

Employee Turnover and Measures to Control

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Abstract

Employee turnover is a serious problem for managers who wish to retain important and talented employees. The high costs associated with recruiting, selecting, and training new employees can hurt the bottom line of businesses.

This article is on employee turnover to deduce and analyze five key factors which continuously arise throughout that literature which explain why employees often voluntarily leave their jobs. These five key factors are: a lack of training; an employer not fostering a sense of purpose for the employee at work; inadequate tools or resources from the organization; an insufficient compensation or benefits package; and shocks which influence an employee to impulsively leave his or her job. Managerial strategies are discussed in terms of these five key factors that cause employee turnover in order to highlight solutions that supervisors/managers can institute to reduce the number of employees leaving their jobs.

Keywords: Complacency, Accessions, Exiters, Buffering.

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1. INTRODUCTION

Acc. to 'Dale Yoder' labour turnover is, *time to time changes in the composition of the workforce, the result from the hiring, release and replacement of employees.*

Losing talented employees can cost an organization in a variety of ways. The organization might lose clients, there may be team disruptions, other employees might be influenced toward leaving the business, and a loss in productivity may occur (Allen et al., 2010). Moreover, an employee might open up his or her own business and create competition for the former employer. Other costs relate to the recruitment, hiring, and training processes involved in trying to identify and prepare replacements for those who resigned. The bottom line is that losing talented employees is costly to employers, while retaining talented employees can actually increase productivity and company finances.

According to March and Simon (1958), employees will continue to participate in a business as long as the incentives offered by the business are equal to, or greater than, the contributions that said business expects from them. These incentives include good working conditions, positive relationships, and future opportunities (Allen et al., 2010). In short, complacency led to a misreading of consumer interest, low productivity, and the neglecting of employee morale – a recipe for a continued downward spiral. Factors such as job design, work environment, work satisfaction, promotion opportunities, communication, and participation in making decisions within the company can improve employee retention (Allen et al., 2010). According to the Society for Human Resource Management (2014), compensation is the most vital factor in worker satisfaction.

Labour turnover involves accessions and separations of employees. Accessions means employment of workers, whereas separation involve termination of employment due to lay-offs, deaths, discharges, quits, etc. The rate of separation can be calculated with the help of the following formula:

Labour Turnover Formula = (Total number of workers leaving the organization per month or year / Average number of workers on payroll for a month or year) x 100

This can be illustrated with the help of the following example:

The total number of workers leaving the concern is 500 a year and the average number of workers on the payroll for one year is 5000. The rate of turnover would be:

$500/5000 \times 100 = 10\%$ per year.

What Causes Labour Turnover

Causes for labour turnover could be classified into two types. They are:

1. Unavoidable causes i.e., natural causes, and
2. Avoidable causes.

Unavoidable causes of Labour turnover: Unavoidable causes are natural causes which are not under the control of the management. Such causes normally include:

1. Change of Locality
2. Death, retirement etc., of workers.
3. Transport or housing problem in the firm's locality.
4. Unfit for the work.
5. Misconduct of workers.

6. Sickness, accident, etc., of workers.
7. On account of personal betterment.
8. Domestic matter like marriage, etc.

Avoidable causes of Labour Turnover: Avoidable causes are the causes that are under the control of the management and are due to the personnel policy of the organization. Such causes are as follows:

1. Low wage rates and other allowances when compared to other concerns.
2. Unhealthy and bad working conditions.
3. Lack of job satisfaction due to faulty placement of workers.
4. Heavy work load and long working hours.
5. Absence of sound training programmes.
6. Lack of proper promotion methods.
7. Unsatisfactory medical and recreational facilities.
8. No job security.
9. Ill treatment of management towards the employees.
10. Temporary Job.

