

Review

A review of the literature on employee turnover

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“Employee turnover” as a term is widely used in business circles. Although several studies have been conducted on this topic, most of the researchers focus on the causes of employee turnover but little has been done on the examining the sources of employee turnover, effects and advising various strategies which can be used by managers in various organisations to ensure that there is employee continuity in their organisations to enhance organizational competitiveness. This paper examines the sources of employee turnover, effects and forwards some strategies on how to minimize employee turnover in organisations.

Key words: Employee, turnover, sources, effects, strategies.

INTRODUCTION

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee's turnover. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover Kevin et al. (2004). Therefore, there is need to develop a fuller understanding of the employee turnover, more especially, the sources- what determines employee turnover, effects and strategies that managers can put in place minimize turnover. With globalization which is heightening competition, organizations must continue to develop tangible products and provide services which are based on strategies created by employees. These employees are extremely crucial to the organisation since their value to the organization is essentially intangible and not easily replicated Meaghan et al. (2002). Therefore, managers must recognize that employees as major contributors to the efficient achievement of the organization's success Abbasi et al. (2000). Managers should control employee turnover for the benefit of the organisation success. The literature on employee turnover is divided into three groupings: sources of employee turnover, effects of turnover and the strategies to minimize turnover.

Definition

Employees' turnover is a much studied phenomenon Shaw et al. (1998). But there is no standard reason why

people leave organisation. Employee turnover is the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment Abassi et al. (2000). The term “turnover” is defined by Price (1977) as: the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period. Frequently, managers refer to turnover as the entire process associated with filling a vacancy: Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained. This replacement cycle is known as turnover Woods, (1995). This term is also often utilized in efforts to measure relationships of employees in an organization as they leave, regardless of reason.

“Unfolding model” of voluntary turnover represents a divergence from traditional thinking (Hom and Griffeth, 1995) by focusing more on the decisional aspect of employee turnover, in other words, showing instances of voluntary turnover as decisions to quit. Indeed, the model is based on a theory of decision making, image theory Beach, (1990). The image theory describes the process of how individuals process information during decision making. The underlying premise of the model is that people leave organizations after they have analyzed the reasons for quitting. Beach (1990) argues that individuals seldom have the cognitive resources to systematically evaluate all incoming information, so individuals instead of simply and quickly compare incoming information to

more heuristic-type decision making alternatives.

Sources of employee turnover

Job related factors

Most researchers (Bluedorn, 1982; Kalliath and Beck, 2001; Kramer et al., 1995; Peters et al., 1981; Saks, 1996) have attempted to answer the question of what determines people's intention to quit by investigating possible antecedents of employees' intentions to quit. To date, there has been little consistency in findings, which is partly due to the diversity of employed included by the researchers and the lack of consistency in their findings. Therefore, there are several reasons why people quit from one organisation to another or why people leave organisation. The experience of job related stress (job stress), the range factors that lead to job related stress (stressors), lack of commitment in the organisation; and job dissatisfaction make employees to quit Firth et al. (2004). This clearly indicates that these are individual decisions which make one to quit. They are other factors like personal agency refers to concepts such as a sense of powerlessness, locus of control and personal control. Locus control refers to the extent to which people believe that the external factors such as chance and powerful others are in control of the events which influence their lives Firth et al. (2004). Manu et al. (2004) argue that employees quit from organization due economic reasons. Using economic model they showed that people quit from organization due to economic reasons and these can be used to predict the labour turnover in the market. Good local labour market conditions improve organizational stability Schervish (1983). Large organizations can provide employees with better chances for advancement and higher wages and hence ensure organizational attachment (Idson and Feaster 1990). Trevor (2001) argues that local unemployment rates interact with job satisfaction to predict turnover in the market. Role stressors also lead to employees' turnover. Role ambiguity refers to the difference between what people expect of us on the job and what we feel we should do. This causes uncertainty about what our role should be. It can be a result of misunderstanding what is expected, how to meet the expectations, or the employee thinking the job should be different Kahn et al. Muchinsky, 1990. Insufficient information on how to perform the job adequately, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures, and lack of consensus on job functions or duties may cause employees to feel less involved and less satisfied with their jobs and careers, less committed to their organizations, and eventually display a propensity to leave the organisation (Tor et al., 1997). If roles of employees are not clearly spelled out by management/ supervisors, this would accelerate the degree of employees quitting their jobs due to lack of role clarity.

Voluntarily vs. involuntary turnover

There are some factors that are, in part, beyond the control of management, such as the death or incapacity of a member of staff. Other factors have been classed as involuntary turnover in the past such as the need to provide care for children or aged relatives. Today such factors should not be seen as involuntary turnover as both government regulation and company policies create the chance for such staff to come back to work, or to continue to work on a more flexible basis Simon et al. (2007).

