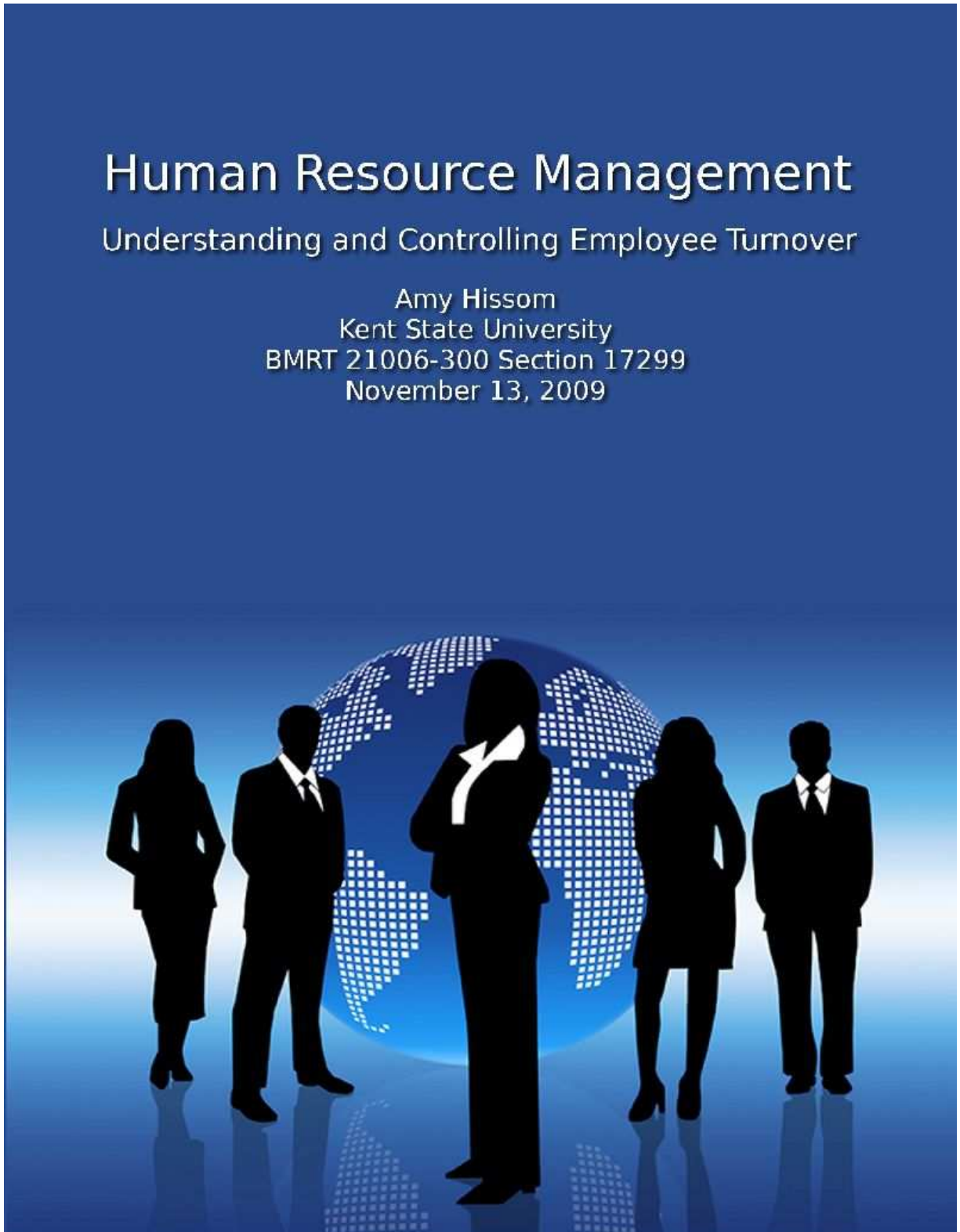


Human Resource Management

Understanding and Controlling Employee Turnover

Amy Hissom
Kent State University
BMRT 21006-300 Section 17299
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Introduction

This paper is a compilation of resources and ideas pertaining to employee turnover. The purpose of this paper is to give the reader an idea about the different factors that cause employee turnover in different types of organizations. Some of these factors include low salary, lack of benefits, lack of opportunities for advancement and growth, inappropriate working environments, and lack of projects or assignments that do not require their full potential.

This paper also shows statistics of the employee turnover total rate throughout the United States from the years 2005 to 2009. It also suggests ideas from others as to how employee turnover can be controlled.

Understanding Employee Turnover

What is Employee Turnover?

"Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest. Many factors play a role in the employee turnover rate of any company, and these can stem from both the employer and the employees. Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover. Companies take a deep interest in their employee turnover rate because it is a costly part of doing business." (Beam, 2009)

Companies incur direct and indirect expenses, which include the cost of advertising, headhunting fees, human resource costs, loss of productivity, new hire training, and customer retention, every time they have to replace an employee. These expenses can add up to anywhere from 30 to 200 percent of a single employee's annual wages or salary, depending on the industry and the job role being filled. (Beam, 2009)

"While lower paying job roles experience an overall higher average of employee turnover, they tend to cost companies less per replacement employee than do higher paying job roles. However, they incur the cost more often. For these reasons, most companies focus on employee retention strategies regardless of pay levels." (Beam, 2009)

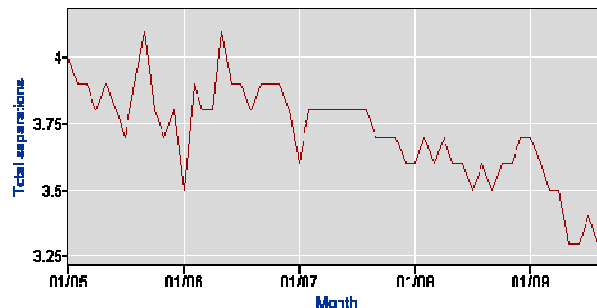
Potential negative consequences of employee turnover include operational disruption, demoralization, negative public relations, personnel costs, strategic opportunity costs, and decreased social integration. (Colema, 1987)

Employee Turnover Yearly Statistics

The following chart was generated from the United States Department of Labor, Bureau of Labor Statistics. It shows the total turnover rate in the United States for the years 2005 through 2009. Data extracted on: November 13, 2009 (4:31:09 PM). (Statistics, 2009)

Job Openings and Labor Turnover Survey

Series Id: JTS00000000TSR (3) Seasonally adjusted **Industry:** Total nonfarm
Region: Total US **Data Element:** Total separations **Rate/Level:** Rate



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	4.0	3.9	3.9	3.8	3.9	3.8	3.7	3.9	4.1	3.8	3.7	3.8
2006	3.5	3.9	3.8	3.8	4.1	3.9	3.9	3.8	3.9	3.9	3.9	3.8
2007	3.6	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.6
2008	3.6	3.7	3.6	3.7	3.6	3.6	3.5	3.6	3.5	3.6	3.6	3.7
2009	3.7	3.6	3.5	3.5	3.3	3.3	3.4	3.3	3.3(P)			

3 : The separations rate is the number of total separations as a percent of total employment.
P : preliminary

Why Employees Leave

The most common reason for employee turnover rate being so high is the salary scale because employees are usually in search of jobs that pay well. Those who are desperate for a job may take the first one that comes along to carry them through while searching for better paying employment. Also, employees tend to leave a company because of unsatisfactory performance appraisals. Low pay is good reason as to why an employee may be lacking in performance. (Rampur, 2009)

Unequal or substandard wage structures fall under this category as well. "When two or more employees perform similar work and have similar responsibilities, differences in pay rate can drive lower paid employees to quit. In a like vein, if you pay less than other employers for similar work, employees are likely to jump ship for higher pay, if other factors are relatively equal." (Handelsman, 2009)

According to Stephen A. Laser, author of *Dealing with the Problem of Employee Turnover*, "Most people feel that the major cause of employee turnover is the issue of salary. While there is some support for this view, its importance has been greatly exaggerated; it is widely held because individuals frequently cite salary as their excuse for leaving, making the organization and its pay scale a convenient target for employee frustrations. This is largely due to the fact that few workers want to give more personal reasons for leaving and thereby risk the possibility of not receiving a good reference at a later date. Another major misconception is that today's turnover is the direct result of a decline in our nation's work ethic. While it is true that worker attitudes have changed dramatically in the last thirty years, the problem of turnover goes beyond this shift in

values. Instead, the real causes of turnover seem to be linked to problems within the organization and not really attributable to attitudes carried by the influx of new employees. The unwillingness on the part of employers to look inward has served both to perpetuate and accelerate the turnover problem." (Laser, 1980)

Another reason that employees leave is because of the lack of benefits available to them through the company in which they work. High employee turnover could also be due to no potential opportunity for advancements or promotions. Employees prefer other companies which may provide them with higher posts and increased compensation packages. (Rampur, 2009)

Lack of opportunity for advancement or growth can cause a high turnover rate for any organization. "If the job is basically a dead-end proposition, this should be explained before hiring so as not to mislead the employee. The job should be described precisely, without raising false hopes for growth and advancement in the position. Since employees generally want to do a good job, it follows that they also want to be appreciated and recognized for their works. Even the most seasoned employee needs to be told what he or she is doing right once in a while." (Shamsuzzoha, 2007)

Some employees jump from company to company because they prefer a working environment that is suitable for them. "If working conditions are substandard or the workplace lacks important facilities, such as proper lighting, furniture, clean restrooms, and other health and safety provisions, employees won't be willing to put up with the inconvenience for long." If an employee finds an appropriate work environment which is

suitable for them in a specific company, they may work in that same organization for several years. (Handelsman, 2009)

