Essay on employee retention

Business, Company

Background

An organization is the collective name for a set-up wherein individuals come and work together in unison to achieve a common goal. These individuals get compensated for their efforts and are called employees. An organization without employees cannot survive simply because these men and women undertake all necessary activities or an organization. It is therefore imperative that an organization understands the personal interest of its employees.

Over a period of time, employees leave the organization. A set of policies that encourage employees to stay is called “ Employee Retention”.

Employee retention policies are long-term structural policies of the organization developed to ensure continuity and over-all sustainability of the organization. It is an important set of rules and guidelines that will mitigate any potential detrimental effects of employees leaving.

Employees leave the organization mostly out of frustration. Friction with other members of the organization, whether superiors or peers influence the level of frustration of employees as well as the lack of personal motivational aspects such as professional growth or salary increases. In any case it is important to keep employees within the organization, especially those that contribute greatly to the organization’s growth.

Employee Turn-over

Employee turnover happens when any employee leaves the company and has to be replaced. Employee turnover is unavoidable; employees will always leave the company for personal or professional reasons. Employee turnover is not a negative thing because the end result of employees leaving the company is the influx of fresh talent.

There are a number of causes of turnover and these are:

1. The economy is one of the main reasons why employees lose jobs or resign from their posts. In a better economy, the prospect of higher paying jobs result in higher turnover rates.
2. The performance of the organization is also an important determinant. Organizations that perform poorly suffer from high turnover rates.
3. If the organization's culture is flawed in some sense, then it could lead to high employee turnover. The flaws include insufficient or ineffective leadership, unclear organizational objectives, inability of the organization to adapt to changes, etc.
4. Characteristic of the Job – some jobs are more attractive hence are better kept than others. The characteristic of the job is a determinant of turnover. Some employers and employees have unrealistic expectations about the job thus leading to frustration and then to employee turnover.
5. Some demographics indicate higher turnover rates. Some characteristics of the individual lead to a higher turnover rate that are often overlooked during the recruitment process.

Different Types of Employee Turn Over

The two types of turnover are called voluntary turnover and involuntary turn over. Ross Tripp, work force planning officer of the State of Oklahoma explains the different types of employee turnover (2010).

When the organization asks the employee to relieve himself of his post, it is called an Involuntary Turnover. This departure from the organization may come from instances wherein there is violation of organizational policies, poor performance, even cases from worsening business situations. The involuntary departure from the organization may affect co-worked in a beneficial or in a non-beneficial way. To manage involuntary take over a company must do well enough to avoid unnecessary laying off of employees. This means that it is important that employees understand that it is by their own doing that the performance of the company is determined.

When an employee leaves because of his own volition, it is called Voluntary Turnover. These employees normally resign either because they are interested in their personal growth in other organizations or because of attrition. Attrition is the decrease in workforce due to voluntary resignations. When there is attrition, the departed employee is not replaced whereas in voluntary turnover, a suitable replacement is installed as soon as possible. It is important to note that not all voluntary resignations are due to employee dissatisfaction. There are many plausible non-work related issues that employees deal which lead to resignation. To manage voluntary turnover, employee satisfaction must be maintained. This is heavily influenced by the management structure so the most effective way of managing voluntary turnover is to make sure that supervisors are well trained for managing their personnel.

A real world example of high employee turnover is presented by the internet resource Shift Work. The article by Shift Work explained that a pretzel company in the United States experienced high employee turnover due to excessive overtime. The company constantly competes for labor in the small town in operates in. The company’s managers had the capability to accept or reject additional work hours and in the events that they decline additional work hours, the job falls into the responsibilities of newer employees. These forced overtime work creates imbalance and high turnover which hampered the company significantly.

Turnover can also be classified as Positive (Desirable) turnover. This is when new talent is brought into the organization as replacement for employees that leave. New talent re-energizes the organization which may then lead to higher overall organizational performance. Turnover can be negative as well. This undesirable type suggests wrongful circumstances around the departure of the employee. These include mass lay-offs (i. e. factory shutdowns) that generally are viewed by employees and by the public as highly negative. Turnovers of this type threaten the organization and create a downward spiralling mistrust with management.

What Is Turnover Rate

The organization can calculate the number of employees that have left the company through the “ Turnover Rate”. This is simply the number of employees that have left divided by the number of employees at the beginning of the relevant period. Total turnover and voluntary or involuntary turnover rates can then be calculated and expressed as a percentage.

The Effect of Employee Turnover to the Organization

Turnover is a significant metric in the organization. It is important to senior managers, to human resource personnel and to other management professionals. Because of the challenge that employee turnover causes the organization, employee turnover becomes one of the most important aspects that have to be managed through effective policies and remedial strategies.