Organizational factors

Organisational instability has been shown to have a high degree of high turnover. Indications are that employees are more likely to stay when there is a predictable work environment and vice versa (Zuber, 2001). In organizations where there was a high level of inefficiency there was also a high level of staff turnover (Alexander et al., 1994). Therefore, in situations where organizations are not stable employees tend to quit and look for stable organisations because with stable organisations they would be able to predict their career advancement.

The imposition of a quantitative approach to managing the employees led to disenchantment of staff and hence it leads to labour turnover. Therefore management should not use quantitative approach in managing its employees. Adopting a cost oriented approach to employment costs increases labour turnover Simon et al. (2007). All these approaches should be avoided if managers want to minimize employee turnover an increase organisational competitiveness in this environment of globalization.

Employees have a strong need to be informed. Organisation with strong communication systems enjoyed lower turnover of staff (Labov, 1997). Employees feel comfortable to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere (Magner et al. (1996). But in the absence openness' in sharing information, employee empowerment the chances of continuity of employees are minimal. Costly et al. (1987) points out that a high labour turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit.

Griffeth et al. (2000) noted that pay and pay-related variables have a modest effect on turnover. Their analysis also included studies that examined the relationship between pay, a person's performance and turnover. They

concluded that when high performers are insufficiently rewarded, they quit. If jobs provide adequate financial incentives the more likely employees remain with organisation and vice versa. There are also other factors which make employees to quit from organisations and these are poor hiring practices, managerial style, lack of recognition, lack of competitive compensation system in the organisation and toxic workplace environment Abassi et al. (2000).

Effects of employee turnover

Employee turnover is expensive from the view of the organisation. Voluntary quits which represents an exodus of human capital investment from organisations Fair (1992) and the subsequent replacement process entails manifold costs to the organisations. These replacement costs include for example, search of the external labour market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to the individual who quit John (2000). Addition to these replacement costs, output would be affected to some extent or output would be maintained at the cost of overtime payment. The reason so much attention has been paid to the issue of turnover is because turnover has some significant effects on organisations (DeMicco and Giridharan, 1987; Dyke and Strick, 1990; Cantrell and Saranakhsh, 1991; Denvir and McMahon, 1992). Many researchers argue that high turnover rates might have negative effects on the profitability of organisations if not managed properly (Hogan, 1992; Wasmuth and Davis, 1993; Barrows, 1990). Hogan 1992, nearly twenty years ago the direct and indirect cost of a single line employee quitting was between \$ 1400 and \$4000. Turnover has many hidden or invisible costs Philips (1990) and these invisible costs are result of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organisation. On the other hand turnover affects on customer service and satisfaction Kemal et al. (2002). Catherine (2002) argue that turnover include other costs, such as lost productivity, lost sales, and management's time, estimate the turnover costs of an hourly employee to be \$3,000 to \$10,000 each. This clearly demonstrates that turnover affects the profitability of the organisation and if it's not managed properly it would have the negative effect on the profit.

Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary (Johnson et al., 2000) – but the costs do not stop there. Each time an employee leaves the firm, we presume that productivity drops due to the learning curve involved in understanding the job and the organization. Furthermore, the

loss of intellectual capital adds to this cost, since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets Meaghan et al. (2002). Therefore, if employee turnover is not managed properly it would affect the organization adversely in terms of personnel costs and in the long run it would affect its liquidity position. However, voluntary turnover incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organisational memory) and the loss of social capital Dess et al. (2001).

Strategies to minimize employee turnover

Strategies on how to minimize employee turnover, confronted with problems of employee turnover, management has several policy options viz. changing (or improving existing) policies towards recruitment, selection, induction, training, job design and wage payment. Policy choice, however, must be appropriate to the precise diagnosis of the problem. Employee turnover attributable to poor selection procedures, for example, is unlikely to improve were the policy modification to focus exclusively on the induction process. Equally, employee turnover attributable to wage rates which produce earnings that are not competitive with other firms in the local labour market is unlikely to decrease were the policy adjustment merely to enhance the organization's provision of on-the-job training opportunities. Given that there is increase in direct and indirect costs of labour turnover, therefore, management are frequently exhorted to identify the reasons why people leave organization's so that appropriate action is taken by the management. Extensive research has shown that the following categories of human capital management factors provides a core set of measures that senior management can use to increase the effectiveness of their investment in people and improve overall corporate performance of business:

Employee engagement, the organization's capacity to engage, retain, and optimize the value of its employees hinges on how well jobs are designed, how employees' time is used, and the commitment and support that is shown to employees by the management would motivate employees to stay in organization's..

Knowledge accessibility, the extent of the organisation's "collaborativeness" and its capacity for making knowledge and ideas widely available to employees, would make employees to stay in the organisation. Sharing of information should be made at all levels of management. This accessibility of information would lead to strong performance from the employees and creating strong corporate culture Meaghan et al. (2002). Therefore; information accessibility would make employees feel

that they are appreciated for their effort and chances of leaving the organisation are minimal.

