

# Employee turnover types, theories and effects



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In this chapter, the literature review is aimed to present the concept, models, theories and previous research to the causes and correlation of employee turnover. The contents focus on employee turnover, the factors that influence the employee turnover: personal characteristics, job satisfaction, organisational commitment and perceived alternative job opportunities.

Employee turnover has been defined by Price (1977) as the movement of members across the boundary of an organisation. As Mobley (1982) defined that turnover is the voluntary cessation of membership in an organisation by an individual who receives monetary compensation for participating in that organisation. This definition emphasises voluntary behavior because primary turnover model seek to explain what motivates employees to withdraw from the workplace. Furthermore, this concept focuses on separation from an organisation and not includes accession, transfer, or other internal movements through an organisation.

Moreover, there are many definitions in same perspective from many authors as Van der Merwe and Miller (1996) stated that employee turnover is a permanent withdrawal and also function of the person-work relationship. The authors emphasise that there should be a fit between the worker, the agency and the environment. If this fit is not present or available, turnover is likely to occur. This relationship is considered pervasive. It can be affected by any or all aspects of the job situation, both inside and outside the employing organisation. Lane (2001) described employee turnover as the result of both quits and layoffs and further states that some turnover is a result of jobs in one firm being destroyed and jobs in another firm being

created and hence due to the reallocation of jobs across the economy in response to changes in product demand.

From the descriptions above, the researcher could conclude that job turnover is when employees leave their employment permanently and the entrance of new employees to the organisation. That employee turnover can either be positive or negative, but all have a significant impact on productivity (Boxall and Baldwin, 2002)

## **Types of employee turnover**

There are two different types of employee turnover in an organisation that many authors have identified the following types of employee turnover:

### **Voluntary turnover**

Gomez-Mejia et al (1997) defined voluntary turnover as a separation that occurs when an employee decides for personal reasons to end the relationship with the employer. The decision could be based on the employee obtaining a better job, changing career, or wanting more time for family or the present job is unattractive because of poor working conditions, low pay or benefits, and bad relationship with supervisor. In most cases the decision to leave is a combination of having attractive alternative opportunities and being unhappy with aspects of the current job. Sims (2007) conceded that voluntary turnover occurs when an employee initiates the termination of their employment of their own free will.

Quits is one type of voluntary turnover. Grobler et al (2002) defined quits as occurring when an employee leaves the organisation without giving the normal period of notice (e. g. one month). It is usually a sudden decision by

the employee. Thus, it should be noted that quits can occur at any time and mostly when the organisation least expects it. This can be serious impact on the organisation's total performance and productivity. Although organisation can not do much about employee quitting, they can try to determine the possible reason for leaving or for making that decision.

### **Involuntary turnover**

Gomea-Mejia et al (1997) defined that involuntary turnover occurs when management decides to terminate its relationship with an employee due to economic necessity or a poor fit. The organisation or the employee cannot control this type of turnover. It is further stressed by the authors that involuntary turnover results in very serious and painful decisions that can have a profound impact on the entire organisation, especially the employee who loses his or her job. Mkhize (1998) concedes involuntary turnover as when an employee is asked by the organisation to leave. Involuntary turnover represents employer-initiated job separations over which employee have little or no personal say, such as dismissal or layoffs. Sims (2007) also concedes that involuntary turnover arises when employment is terminated against the wishes of employees. Those authors from their definitions stress the fact that with this type of turnover is result from the employer's decision rather than the employee. It might be employers would not want to keep poor performers or excess manpower.