The cost of turnover is considerably high. In general the costs associated with employee turnover are:

1. Cost of recruitment for new replacements (administrative, training, managerial supervision etc.)
2. Loses due to decreased productivity both coming from the time the employee is contemplating resignation, to the time a replacement is being trained to the time the replacement is breaking into his job. Also, losses due to decreased productivity of co-workers is also significant
3. Loses due to the cost of proprietary trade secret, skills and process loss
4. Public relations costs
5. Employment insurance costs

Managing Employee Turnover

There are five general strategies for employee turnover management. These strategies are ethical in nature and are empirically effective. For illustration, cases conducted by KGA, an international human resource consulting firm is utilized. KGA helps organizations with employee retention, change, diversity and wellness management as well as improving management performance1.

The first and most basic is the creation of a conducive working environment for employees. This includes setting clear vision, mission and objectives as well as instilling safe working conditions and comprehensive operating policies and procedures. The working environment should embody the ethics and values of the organization, the policies of the organization that serves as guidance for day-to-day activities and the actual physical working conditions. This would ensure that the primary requirements of employees are met thus leading to high employee retention and high productivity and job satisfactions.

Transparency and accountability are two aspects of the working environment that are crucial in managing employee turnover. Employees benefit from openness and sharing and the company that provides is employees with trust by way of information are improving the conditions of its work environment. This way, employees are made to understand that what they do is part of a larger, grander scheme. As a result, employees will be happy to oblige.

Some of the key pieces of information that employees would benefit from knowing are:

1. Sales, financial and marketing strategy
2. Corporate vision, mission and values
3. Management directives and feedback
4. Inter-department information processing and sharing

In the case of KGA, one of its clients required their company’s managers to receive instructions to enhance their skills and become more effective organizational leaders. Middle line managers participated in discussions that involved them getting feedback on their work resulting in enhanced strengths, use of best practices and successful actions towards addressing business issues and needs.

Another strategy for managing employee turnover is managing employee relationships. This is carried out by giving managers and supervisors the necessary training to manage their personnel. When supervisors have keen understanding of all their responsibilities including their responsibilities to keep their personnel in check through intra-personal techniques, then a working environment that helps retain talent is developed. Other tools that are used for managing employee relationships include using behavioural style assessment tools, helping with personal develop planning, getting employee’s families involved, celebrating years of service to the company, encouraging humour in the workplace and increasing emotional ties through mentoring and meaningful coaching.

A real world example of this is a client of KGA requesting for a program that would help employees manage their work and gain a sense of control over their workload. The company found their employees were under a lot of stress due to their workload which affected their productivity. The result of the training program of KGA was the enhancement of the employee’s ability to handle time and stress management create work-life balance and improve overall productivity. Also, these employees developed closer relationships with their co-workers, getting engaged with the company at a higher, more personal level.

Employee support strategies are also appropriate for managing employee turnover. This stems from the fact that employees want to excel and must be equipped with the right resources to get the job done. This is done through job creation and development. The key aspects of creating jobs that employees will value include aspects such as:

1. Productivity
2. Challenge

3. Job fit according to employee strengths, abilities and talents
4. Clear lines of communication
5. Rewards, recognition and room for growth
6. Job flexibility

These job-related strategies are designed to make the individual grow personally and professionally. When needed, employees must be educated and trained to perform their tasks to the fullest of their abilities.

A real world example is one of KGA's clients, a US$2 billion pharmaceutical company that required its employees to increase their productivity through education and training. The company had an in-house university program which KGA supplemented with a customized course that integrated this in-house program with employee development curricula.

Finally, employees must enjoy equitable compensation for their efforts. This is one of the most effective strategies employers do. This should be based on expectations, job complexity and established performance metrics. Although money alone is not enough to retain employees, it is still as effective as retaining them as any strategy would. The compensation strategy however, should not be taken singularly; it must be integrated into the other approaches for employee turnover management. When the job is carefully designed, what is next should be managing the expectations of both the employer and the employee by way of compensation.

People who give more than their job descriptions should get bonuses, just as long as " exceeding expectations" is carefully defined. Effective tactics that are compensation related (both monetary and non-monetary terms) are:

1. Designing the job and discussing the requirements of the job to the

employee

2. Discussing total employee compensation which includes salaries, benefits, bonuses, trainings and other compensation
3. Design an equitable reward system
4. Design ownership privileges (stock options) for exceptional performance
5. Offer time-off as part of the compensation
6. Provision of benefits for childcare or elderly care
7. Provide or arrange for professional services (health care), employee assistance, discount on purchases (car plan, house plan), and fitness clubs etc.

Conclusions

Employee turnover is an important aspect of management. Employees are the most valuable resource of the organization and keeping talent productive is one of the best way of ensuring corporate success. As a manager, we should be aware of the issues and principles surrounding employee turnover, what to do to retain employees, what strategies to take, where to improve and which to remove. The thoughtful inclusion of the human aspect into a corporation’s goals has remained to be the most effective and universal business strategy that should be implemented in any organization of any size or scale.

Employees retention must be approached on from all fronts, which are environmental, relationship, support, growth and compensation. These aspects of employee retention polices will make employees feel important, will give them job satisfaction and optimum productivity. There is must to gain from investing in people and the first step of making sure how we retain our most valuable resource brings the business closer to its goals.

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