Effects of Labour Turnover: Effects of Labour Turnover depend upon the rate of labour turnover. Labour Turnover cannot be eliminated completely. There must be some labour turnover on account of unavoidable causes like retirement, death, etc. But, high rate of labour turnover is always unhealthy for the organization due to following reasons:

1. Constant changes in the workforce will affect the continuity of work. As a result, the overall production may be reduced.
2. The amount spent on selection and training of workers leaving the job will go waste. Further, to fill up the vacancies, management has to spend money on selection and training of new workers. It increases the cost of production.
3. New recruit may need sometime to learn the work and adjust himself with the new surroundings which may result in loss of productivity.
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Measures to control Labour Turnover: All organizations expect to have a certain rate of labour turnover, which is considered normal to that industry and trade. But, when the rate of labour turnover is considered high, then every effort should be made to reduce it.

The following measures may be adopted to minimize the labour turnover.

1. Appointing right man on the right job.
2. Fair and equal treatment of all workers throughout the organization.
3. Improvement of working conditions.
4. Provision of fair wages, allowances and other monetary benefits.
5. Provision of proper training facilities to new as well as existing employees.
6. Provision of medical facilities to protect employees from sickness.
7. Provision of welfare activities.
8. Allowing workers participation in the management.
9. Adopting sound promotion and transfer policies.

2. TYPES OF EMPLOYEES TURNOVER

Retirements: People tend to say exits due to retirement are inevitable and out of the company's control. However, surveys show that some employees become disengaged in their workplace and choose to enter retirement early. Although they have voluntarily exited organization, it doesn't mean their career has ended.

Having an exit survey process specifically for retiree's helps organizations see where they need to improve in order to engage and retain older and more tenured employees. Plus, retiree feedback will help organizations make their workplace better, so they can keep new employees for the long haul.

Internal Transfers: Internal transfers usually involve employees taking new positions within the same organization. While this type of employee turnover can be a sign of healthy cross pollination, there may be other intentions behind the employee move.

An effective exit survey helps you determine if employees are truly interested in another role in another department or if they're running from a bad manager, distrust in coworkers, or a lack of growth opportunities. It helps the organization see what is working as a whole and where individual teams could improve. While one specific employee may have left a certain department, there is still opportunity for management to ensure that those who remain are *happy* there.

Involuntary Turnover: Involuntary employee turnover is when the company asks an employee to leave. Reasons can range from poor performance or behavioral issues to budget cuts or structural reorganization. Most will assume that because this decision is made by the employer, and the employee never wanted to leave, then there are no further details to the story, right or wrong.

As with every involuntary exit, there are two sides to the story. Use employee turnover data to confirm that an organization was justified in its decision, that the employee was treated fairly, and that they won't suffer from the loss.

Voluntary Turnover: No organization is immune from the occasional, "I quit!" And if your organization has a sound engagement and retention strategy, chances are you already have exit surveys for this type of employee turnover in place. Often the most preventable, voluntary turnover data help employers understand why an employee left, what they could have done about it, what lies ahead for the exiting employees, and the impact his or her loss will have on the organization.

Hopefully by now the message is clear: You need to analyze every type of employee turnover within your organization. And you know (especially if you've ever been involved with an exit interview like this that you can't solely rely on the voice of the exiter. Use a social exit platform to collect valuable feedback from peers and exiters for every type of employee turnover, and start increasing engagement and improving employee retention today.

3. WAYS TO IMPROVE EMPLOYEES TURNOVER

1. **Create the Right Culture:** Finding employees who will feel a strong bond with your company starts with creating an environment that attracts those employees. Your company culture should match the type of employee you want to employ, whether you opt for a by-the-book, strict workplace or a more casual, laid-back atmosphere.
2. **Hire the Right Employees:** As you're screening candidates, pay close attention to signs that you may have a job-hopper. While there's nothing wrong with someone switching jobs if it

provides career advancement, look for someone who is interested in growing with your company rather than getting experience to take somewhere else.