### **The costs of employee turnover**

Kelly (2001) stated that employee turnover costs are the problem that most executives are aware of but do not acknowledge as a potential loss of revenue. A lot of disadvantages that are brought up by employee turnover

are clearly evident in cost benefit analyses. Human resource managers know that employee turnover is a major cost and significantly impacts an organisation (Irvancewich, 1994). Many managers refuse to face up to these costs, but they might be forced to do so when considering the various factors necessary to calculate the cost of employee wastage (Stewart, 1998)

According to Mitchell et al (2001), employee turnover imposes extensive cost both the individual and the organisation level. At individual level, it does not matter if the person leaves voluntarily to another job or is forced to leave and take a personal toll. For organisation level, the problem arises when leaving employees take their valuable knowledge and expertise gained through experience with them. This turnover leads to numerous costs for the organisation, such as:

- Exist interview time and administrative requirement
- Payout of unused vacation time
- Cost of temporary workers
- Overtime for co-workers
- Training costs
- Replacement costs, include advertising, processing of candidates, interviewing, selecting.

Potter (2002) postulated that employee turnover is a critical cost driver for American business. The cost of retaining and filling vacancies, lost productivity from vacant jobs and cost of training new employees increase operational costs. Elements of the cost of job turnover vary widely and depend on whether all cost elements are recognised. The author further

identifies three primary elements of employee turnover costs that include the following;

- Staffing Costs

Sometimes are referred to as cost per hire. These include the costs of recruiting job applicants (such as advertising or job board posting, screening applicants, personal search, service brokerage fees, relocation expenses and signing bonuses).

- Vacancies cost

While a position is vacant the productivity of the former employee is lost and the productivity of the overall organisation is reduced as the remaining workers cope with being shorthanded. Jay (1998) referred to these as the temporary replacement costs of getting the work done while the post is vacant and can include overtime, temps and many others.

-Training cost

The replacement employee's time, other employee's time and valuable resources must be expended to train each employee and to facilitate the transition because no new employee starts working at 100% efficiency. Jay (1998) added the induction costs to the training and refers to this as direct costs and pay during unproductive early stages. Stone (2002) maintained that this phase is the non-productive time because it is characterised by dislocation of the other employee's work as the new employee tries to settle down and incurs the same view on the lost productivity. Thus, training costs includes an organisation's expenditure to orientate and train replacements

and opportunity costs caused by inefficient production. The further statement identified an extension of those elements as follows:

- Redeployment

Redeployment of an existing labour force as a result of labour turnover involves extra costs as this creates vacancies in the system. Assimilation and efficiency lost cost incurred before the new employee is fully proficient.

- Relocation Costs

These costs include hotel charges, direct disturbances allowance, for example legal fees, removal fees, house purchase assistance and temporal travel subsidy of the new employee.

- Leaving costs

These costs are associated with creating the vacancy, the closing of the previous appointment, for example refunding, superannuation payments, etc. Ham & Griffeth (1995) referred to the leaving costs as the separation costs and describe them as those that quitting produces directly. A good example is exit interviews that are conducted when the employee leaves the employer to determine the reason for leaving.

The researcher conceded that high employee turnover in an organisation means increased recruitment, selection and training costs. It can also mean a disruption in the efficient running of an organisation when knowledge, experienced personnel leave and replacements use be found and prepared to assume a position of responsibility.

## **Theories related to employee turnover**

Expectancy theory holds that people are motivated to behave in ways that produce desired combinations of expected outcomes. Generally, expectancy theory can be used to predict behavior in any situation in which a choice between two or more alternatives must be made. For example, it can be used to predict whether to leave or stay at a job and whether to try substantial or minimal effort at task (Kreitner and Kinicki, 2001).

### **Vroom's expectancy theory (1964)**

According to Vroom (1964), the strength of tendency to act in a certain way depends on the strength of expectancy that the act will be followed by a given outcome and on the value or attractiveness of that outcome to the actor.

Motivation, according to Vroom, boils down to decision of how much effort to put in specific task situation. This choice is based on a two-stage sequence of expectations that are effort-to-performance and performance-to-outcome. First, motivation is affected by an individual's expectation that a certain level of effort will produce the intended performance goal. Motivation also is influenced by the employee's perceived chances of getting various outcomes as a result of accomplishing his or her performance goal. Individuals are motivated to the extent that they value the outcomes received. There are three key concepts within Vroom's model, which are expectancy, instrumentality, and valence.

