Retirement Benefits and Its Impact on Brand Image
(With reference to Information Technology Companies in Bengaluru)

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ABSTRACT *Increased competition for talent, emergence of a networked society and decreasing employee loyalty had made it indispensable for IT companies in Bengaluru to strengthen their brand image for talent attraction, management and retention. Building goodwill by providing employee benefits that fulfil their employees' genuine needs and preferences both while working and after retirement, helped to promote them as desirable and responsible employers and gave them a competitive advantage. Considering the increasing longevity, inflation and healthcare costs, employees' provident fund savings were no longer sufficient and had to be supplemented by other retirement savings. The present study made an attempt to understand IT employees' needs and plans regarding their retirement income and analysed retirement benefits provided by IT firms in Bengaluru to determine its impact on enhancing employer brand value and its contribution to talent attraction, management and retention.*

Keywords: *Retirement Benefits, Automatic Enrolment to Pension, Employer Brand Image, Talent Attraction, Talent Management and Talent Retention*

Introduction

Employer branding was fulfilment of the reality and vision of being employed in a company experienced by people working there and delivered by the physical, intellectual and emotional benefits of the employment promise. A good employer brand meant the company was looked upon as an employer of choice and considered to be a highly preferred place to work. It reduced turnover, increased motivation and helped in moulding employee behaviour and goals in accordance to the organisation's mission and culture.

Scarcity of talent (Aspiring Minds' National Employability Report-Engineers 2014), intense competition, decreasing employee loyalty (Press Trust of India, Economic Times, 2015) and dependence on social media for information about a prospective employer (The Talent Agenda #2, 2014) had made it necessary for IT firms in Bengaluru to continually focus their efforts on enhancing employer brand image. Promoting workplace attractiveness by creating a 'perfect fit' between their employee needs and benefits became crucial for optimal talent attraction, management and retention.

Indian employees were mostly dependent on provident fund for their retirement income; however, rising longevity and increasing inflation and healthcare costs, would make their provident fund savings insufficient. Additionally, it was common for IT employees to shift firms with many withdrawing their provident fund amount and hence unable to enjoy its full benefits (Kulkarni, 2014). As retirement savings would not be enough for employees, IT employers need to take initiatives to encourage their employees to think, plan and start saving early for their retirement. They had to provide employees with tools that enabled them to increase their retirement savings, but would these measures have any significance in increasing employer brand image? Thus the research problem of this study was to analyse retirement benefits in IT firms in Bengaluru to determine if they enhanced employer's brand image and assisted them with their talent attraction, retention and management.

Review of Literature

Sigmar Recruitment (2014) report revealed that private health insurance and pension was significant for all ages and genders and came close to a 'must have' for employers reviewing their benefits package. The study recommended companies to create a competitive advantage for their employer brand by offering flexible benefits program to employees.

Collinson (2014) revealed 89 per cent of US employers acknowledged the significance of retirement benefits in talent attraction and retention. This 15th Annual Transamerica Retirement Survey recommended improvements in 401(k)s through the following steps: (i) Adopt automatic plan features to increase savings rates. This eliminated decision making and action steps normally required from employees to enrol and start contributing to 401(k) or similar plans. Employees were only required to take action if they choose to opt out of the plan. (ii) Consider professionally managed services and asset allocation suites. (iii) Add the

Roth 401(k) option to facilitate after-tax contributions. (iv) Extend retirement plan eligibility coverage to part-time workers. (v) Address communication gaps between employers and workers such as (a) Employers (74%) believed employees preferred not to think about retirement investing until they get closer to their retirement date; yet only 38 per cent of the workers felt this way (b) Workers (63%) desired more education and advice regarding their retirement savings from their employers, yet only 38 per cent of employers felt this to be the case (c) only 23 per cent employers had surveyed their employees on retirement benefits and (d) just 11 per cent of workers had approached their supervisor or HR department on the topic of retirement in the past year.

Singh (2013) indicated that some companies went beyond the statutory retirement requirements to benefit their employees. The study pointed out that at Mahindra and Mahindra, once a management staffer completed 10 years of service they were entitled to two-thirds of salary for every completed year of service or part thereof in excess of 6 months. There was no ceiling on limit of gratuity. Employees were also allowed to increase their provident fund contribution if they wished. The study noted that companies were moving from defined benefit plans to defined contribution plans. The study suggested that defined contribution plans need to be simplified and modified to benefit Gen Y and emphasized the need to educate the millennial generation - who believed in living 'here and now'- about the benefits of long-term retirement saving options in securing their future.