3. **Offer Training:** Businesses expect their professionals to arrive fully trained and certified. Yet too many aren't willing to invest in helping them maintain those credentials. Whether you send employees to learning center or you provide membership to one of the many e-learning sites available, when you take your employees' education seriously, they see it as an investment in their career.
4. **Provide Guidance:** Your employees should be fully aware of their job duties and how they're doing in performing them. You can accomplish this by first having a job plan in place and providing regular feedback on an employee's performance. If an employee feels confused about his role in your organization, he's more likely to feel disgruntled and begin searching for something else.
5. **Pay Well:** As difficult as it is to pay competitive salaries when funds are low and budgets are tight, calculate the cost to replace employees. It can cost as much as 30 percent to 50 percent of an entry-level employee's annual salary just to replace him. Employees often find they can enjoy a 10 to 20 percent salary increase by simply moving from one company to the next, which makes jumping ship attractive.
6. **Don't Punish Competence:** Managers often spend much of their time on employees who are struggling, leaving the talented ones completely neglected. Over time, this can lead to resentment as star employees start to feel unnoticed and unsupported. Managers must make an effort to let top performers know their hard work isn't going unnoticed.
7. **Be More Flexible:** Workers have expressed a preference for flexible working conditions. If you expect your best employee to answer his phone when a client calls at seven o'clock on a Friday night, you should also understand when that employee comes in late one morning or needs to take off early.
8. **Offer Benefits:** Small businesses often struggle to compete with larger corporations in providing benefits. While you don't have to beat big business in the healthcare options you offer, you can offer things they won't get elsewhere, such as the ability to work from home, more flexible vacation offerings, and performance bonuses.
9. **Provide Unique Perks:** Another way businesses can compete without breaking the budget is through offering perks they can't get elsewhere.
10. **Don't Take Yourself Too Seriously:** As much work as you try makes your company attractive to talented people, the truth is employees might be leaving because of their bosses. In fact, research has shown people tend to quit their bosses, not companies. If you can cultivate an environment where employees feel rewarded and gratified, you'll already be ahead of a great deal of other bosses out there.

Improving retention rates doesn't have to be difficult. By being a positive role model and directly connecting with your employees, you'll be more likely to understand what they need to continue to help your business thrive.

4. METHODS OF CALCULATING LABOUR TURNOVER

The following are the main methods of measuring labour turnover:

- 1. Calculating Labour Turnover by Separation Method:** Under the Separation Method, the relationship between the number of workers separated or left from the organization and average number of workers of the organization in the period is expressed in terms of percentage.

A worker may be left or separated from the organization due to surplus workers, poor working conditions and wages, less chance for promotion and the like.

The following formula is used to measure the labour turnover by Separation method.

Labour Turnover = (No. of workers left or separated during a period / Average number of workers on role during that period) x 100

Average No. of. Workers = (No. of workers at the beginning of the period + No. of workers at the end of the period) / 2

- 2. Calculating Labour Turnover by Replacement Method:** There is no need of replacement if the surplus workers left from the organization. The workers whose services are required by the organization are to be replaced by new appointments if they leave.

Hence, the relationship between the number of workers replaced and average number of workers of the organization in a period is expressed in terms of percentage under the replacement method.

Generally, the replacement of labour is followed by the organization if skilled labourers are left from the organization. The following formula is used to measure the labour turnover by replacement method.

Labour Turnover = (No. of workers replaced during a period / Average number of workers on role during that period) x 100

- 3. Calculating Labour Turnover by Flux Method:** This is the combination of separation method and replacement method. Both separation and replacement are taken into consideration to calculate labour turnover in Flux method.

Hence, the relationship between both separation and replacement of labour force of the organization in a period and average number of workers on roll during that period is expressed in terms of percentage. The following formula is used to calculate labour turnover by flux method.

Labour Turnover = (No. of workers separated in a period + No. of workers replaced in the same period) / Average number of workers on role during that period) x 100

5. CONCLUSION

Study shows that employees who are happy and secure at their jobs become more committed to their employers, a positive and healthy sense of well-being occurs among staff, and there is a sharp decline in sick days/absenteeism.

Study has also shown that managers are one of the direct reasons for employees leaving the business and by treating employees with the respect they deserve employees will be less likely to voluntarily quit their jobs.

Study points to a number of turnover predictors that employers should be aware of in order to counter turnover. Furthermore, good management practices continue to be one of the most researched and well-supported factors for reducing employee turnover. Following management, shocks and compensation continue to be common reasons employees cite for why they quit their

jobs. Adequate training and providing adequate tools show promising results toward retaining staff, but most importantly, buffering shocks, followed by providing employees with specific goals, roles, and a sense of purpose in their jobs will help keep them committed to their employer.

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