– Expectancy



According to Vroom's expectancy theory, expectancy represents an individual's belief that a particular degree of effort will be followed by a particular level of performance. In other words, it is an effort-to-performance expectation which refers to a degree of effort to which an individual feels that it will lead to achievement of a desired goal (Kreitner and Kinicki, 2001)

#### - Instrumentality

Instrumentality is a performance-to-outcome perception. It represents a person's belief that a particular outcome is contingent on accomplishing a specific level of performance (Kreitner and Kinicki, 2001)

#### - Valence

Valence refers to the positive or negative values people place on outcomes. For example, most employees have a positive valence for receiving additional money or recognition. In contrast, job stress and being laid off would likely be negatively valenced for most individuals. In Vroom's expectancy theory, outcomes refer to different consequences that are contingent on performance, such as pay, promotion, or recognition. An outcome's valence depends on an individual's need (Kreitner and Kinicki, 2001)

### **Peter and Edward Lawler's Expectancy Theory (1969)**

Lyman Porter and Edward Lawler III developed an expectancy theory of motivation that extended Vroom's expectancy theory. This theory attempted to identify the source of people's valences and expectancies and link effort with performance and job satisfaction. There are three key variables which

are predictors of effort, predictors of performance and predictors of reward and satisfaction (Kreitner and Kinicki, 2001).

#### - Predictors of effort

Effort is a function of perceived value of reward which represents the reward's valence and the perceived effort to reward probability. Employees will exhibit more effort when they believe they will receive values rewards for task accomplishment.

#### - Predictors of performance

Performance determined by more than effort. The relationship between effort and performance is contingent on an employee's abilities and traits and role perceptions. That is, employees with higher abilities attain higher performance for a given level of effort than employees with less ability. Similarly, effort results in higher performance when employees clearly understand and are comfortable with their roles. This occurs because effort is channels into the most important job activities or tasks.

#### - Predictors of rewards and satisfaction

Employees receive both intrinsic and extrinsic rewards for performance. Intrinsic rewards are self-granted and consist of intangible such as a sense of accomplishment and achievement. Extrinsic rewards are tangible outcomes such as pay and public recognition. In turn, job satisfaction is determined by employees' perceptions of the equity of the rewards received. Employees are more satisfied when they feel equitably rewards. Finally,

employees' future effort to reward probabilities is influenced by past experience with performance and rewards.

### **Models of employee turnover**

To reinforce the previous definitions of employee turnover Man Sararat (1984) stated that a labour force movement was a process whereby labourers would make decision in regard to where and when they would work. It means the labourers choose their own employers and locations where they will work, and may change their jobs and companies as many times as the wish.

### **Personal characteristics**

#### **The concept of personal characteristic**

The personal factors include individual qualities that can be viewed as personal traits the employee possesses and which are distinctive to the individual (Harmse, 1999). The author further asserted that it has to do with what and who the individual is within his total being and which guide his behavior or functioning. According to the researcher, the employee's general outlook on life is one of the major factors that influence employee turnover. An employee with a high self-esteem, confidence in his or her abilities and with a positive outlook on life is more likely to stay than the one with a negative attitude. Thus, these factors are inherent in human behavior. The following are the personal factors that influences employee turnover as identified by different authors.

#### **Relationship between personal characteristics and employee turnover**

A large number of research studies have identified the importance of individual or personal characteristic factors as predictors of employee

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turnover (Arnold & Feldman, 1982; Cotton & Tuttle, 1986; Lee & Mowday, (1987). Among the characteristics most commonly examined are age, education, and tenure (length of time a person has worked in an organisation) (McBey & Karakowsky, 2000; Mowday, 1982)

The personal characteristic differences had been identified as potentially important correlates of turnover. This was because gender and age may be important negative correlates of turnover intention and turnover (Thatcher et al., 2003). Various studies had attempted to look beyond the traditional relationship theorised between job satisfaction and voluntary turnover. Gleser (1990) states that sex, race and age variables should be considered since minority group may face discriminatory practices and may approach job satisfaction differently than more normative groups.

