

Employee turnover essay



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Overview of Employee Turnover Research The impact of turnover has received considerable attention by senior management, human resources professionals, and industrial psychologists. It has proven to be one of the most costly and seemingly intractable human resource challenges confronting organizations.

This paper provides a summary of information, abstracted from published research, on the costs of turnover, factors contributing to its magnitude in organizations, and proposed remedies. Costs of Turnover Analyses of the costs associated with turnover yield surprisingly high estimates. The high cost of losing key employees has long been recognized. However, it is important for organizations to understand that general turnover rates in the workforce can also have a serious impact on an organization's profitability, and even survival. There are a number of costs incurred as a result of employee turnover. These costs are derived from a number of different sources, a few of which are listed below.

Recruitment of replacements, including administrative expenses, advertising, screening and interviewing, and services associated with selection, such as security checks, processing of references, and, possibly, psychological testing. Administrative hiring costs. Lost productivity associated with the interim period before a replacement can be placed on the job. Lost productivity due to the time required for a new worker to get up to speed on the job. Lost productivity associated with the time that coworkers must spend away from their work to help a new worker. Costs of training, including supervisory and coworker time spent in formal training, as well as the time that the worker in training must spend off the job.

Costs associated with the period prior to voluntary termination when workers tend to be less productive. In some cases costs associated with the communication of proprietary trade secrets, procedures, and skills to competitive organizations. Public relations costs associated with having a large number of voluntary or involuntary terminations in the community spreading gossip about the organization. Increased unemployment insurance costs. Using an example from the health care industry, Cascio (2000) calculated that the cost of replacing 288 employees per year (in a hospital with 200 beds employing 1200 persons with a turnover rate of 2% per month) was \$2, 888, 295. 52 when all sources of costs were analyzed.

Moreover, a recent Business Week (1998) study estimated that the replacement costs alone, are over \$10, 000 for about half of all jobs and approximately \$30, 000 for all jobs. These estimates highlight the considerable costs that can be associated with turnover. The Causes of Turnover There are a number of factors that contribute to employee turnover. We explore some of these factors in more detail below. The economy – in exit interviews one of the most common reasons given for leaving is the availability of higher paying jobs. Some minimum wage workers report leaving one job for another that pays only 50 cents an hour more.

Obviously, in a better economy the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews. The performance of the organization – an organization perceived to be in economic difficulty will also raise the specter of impending layoffs. Workers believe that it is rational to seek other employment. The organizational culture – much has been written about organizational culture. It is sufficient

to note here that the reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.

The characteristics of the job – some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment. A job's status is also important, as are many other factors. Unrealistic expectations – Another factor is the unrealistic expectations and general lack of knowledge that many job applicants have about the job at the time that they receive an offer. When these unrealistic expectations are not realized, the worker becomes disillusioned and decides to quit. Demographics – empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.

But to use lifestyle factors (e. g. smoking) or past employment history (e. g. many job changes) as an explicit basis for screening applicants, it is important for legality and fairness to job applicants to verify such biodata empirically. The person – In addition to the factors listed above, there are also factors specific to the individual that can influence turnover rates.

These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In addition to these personal factors, there

are also trait-based or personality features that are associated with turnover. These traits are some of the same characteristics that predict job performance and counterproductive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production.

These traits can be measured and used in employee screening to identify individuals showing lower probability of turnover. It is important to note that the factors we've listed above can be classified as being within or beyond the control of the employing organization. In order to actively participate in reducing costs associated with turnover, organizations need to identify those factors over which they do have some control and initiate necessary changes to reduce turnover attributable to these "controllable" factors. Adopting an effective applicant screening procedure is an efficient and cost effective method of identifying employees who possess the necessary traits and behaviors to succeed on the job and are, therefore, less likely to leave.

SIGMA's Employee Screening Questionnaire (ESQ) measures both productive and counterproductive job behaviors and, as such, provides employers with a tool for reducing involuntary turnover resulting from poor selection decisions. In addition to reducing involuntary turnover, the ESQ also has the ability to reduce voluntary turnover by identifying those applicants who are likely to be satisfied and committed to their jobs. There is a large body of academic research supporting the intuitive contention that people who are satisfied with their jobs and committed to their employing organization are more likely to stay than those who are not (e. g.

Griffeth, Hom, & Gaertner, 2000; Maertz & Campion, 1998; Meyer, Stanley, Topolnytsky, & Herscovitch, 2001). In summary, the ESQ offers employers an effective and practical method for dealing with turnover and reducing its associated costs