact of knowledge sharing on employee engagement, particularly in the knowledge intensive industries like IT and consulting. It was published in the international journal of knowledge management. This journal identifies that career opportunities and pay were significant predictors of job engagement.
Garg, Dar, and Mishra (2017) result revealed that there is a positive relationship between job satisfaction and work engagement. Further analysis showed that employee job satisfaction leads to employee engagement. Employee engagement link to financial performance comprising revenue growth, profit margins, shareholder return, and operating income is almost three times greater than organizations with disengaged personnel.
Jalal (2016) study outcomes directed that employee engagement has a significant positive effect on organizational commitment and also found employee engagement as an important determinant of organizational commitment. The finding of the study suggests that the more employees are engaged in the workplace, high will be their commitment toward the organization or institution.
Lee et al. (2016) study outcomes suggest that it is a challenge for HR professionals to keep present employees engaged with their jobs. Results revealed that workers are moderately engaged, meaning some may be detached from their current roles or fearful of losing their jobs. Job satisfaction is a significant driver of work engagement.

RESEARCH GAP: While there are a lot of studies observing the various factors of employee engagement and its impact on talent retention. On the other hand, there is no abundant studies available exclusively on the Service industry sector. Also, while there have been practices suggested based on selected sector data analysis, the focus has been more on identifying the and drivers or components of employee engagement which is not defining more on challenges and how the organizations can proactively control.

OBJECTIVES OF THE STUDY

- To know about the various challenges faced by service sectors in engaging employees.
- To study about various strategies used by different organizations which influence employee engagement and its impact on talent retention.

RESEARCH METHODOLOGY:
The study used qualitative research to learn more about the specific challenges faced by service sector in employee engagement and that factor which plays a vital role to reduce turnover rate. The primary data used in this research are observational study and secondary data information's were collected numerous publications, websites, journals and newspaper.

AVERAGE TURNOVER RATE BY INDUSTRY:

Average Turnover Rate By Industry

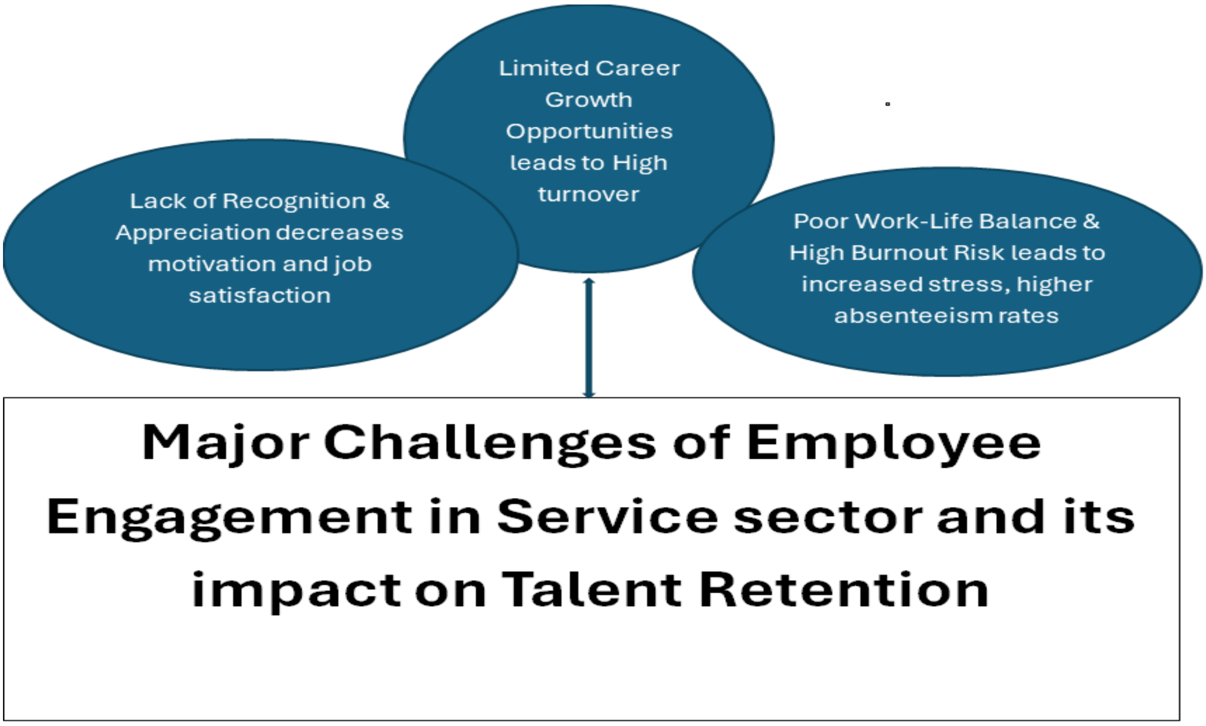
Industry	Avg. Turnover Rate
Retail & Wholesale	60.5%
Other Manufacturing	26.7%
Consumer Goods	21.5%
High-Tech	20.9%
Transportation Equipment	20.4%
Services (Nonfinancial)	17.4%
Logistics	16.8%
Other Nonmanufacturing	16.3%
Banking/Financial Services	16.0%
Insurance/Reinsurance	15.5%
Life Sciences	14.5%
Chemicals	12.6%
Energy	11.8%

Source: https://builtin.com/recruiting/turnover-rate
Disengagement of employees is one of the main reasons for turnover. The above statistical data shows the attrition rate in service sector. When compared to manufacturing sector, this sector faces more turnover due to long working hours and lack of work life balance. To the health of your business and disengaged individuals do more harm than good; they can subvert your company culture, as well as demotivate and spoil the experience for people you want to keep around.