#### - Age and employee turnover

Drafke and Kossen (2002) maintained that employee turnover typically increases with age. Older employees have more work experience. They have a better understanding of what work needs can satisfy and overall they have a more realistic view of work and life. Young employees have comparatively little or no job experience with which to compare their current jobs and because of this they are more likely to substitute the opinions of other people, their own beliefs about other people's jobs and their own idealistic views of what should be their lack of experience.

In another way, Younger employees had more entry-level job opportunities and few family responsibilities, thus making job mobility easier. They may also have inaccurate expectation regarding working, which are not fulfilled in

their early jobs (Porter & Steers, 1973; Wanous, 1980). Therefore, younger employees are more likely to terminate their employment than older employees. Furthermore, Mc McCullough (2002) who stressed that age is a widely known factor that influences employee turnover. The author further states that the younger employee, the stronger likelihood of employee quit. The longer that employee stays, the more turnover risk goes down. Similarly older employees are less likely to quit than younger ones, as younger ones are more likely to take employment risks and hop to other jobs. The author still concedes that research has confirmed that the older employee, the lower likelihood of quitting.

#### – Education and employee turnover

Neither a strong nor a consistent relationship between education and turnover is evident in the literature (Mobley, 1979; Price, 1977). Since many turnover studies are based on individuals with similar educations, a relation between turnover and education is difficult to establish. However, Arnold and Feldman (1982) and Brief and Aldag (1980) stated that education is positively related to employee turnover.

Wong et al. (1999) found that individuals with higher education levels are better informed of the alternative opportunities available in the external labour market. Managers with high educational qualifications, by virtue of their high employability, they are greater discretion in their choice to turnover. If managers perceive that reward levels are not commensurate with education or human capital value and performance levels, it is likely that they will report a greater number of turnover cognitions (Trevor et al., 2007)

## - Tenure and employee turnover

According to streers (1997) and Mobley (1982), there are many research studies which suggest that a negative relationship exists between tenure and turnover. The research has indicated that relatively high turnover occurs among new employees (Mobley, 1982). It should be noted that tenure has been considered as a covariant of age (Bedeian et al., 1992; Kacmar & Ferris, 1989), and consequently its influence is similar to that of age. As an employee's tenure increases, the formal benefits (e. g. compensation and promotions) and informal benefits (e. g. status) also increase. Given these issues, employees with higher tenure are less likely to leave their organisation for fear of losing these benefits upon entry into a new organisation (Hellman, 1997).

## **Job satisfaction**

### **The description of job satisfaction**

There are many authors define job satisfaction in the literature. Job satisfaction is influenced by economic factors such as pay, benefit and rewards as well as structural and procedural factors reflecting autonomy or fairness. Hersey and Blanchard (1993) defined the job satisfaction is a consequence of the past which refer to employees' feeling about the reward they have received when comparison with work role input and its outcome. Robbins (1996) conceded that job satisfaction refer to a collecting attitude toward one's job which is different between the amount of rewards workers receive and the amount that they should receive.

Mitchell et al (2001) stated that employees who feel satisfied with their jobs have a positive experience of their pay, supervision, chances for promotion, work environment, clear roles and met expectations.

Furthermore, Weiss and Cropanzano (1998) stated that job satisfaction represents a person's evaluation of his or her job and work context. It is an appraisal of the perceived job characteristics and emotional experiences at work. Satisfied employees have a favorable evaluation of their job based on their observation and emotional experiences. In the same way, Schermerhorn et al (2000) define job satisfaction as the degree to which individuals feel positively or negatively about their jobs. It is an attitude or emotional response to one's tasks as well as to the physical and social conditions of workplace.