Another reason that employees may leave an organization is due to the lack of projects or assignments that do not require their full potential. " Employees would certainly leave if they don't get experience and are just placed on the 'bench'. There are many more causes which contribute to employee turnover; such as lack of employee motivation, work pressure, job stress, partiality and favoritism, employee egos and attitudes, poor employee management." (Rampur, 2009)

A bad match between the employee's skills and the job can also be a reason for an employee to leave an organization. "Employees who are placed in jobs that are too difficult for them or whose skills are underutilized may become discouraged and quit. Inadequate information about skill requirements that are needed to fill a job may result in the hiring of either under skilled or overqualified workers." (Handelsman, 2009)

Controlling Employee Turnover

According to George Zografos, Chief Executive Officer of the Z Donut Company, "There are a host of issues focusing on employee turnover, good and bad. Actually, some turnover is good. New employees do bring in new ideas, attitudes and keep the organization fresh and current. Also, money is not the only motivator. As long as employees are being paid comparably to what other franchisees are paying then other factors comes into play--work environment, respect, responsibility and camaraderie play a huge role in keeping an employee. In fact, if your employee turnover is low and your

goals are met, you can focus on why employees stay with your company and continue to strengthen and improve them. Either way, the turnover statistic is a valuable piece of information. The franchisor or franchisee organization that achieves the lowest turnover statistic and maintains those levels are usually the ones that make it a priority." (Zografos, 2006)

Employers would be able to retain and attract well-qualified and talented personnel if they would make it a point to offer salaries that would be competitive. This would possibly resolve the problem of employees leaving based on low salaries. Employers should also offer attractive benefit packages. "There are many employees who are not aware of the benefits that are provided to them in their compensation package. The employers need to reduce their bureaucratic procedures in order for the employees to receive the best available benefits without any difficulty. They should make a note of what all benefits other organizations are providing, which may attract their current employees. Also, companies need to evaluate and modify their promotion policies in a fair way which would enable promotions for candidates only on the basis of employee performance." (Rampur, 2009)

"Offering voluntary benefits can help further important objectives for both employers and employees. Voluntary benefits—such as dental, long-term care and life insurance—can improve employers' employee retention and cost control objectives, while also addressing employees' growing concerns about a variety of financial issues." (Nugent, 2009)

According to Michael Pires, President of HR411.com, an award-winning online human resources support and information portal, there are nine steps an organization can take to reduce employee turnover.

Mr. Pires says, (1) "Hiring employees with the right "fit" ensures compatibility which is critical to retention. Behavioral based interviewing and competency screening goes a long way in determining personality, work style and potential match and success within your company. (2) Consider hiring older candidates who are seeking stability. Older applicants may not be looking for the development opportunities that their younger counterparts may be in need of. (3) Make sure you describe the job as accurately as possible so candidates will know what is expected. Misconceptions regarding the job responsibilities and work environment are one of the major causes of employee turnover. (4) Develop competitive compensation and benefit packages. Understand and research market pay ranges in your area and consider the value of benefits and employee perks; offering such extras to your workforce may be the key to your retention efforts. (5) Challenge your employees. Employees want to be challenged in the job they are performing to feel like they are growing both personally and professionally when challenged with attainable assignments. (6) Provide excellent supervision. Incompetent supervisors are often one of the first issues linked to employee turnover. No one wants to work for a manager who cannot adequately complete the tasks of his or her job, who is not passionate about the work being done, and who fails to provide regular feedback. Providing better employee supervision as well as enhanced communication helps decrease employee turnover. (7) Recognize employee success. It is important to let your employees know that their work does not go unnoticed.

Employees are more willing to stay with a company if they feel a sense of pride and success in their work. When employees meet or exceed your expectations, show your appreciation for a job well done. (8) Provide an employee-friendly work environment. Be accommodating to your employees' outside demands. Providing employees with flexible schedules makes for a productive, satisfied workforce. The stress of balancing work and life diminishes when employees can work around their outside obligations. (9) Provide career advancement opportunities. Whenever possible, provide opportunities within the company for cross-training and career progression. Employees are seeking to develop themselves, and offering that opportunity to them may provide the satisfaction and stability they are seeking." (Pires, 2009)

Summary

There are many causes pertaining to employee turnover. Most of these can be prevented by the employer. Employers who offer competitive salaries along with good benefits, will most likely retain their employees. Also the opportunity for advancement and promotions will also help. Most employees want a job that they can eventually advance in.

Good working conditions is another plus for the employer. I do, however, believe that factories where particular jobs involve doing the same thing over and over all day long, will continue to have high employee turnover rates. Repetitiveness gets old after a while. Also, these jobs usually only pay minimum wage.

Employers who offer awards and incentives for a job well done, are also more likely to retain their employees. These appreciation awards can range anywhere from a gift card for the local department store to actual monetary bonuses.

The bottom line is that employers need to try a little harder at pleasing their employees.

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