Manjoo (2014) indicated Google had been named the best company to work for the fifth consecutive year because of its carefully crafted policies. The article related that in the past couple of years the company had hired social scientists to study the organisation. One major HR finding was how to give employees more money and help them contribute to their retirement nest eggs. To encourage employees to contribute to retirement plan, HR found it best to send employees many reminders and call for 'aggressive' savings goals. For example, if an employee was implored to contribute $8000 for retirement, rather than say $2000, he would tend to save more even if he could not afford $8000. The article inferred that such policies aimed to take care of their employees needs both at the workplace and even after their retirement and it contributed to Google remaining the best place to work for.

Kulkarni (2014) warned employees that they would be in a shock if they thought about a comfortable retirement life by planning to depend solely on their provident fund to meet their needs. The article indicated it was necessary to make additional high-yielding investments and build a bigger corpus to sustain expenses for 20 plus years after retirement. It was noted an increasing inflation would result in provident fund savings to get over much earlier than their planned 20 years. The study observed that to make provident fund work, one must remain invested for the long term; however, currently employees shifted jobs frequently and withdrew their provident fund contributions decreasing their retirement savings. The article recommended employers to educate their employees on the need for retirement planning and provide the tools to help them save adequately.

Scope of the Study
Scope of the study was limited to the IT industry in Bengaluru. The research studied retirement benefits offered to IT employees and their impact on enhancing employer brand value.

Objectives of the Study:
1. To understand IT employees retirement needs and preferences regarding their retirement income.
2. To analyze retirement benefits in practice in IT firms in Bengaluru.
3. To study the opinions of IT employees towards current retirement benefits.
4. To investigate the significance of retirement benefit programs in attraction, management and retention of employees in IT companies.
5. To evaluate the impact of retirement benefits in enhancing employer brand value.

Research Hypothesis
H1: Retirement benefits have a significant influence in enhancing employer brand value.

Research Methodology - Research Design
The research design used in this study was the Diagnostic Descriptive Research Design. This research dealt with the extensively existing problem 'enhancement of employers' brand value' and the extent to which it was affected by retirement benefits in IT companies in Bengaluru.

Variables used in this Study
This study consisted of employer brand value as the dependent variable and retirement benefits as the independent variable.

Table 1.1: Factors Analysed

Factors	Variables identified
V_1 Retirement Benefits	• Financial advisors and seminars for retirement planning • Provision of option for employees to choose between saving more for retirement and taking home the complete pay. • Provision of automatic enrolment to pension for all employees.

Sources of Data

The data collected for the study was obtained from both primary and secondary sources. Primary data had been collected through questionnaires from employees working in IT companies in Bengaluru. Secondary data was collected from reference books, research papers and articles published in periodicals, journals, magazines, newspapers, NASSCOM Annual Reports, internet and company websites.

Sampling Plan

For this study, non probability convenience sampling technique was used. The sample was collected from a total of 500 employees. Minimum sample size required for the survey was determined using the formula

$$n = \frac{\left(z_{\alpha/2} + z_{1-\beta}\right)^2}{d^2}$$ where n was the sample size, α the level of significance, 1-β, the power of the test and

d, the effect size or Cohen's d. For the survey, researcher had chosen the level of significance α as 0.05, the power 1-β as 95% and Cohen's d as 0.25. The table values of $Z_{\frac{\alpha}{2}}$ =1.96 and $Z_{1-\beta}$ =1.65 (obtained from

standard normal table). The formula for minimum value of n resulted into 402.2 which was rounded off to 403 and a sample size of 500 was chosen for the survey.

Data Analysis

The collected primary data was statistically processed, classified and tabulated by using appropriate methods. Tables and statistical results were derived from the computer software package called SPSS (Statistical Packages for Social Sciences). The following statistical techniques were employed to analyze the data in this research study - Descriptive Statistics, Correlation Coefficient and Multiple Regression Analysis.

Findings of the Study
Demographics

Findings showed 89.6% of the respondents were below 34 years, 43.8% had less than 5 years of total work experience and 44.2% of them were in their first job. It was observed 56.4% of the respondents were executives, 31% were managers and 87.4% of the employees monthly salary less than Rs.50000. The survey consisted of 61.2% males and 38.8% of female respondents with 59.6% married employees and 91.2% of them living in a nuclear family setup.