According to Locke (1976), job satisfaction is really a collection of attitudes about specific facets of the job. Employees can satisfy with some elements of the job while simultaneously dissatisfy with others. Different type of satisfaction will lead to different intention and behavior (McShane and Glinow, 2002). To assess one's job satisfaction, five facets of job satisfaction should be measured following (Kreitner and Kinicki, (2001) :

- Work- itself (job)

Harmse (1999) described a job as a position within an organisation depending on the scope of the organisation, which can be as small as one. The author still mention that it can also be viewed as a group of positions that are nearly as identical with respect to primary duties and tasks that are sufficiently similar to be included in less than one title. Kolen (1997) argued <https://assignbuster.com/employee-turnover-types-theories-and-effects/>

that a job is fully specified. Kolen (1997) defined the job as the kind and amount of work to be performed by a person or a piece of equipment within a given time period. The author still maintains that every well-conceived job definition should always consist of two parts namely:

**Job description-** This is a detailed statement of the content of the job in terms of major tasks the sequence of those tasks and the conditions under which they will be performed. Mondy & Premeaux (1994) described job description as a document that describes the tasks and responsibilities of a job and its relationships to other jobs. According to Harmse (1999), the job descriptions are beneficial for both the individual employee and the organisation. .

According to Harmse (1999), the job descriptions are beneficial for both the individual employee and the organisation. The author further identifies the following advantages:

- The employee has a concise picture of why he or she is employed,
- The employee can easily identify how he or she will be assessed,
- The parameters of authority and accountability are clear,
- Given the big picture, i. e. the mission statements, the value of this specific position for the organisation can be identified,
- It assists in placing the right person in the right position,
- There is more efficiency and effectiveness throughout the organisation as tasks and responsibilities are identified.

**Job specification-** This states the qualification an individual must possess to perform the job. Mondy & Premeaus (1994) viewed a job specification as the



minimum acceptable qualifications a person possess to perform a particular job.

Luthans (1992) mention that work-itself is one of the major source of satisfaction. In additional, some of the most important ingredients of satisfying job included interesting and challenge work, work that not boring and a job that provided status.

Van Dyk (2001) stressed that any job should have key characteristics that directly affect employee performance and satisfaction and thus in turn influences job turnover. The authors further identify the following three job characteristics;

Variety-refers to the number of different tasks and activities included in the job.

Challenge- is the level of difficulty of job tasks and activities.

Autonomy-refers to the extent to which an employee can carry out his/her tasks independently on the job.

The job that does not consist of the above job characteristics will not seem to have any meaning. Employees would what to do the job that is exciting and be able to use their abilities in doing it. Without these, chances of employees leaving their employers are accelerated.

– Pay

Perceived competitiveness of pay refers to employees' perceptions that salaries are

### - Promotion

Luthans (1995) described promotional opportunities as advancement in the hierarchy. Nel (2001) ascertained that a promotion occurs when an employee is moved from one job to another that is higher in pay, responsibility or organisation seniority. Various approaches can be used to promote employees and this can be based on the person's promotion potential, development needs and talent shortages in the organisation.

Skidmore (1995) stated that promotions are important in the functioning of the organization. Nearly every employee wants to move ahead, both in position and in salary. The procedures and standards for promotion should be clearly defined through sound administration.

### - Co-worker

According to Robbins (2001), human need social interaction from their workplace in supporting, cooperate, comfort, advice, and assistance to the individual work. Therefore, to have friendly and supportive co-workers could lead to increase job satisfaction. Lance (2007) concedes that perception of co-worker integration and cohesiveness among peers directly affects job satisfaction. In the opposite way, turnover tends to increase for employees who are dissatisfied with their co-workers (Watt and White, 1988).

### - Supervisor

Lewis & Souflee (1994) described that supervision is process that involves helping a less experienced person increase his or her effectiveness in service delivery. Through the vehicle of supervisory relationship, the supervisor

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provides support and encouragement, helps build skills and competences and oversees the supervisee's work.

According to Luthans (1992), supervisor is another moderately important source of job satisfaction. To the extent that supervisor provides technical assistance and behavioral support such as treated employees fairly, offers praise for good performance, listens to employees'

Kadushin (1992) stressed that supervision in an organisation is important because it enhances the morale of the staff while maintaining the system; meaning supervisee are supervised according to their different levels. For example, the less experienced tend to be supervised according to tutorial model, whereas those with more experience achieve similar purpose through case consultation, peer group consultations, peer group interaction, staff development programs and work teams. Skidmore, Thackery & Farley (1997) shared this view by mentioning that supervision is a major part of work because it is concerned with helping the staff to use their knowledge and skills in getting the job done efficiently and well.