Workforce optimization, the organisation's success in optimizing the performance of the employees by establishing essential processes for getting work done, providing good working conditions, establishing accountability and making good hiring choices would retain employees in their organisation. The importance of gaining better understanding of the factors related to recruitment, motivation and retention of employees is further underscored by rising personnel costs and high rates of employee turnover (Badawy, 1988; Basta and Johnson, 1989; Garden, 1989; Parden, 1981; Sherman, 1986). With increased competitiveness on globalizations, managers in many organizations are experiencing greater pressure from top management to improve recruitment, selection, training, and retention of good employees and in the long run would encourage employees to stay in organisations.

Job involvement describes an individual's ego involvement with work and indicates the extent to which an individual identifies psychologically with his/her job (Kanungo, 1982). Involvement in terms of internalizing values about the goodness or the importance of work made employees not to quit their jobs and these involvements are related to task characteristics. Workers who have a greater variety of tasks tend stay in the job. Task characteristics have been found to be potential determinants of turnover among employees (Couger, 1988; Couger and Kawasaki, 1980; Garden, 1989; Goldstein and Rockart, 1984). These include the five core job characteristics identified by Hackman and Oldham (1975, 1980): skill variety, which refers to the opportunity to utilize a variety of valued skills and talents on the job; task identity, or the extent to which a job requires completion of a whole and identifiable piece of work - that is, doing a job from beginning to end, with visible results; task significance, which reflects the extent to which the job has a substantial impact on the lives or work of other people, whether within or outside the organisation; job autonomy, or the extent to which the job provides freedom, independence, and discretion in scheduling work and determining procedures that the job provides; and job feedback, which refers to the extent to which the job provides information about the effectiveness of one's performance (Tor et al., 1997). Involvement would influence job satisfaction and increase organizational commitment of the employees. Employees who are more involved in their jobs are more satisfied with their jobs and more committed to their organization (Blau and Boal, 1989; Brooke and Price, 1989; Brooke et al., 1988; Kanungo, 1982). Job involvement has also been found to be negatively related to turnover intentions (Blat and Boal, 1989). Job satisfaction, career satisfaction, and organisational commitment reflect a positive attitude towards the organization, thus having a direct influence on employee turnover intentions. Job satisfaction, job involvement and organisational commitment are considered to be related but distinguishable attitudes

(Brooke and Price, 1989). Satisfaction represents an affective response to specific aspects of the job or career and denotes the pleasurable or positive emotional state resulting from an appraisal of one's job or career (Locke, 1976; Porter et al., 1974; Williams and Hazer, 1986).

Organisational commitment is an affective response to the whole organisation and the degree of attachment or loyalty employees feel towards the organisation. Job involvement represents the extent to which employees are absorbed in or preoccupied with their jobs and the extent to which an individual identifies with his/her job (Brooke et al., 1988). The degree of commitment and loyalty can be achieved if management they enrich the jobs, empower and compensate employees properly.

Empowerment of employees could help to enhance the continuity of employees in organisations. Empowered employees where managers supervise more people than in a traditional hierarchy and delegate more decisions to their subordinates (Malone, 1997). Managers act like coaches and help employees solve problems. Employees, he concludes, have increased responsibility. Superiors empowering subordinates by delegating responsibilities to them leads to subordinates who are more satisfied with their leaders and consider them to be fair and in turn to perform up to the superior's expectations (Keller and Dansereau, 1995). All these makes employees to be committed to the organization and chances of quitting are minimal.

Conclusions

Therefore, if the above strategies are taken into account the business would be able to survive in a dynamic environment by treating their employees as one of their assets which needs a lot of attention. Employees are the backbone of any business success and therefore, they need to be motivated and maintained in organisation at all cost to aid the organisation to be globally competitive in terms of providing quality products and services to the society. And in the long-run the returns on investments on the employees would be achieved. Management should encourage job redesign-task autonomy, task significance and task identity, open book management, empowerment of employees, recruitment and selection must be done scientifically with the objective of retaining employees.

Managers should examine the sources of employee turnover and recommend the best approach to fill the gap of the source, so that they can be in a position to retain employees in their organisation to enhance their competitiveness in the this world of globalization. Managers must understand that employees in their organizations must be treated as the most liquid assets of the organisation which would make the organisation to withstand the waves of globalization. This asset needs to be monitored with due care, otherwise their organizations would cease to exist. Employees should be given challenging work

and all managers should be hired on the basis of know how by following laid down procedures of the organisation and this would make organisation to have competent managers at all levels of management and hence good supervision. Griffeth et al. (2000) noted pay and pay-related variables have a great effect on employee turnover. Management must compensate employees adequately. They should pay employees based on their performance and in addition they should give employees incentives like individual bonus, lump sum bonus, sharing of profits and other benefits. Hence, if these are put in place they would minimize employee turnover.

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