Employees' needs and preferences regarding retirement income

- Findings showed 78.8% of the respondents were aware that rising longevity and increasing inflation and healthcare costs would require more retirement savings than what they were doing right now, but 60.2% of them attributed lack of money to invest for future retirement savings. It was noted that 85.4% of IT respondents expressed a desire to start saving early for their retirement and 65.4% of employees agreed that an automatic enrolment to pension was a reasonable way of saving for their retirement.
- It was observed that 69.2% of the employees desired more information regarding retirement planning from their employers with 55.3% of them currently dependent on informal sources like friends and relatives for their retirement planning. Only 18.8% of employees were found to have taken the initiative to approach their supervisors or HR department regarding retirement benefits. This showed that employees were not forthcoming and managements need to be more proactive with respect to increasing their employees' retirement savings.
- The study revealed 30.4% of the employees to be totally dependent on their employees for their post retirement income.
- Regarding employees preference of their retirement income, 78.8% of the respondents desired a combination of lump sum of money to cater for any exigencies and a regular monthly income for

their retirement lives. It was observed that 72.6% of the respondents chose a riskless, 'lower return guaranteed' pension plan over one that offered higher returns but had more uncertainty.

Retirement benefit programs provided for IT employees

- It was observed that 100% of the respondents were provided with retirement consultants and seminars to educate and help them plan their retirement savings.
- Regarding provision of options that enable employees to start saving for retirement, 100% of IT respondents stated they had no option that allowed them to choose between saving more for retirement and taking home the complete pay package. Provision of this option by IT firms would encourage their employees to start saving early; however, employees who had financial responsibilities could opt to take home their complete salary.
- There was no automatic enrolment to pension according to 100% of IT employees. With so many public and private pension plans available, IT companies should go a step further and enroll their employees automatically to pension schemes which would help ensure a peaceful and independent retired life for them.
- The survey found that 100% of IT employees were provided with provident fund and gratuity.

Employees' opinion on retirement benefits and its impact on enhancing employer brand image

- Findings revealed 58.4% of the IT respondents strongly agreed that companies need to encourage employees to start saving early for their retirement life and such initiatives would reflect the genuine concern of their employer regarding employees wellbeing and promote a positive brand image.
- Regarding provision of retirement consultants to personally guide each employee, 57% of the respondents strongly agreed that such consultants would understand their needs and help them to decide on the scheme that benefits them the most. This would increase employer goodwill. Assured of their future financial security, employees would become more committed to the organization's goals and increase their productivity to show their gratitude.
- The study showed 56.2% of the respondents agreed that conducting retirement seminars increased their awareness regarding various retirement plans provided by different institutions.
- Findings showed 50.4% of the employees agreed that providing them an option that allowed them to decide between saving more for retirement and taking home the complete salary increased brand image. It encouraged them to contribute more towards retirement savings rather than living a life of 'here and now'.
- It was observed that 51.6% of the respondents agreed that provision of automatic enrolment to pension increased employer brand image.
- The study showed 54.2% of respondents strongly agreed that good retirement policies made them feel secure and increased loyalty to their organisation.
- Findings revealed 46.2% of the respondents strongly agreed that they considered retirement benefits provided by the company when applying for a new job. This revealed that retirement benefits contributed positively to talent attraction.

Significance of employees benefit programs in talent attraction, talent management and talent retention

Table 1.2: Correlation coefficient of talent retention, attraction and management with retirement benefit programs

Characteristic	Correlation coefficient	Significant at
Talent Attraction	0.547	0.000
Talent Retention	0.443	0.000
Talent Management	0.451	0.000

(Source: Primary Data)

Karl Pearson's Correlation coefficient was used to study whether talent attraction, talent retention and talent management were affected by retirement benefit programs. It was observed that talent attraction (0.547), talent retention (0.443) and talent management (0.451) were significantly positively correlated with retirement benefit programs.

Testing of the Research Hypothesis

The impact of retirement benefits in enhancing employer brand value was measured using Karl Pearson's correlation and the significance was tested at 0.05 level. Results showed retirement benefits (0.769) were significantly positively correlated to the enhancement of employer brand value. Multiple regression analysis

established the linear relationship between the dependent variable employer brand value and the independent variable retirement benefits (0.240) with significance value at 0.000. Results of multiple regression analysis demonstrated the research hypothesis to be true, i.e., retirement benefits were found to be significant contributors to the dependent variable employer brand value.

The alternative hypothesis was accepted.

H1: Retirement benefits have a significant influence in enhancing employer brand value

Conclusion: The study showed IT employers could earn goodwill by fostering financial security of their employees' retired life by encouraging them to start saving early for their retirement. The research revealed IT employees preferred initiatives that increased their retirement savings such as provision of options that allowed them to decide between saving more for retirement and taking home the complete salary and automatic enrolment to pension. The study demonstrated that by 'educating', 'encouraging' and 'enabling' employees to save more for retirement and ensuring their peaceful and independent retired life, IT companies enhanced their brand image.

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