### **Theories related to job satisfaction**

Luthans (1995) conceded that Herzberg's two factor motivational theories cast a new life on the content of work motivation. The theory offers an explanation specifically to the work place and job design (Grobler et al 2002). Robbins (1993) stated that Herzberg believed an individual's relation to his or her work is a basic one and that his or her attitude towards his work can very well determine the individual success or failure, and referred to this as motivation-hygiene theory.

Herzberg concluded that there is a relation between job satisfiers and job content; job dissatisfiers are allied to job content. The author named the motivation factors satisfiers and called dissatisfiers hygiene factors. The hygiene factors are preventative because they can prevent dissatisfaction and are environmental in nature, and therefore are roughly equivalent to Maslow's lower level needs (Luthans 1995). The motivators are intrinsic and related to job satisfaction for example achievement, recognition, and the work-itself, responsibility, advancement, and growth. The hygiene factors are extrinsic and comprise company policy, administration supervision, salary, interpersonal relations and working conditions.

Robbins (2001) postulated that according to Herzberg, the factors that lead to job satisfaction are separate and distinct from those that lead to job dissatisfaction. Therefore managers who seek to eliminate factors that create job dissatisfaction can bring about peace, but not necessarily motivation. Thus, managers who hire wages will be placating their workforce rather than motivating them. It is evident that the Herzberg two factor motivational theories indicate that the more resources are poured down the hygiene drain for example increasing fringe benefits, the more resources will be needed in future. This is because with hygiene factors, ever-increasing amounts are needed to produce the same effect. A classic example is the issue of salary that never seems to be resolved; employees will still be discontent over wages even after concluding salary negotiations.

As indicated earlier, motivators are intrinsic in nature and reflect the work content of the job. The supervisor cannot disperse them to the employees but they are controlled by employees and are administered personally. It is <https://assignbuster.com/employee-turnover-types-theories-and-effects/>

evident that no one can give another person the satisfaction that comes from accomplishing a particularly challenging job.

According to the researcher, the need to motivate workers is a very crucial one. Motivation is required if the workers are to make a significant impact on their work given the limited budgets they operate on and the very difficult circumstances. In any situation, every employer would like to have employees who are motivated to do their work efficiently and effectively. This bears fruitful results and enhances organisational productivity and a lot of problems associated with de-motivation like absenteeism and late coming can be avoided.

### **Relationship between job satisfaction and employee turnover**

During the past century, a variety of conceptual models for the turnover process have been developed (Lambert et al., 2001). It has been extensively studied, both as a dependent and independent variable. In 1976, Locke estimated the number of articles and dissertations dealing in some manner with the subject of job satisfaction to be over 3, 300. By 1996, Spector estimated that the number of studies that have incorporated job satisfaction in some manner to be over 12, 000. While these models have diverse origins from a wide array of disciplines, many researchers have theorized that job satisfaction is a key antecedent of worker turnover (Mobley et al., 1979; Price & Mueller, 1986; Williams & Hazer, 1986).

Roznowski and Hulin (1992) contended that overall job satisfaction measures are “ the most informative data a manager or researcher can have for predicting employee behavior”. Further, it has been theorised that high

levels of job dissatisfaction lead to employee withdrawal, particularly in terms of voluntary turnover.

According to Danserau et al. (1974), Mitchell (1981), Porter and Steers (1973), job satisfaction has been related to turnover. Muchinsky and Tuttle (1979) analysed nineteen articles dealing with job satisfaction and turnover. Overall, there was a negative relationship between job satisfaction and turnover although the strength of the relationship varied from study to study. In general, satisfied workers are less likely to leave their jobs than those with high job satisfaction quotients. The review noted that the relationship remained constant over different types of samples, organisations, and measures of job satisfaction (Birdseye & Hill, 1995).

## **Organisationa**