To increase talent retention, organizations have to find out their major challenges where employees are disengaged and henceforth organization has to plan how behavior and cognitive engagement levels have to be increased.

Stake holders for Employee Engagement: Employee Engagement is revolving various stakeholders like employee him or herself, his/her Manager, Human Resource Team, Top Management, Head of the organization, cross functional teams & departmental teams. Particularly in service sector line managers like immediate supervisors play an important role in retail stores, ITES, Financial services and educational institutions. In some cases, Vendors /Trainers who provide fun place to work activities / wellness services, Training also can play good role as stake holder.

Major Challenges of Employee Engagement and their Impact on Talent Retention



Limited Career Growth Opportunities in Service sector jobs, particularly frontline roles, often lack clearly defined career paths or opportunities for advancement, leading employees to feel "stuck".,
Impact:
Employees are more likely to seek opportunities with competitors who offer better prospects for professional development, leading to high turnover among ambitious and skilled workers. The organization loses valuable institutional knowledge and faces increased recruitment costs.
Poor Work-Life Balance & High Burnout Risk in service sector often involves long and inflexible hours (evenings, weekends, holidays) and high customer demands, which makes it difficult for employees to maintain a healthy work-life balance.,
Impact:
This results in increased stress, higher absenteeism rates, and eventual burnout, prompting employees to leave for roles with more predictable schedules and better well-being support.
Lack of Recognition & Appreciation, in service sector environments often feel their hard work, dedication, and direct customer interactions go unnoticed and undervalued beyond a basic salary.,
Impact:
A lack of meaningful recognition decreases motivation and job satisfaction, making employees feel disconnected from the organization's mission and more likely to leave for an employer where they feel respected and valued.
Other implications arise due to challenges of employee engagement:
Overall, low employee engagement in the service sector creates a cycle of high turnover, which increases operational costs (recruitment, hiring, and training), disrupts team dynamics, and negatively impacts the quality of customer service. Engaged employees are significantly less likely to leave, underscoring the importance of addressing these issues to build a stable and productive workforce.

Key motivation theories and their connection to service sector engagement:
Herzberg's two-factor theory is especially applicable to the service sector, as it differentiates between "hygiene factors" (like fair pay and a safe work environment) that prevent dissatisfaction, and "motivators" (like recognition, growth, and meaningful work) that foster satisfaction and engagement.

Herzberg Two factor theory:

- **Hygiene factors**: These are the baseline needs that, if not met, cause dissatisfaction, but don't necessarily motivate. In the service sector, this includes fair wages, benefits, job security, and a non-toxic work environment.

- **Motivators**: These are the factors that directly lead to satisfaction and engagement. For service employees, motivators include recognition for good customer service, opportunities for advancement, challenging work, and the feeling of accomplishment.

- **Connection**: Managers must first ensure hygiene factors are adequate, but they must then actively implement motivators to create true engagement. Without motivators, service employees will be merely satisfied, not engaged.

Self Determination theory:
This theory is also key, highlighting the importance of autonomy, competence, and relatedness in creating motivation and engagement, which is crucial for service roles that require significant employee interaction.

- **Autonomy**: Employees feel they have control over their work and can make decisions. This is crucial in-service roles where employees often have to think on their feet.

- **Competence**: Employees feel capable and effective in their roles. This can be supported through training, clear expectations, and recognition for skills.

- **Relatedness**: Employees feel a sense of connection to others, both their colleagues and customers. A supportive team environment and positive customer interactions are key to this.

- **Connection**: SDT directly links psychological needs to motivation and engagement. By fulfilling these needs, service organizations can create an environment where employees are intrinsically motivated to provide excellent service.

Major strategies used by different service sector organizations which influence employee engagement that leads to talent retention

Different strategies used by different kinds of service sector in order to enhance employee engagement. Those companies drive employee engagement through a combination of benefits, development, and a positive work environment. Examples include providing flexible work options, offering tuition assistance and Employee stock programs like Starbucks, creating a sense of purpose through social impact like Facebook, and focusing on well-being with mental health resources, as seen at Microsoft. Other common examples are clear communication, regular feedback sessions, and recognizing employees as valued team members, sometimes by using titles like "partner".

Though we discussed turnover rate is high in-service sector. But there are some organizations which play a vital role in engaging their employees.

Tech based organizations Google, Cisco Systems, Adobe Inc, and Intel etc... plays an important role in fostering community and culture which makes employees to be happier and helps them to stay for a long term. It's also focus on personal well-being and work-life harmony makes it one of the best companies for work life balance globally.

There are some finance-based service sector companies which provide strong work-life balance like American Express, Procter & Gamble (P&G) and T-Mobile etc... Those organizations ensure flexibility, employee well-being, and mental health resources. With hybrid work, wellness programs, and community-building efforts, it ranks high among companies with good work life balance in the financial sector. And also, it focusses on positive workplace culture and work-life integration places it among the best companies for work life balance in consumer goods.

Medical, health & lifestyle companies like Johnson & Johnson & Patagonia integrates family-first policies, personal development, and diversity programs. Its holistic approach to work-life harmony places it among companies with great work life balance in healthcare.

Some more companies like Southwest Airlines, Norton Healthcare and HP Inc's engage their employees with the strategy of Recognition & Reward program.

DISCUSSIONS:

The article discussed about various challenges faced by service sector which affect employee engagement and also suggest different strategies used by different organizations to enhance employee Engagement in service sector based on secondary data. The study can be continued through by questionnaires of sample survey which will help us to know employee's opinion in different decades.

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