Chapter – 1: Introduction
CONTENTS:-

1.1. Introduction

1.2. Factors that result in Dissatisfaction.

1.3. Some turnover is neither good nor bad.

1.4. Critical or Highly Undesirable Turnover

1.5. Advantages of Employees Turnover.

1.6. Disadvantages of Employees Turnover.
Chapter 1:

1.1. Introduction

The impact of Employees 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.

India is currently facing a major shortage of skilled workers in almost every industry. In addition to the worker shortage, there are other factors making employee retention more important than ever before.

Employee dissatisfaction has manifested itself in absenteeism, poor performance, and turnover. Much has been written on the subject of employee turnover by researchers in the fields of psychology and management. However, there is very little in the Literature concerning the relationship between dissatisfaction and turnover in Indian context. The purpose of this research is to review the major issues of employee turnover in an effort to better understand the role of satisfaction/dissatisfaction in the turnover process.

The dictionary defines dissatisfaction as: The condition or feeling of being displeased or unsatisfied; discontent.¹ This is a major problem in today’s business world when it comes to employees. Employee dissatisfaction leads to poor service, poor overall quality, and poor business practices. Some of these can result in not only losing a customer but can range all the way to complete public relations disasters or legal actions.

There are many ways to spot employee dissatisfaction. One way is by taking customer complaints. This can be seen from the obverse side of the employee as to what they are lacking in their job. For example if a customer complains that they did not get what they were promised the obverse side would be that the employee did not have the proper tools, systems, or was not informed on the correct policies to do the job correctly.

1.2. Factors that result in Dissatisfaction:

There are many reasons why an employee could be dissatisfied with their position at a company. This also includes elements that would be the employee’s job to take care of. Many cases of employee dissatisfaction stem from unreal expectations that the employee has on what their job should be. For example if a subway's fry cook expecting a company car that would be an unreasonable demand for the position and would result in the employee disliking their job.

Another employee factor that results in dissatisfaction is the attitude of the employee. “Employers usually hire for aptitude and fire for attitude. Attitudes are the results of experience and one’s values and beliefs”. A good friend of one of our group members who had worked in a very high-trust position for over ten years was fired due to his elitist attitude with management. Compared to him, the other group members could only perform at about 50% of his speed at the time of his firing and yet the group member remains with the firm, as a now much more submissive employee.

Having the wrong expectations or attitude about a position are the two leading employee based factors of dissatisfaction. Sadly, there is not much that a business can do about these factors. There are however, many employer factors that result in employee dissatisfaction.

In a human resource, turnover or staff turnover or labor turnover is the rate at which an employer loses employees (attrition rate). Simple ways to describe it are "how long employees tend to stay" or "the rate of traffic through the revolving door." Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other
companies in the same industry. High turnover can be harmful to a company's productivity. Workers are often leaving and the worker population contains a high percentage of novice workers.

In India, for the period of December 2000 to November 2008, the average total non-farm seasonally adjusted monthly turnover rate was 3.3%. However rates vary widely when compared over different periods of time or different job sectors. For example, during the period 2001-2006, the annual turnover rate for all industry sectors averaged 39.6% before seasonal adjustments, during the same period the Leisure and Hospitality sector experienced an average annual rate of 74.6%.²

High turnover often means that employees are unhappy with the work or compensation, but it can also indicate unsafe or unhealthy conditions, or that too few employees give satisfactory performance (due to unrealistic expectations or poor candidate screening) lack of career opportunities and challenges, dissatisfaction with the job-scope or conflict with the management have been cited as predictors of high turnover.

Low turnover indicates that none of the above is true: employees are satisfied, healthy and safe, and their performance is satisfactory to the employer. However, the predictors of low turnover may sometimes differ than those of high turnover. Aside from the fore-mentioned career opportunities, salary, corporate culture, management’s recognition, and a comfortable workplace seem to impact employees' decision to stay with their employer.

Many psychological and management theories exist regarding the types of job content which is intrinsically satisfying to employees and which, in turn, should minimizes external voluntary turnover. It has been observed that there tends to be a higher level of stress with people who work with or interact with a narcissist who in turn increases absenteeism and staff turnover.

The significance of this research is-

i) To identify the actual reasons of turnover

² [http://labourbureau.nic.in/ASI%202k5-6%20%20V2%20Contents.htm](http://labourbureau.nic.in/ASI%202k5-6%20%20V2%20Contents.htm)
ii) To analyze how turnover affects productivity on organizations.

iii) To find out the possible solutions of reducing turnover.

iv) To help business organizations by identifying their problems, analyzing the information’s and recommending for possible solutions.

Turnover occurs for many different reasons. Sometimes new job attracts employees and pull them to leave the old one. In contrary employee also pushed to leave job due to the dissatisfaction in their present workplace or by domestic circumstances when someone reallocates with their spouse or partner. A poor relationship with the management can be an important reason for the employees to leave their jobs. It is relatively rare for people to leave jobs in which they are happy even offered by higher salary elsewhere. A lack of proper training and development is also major cause for voluntary turnover. Employees have a preference for security of their jobs.

Employee turnover can be extremely devastating for any company. Management should have their own rating on employee turnover and measurement how this affects organizations performance. Turnover is an index of organizational effectiveness and as such it authorizes attention and some understanding of itself.

Some researchers have focused on potential predictors of turnover behavior, such as job tenure, locus of control etc. Turnover basically arises from the unhappiness from job place for individual employee. But being unhappy in a job is not the only reason why people leave one company for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. That's why it is important to know and recognize the difference between employees who leave the job because they are unhappy and those who leave for other reasons. There are number of factors that contribute to employee turnover.

High turnover rates typically mean companies are doing a poor job selecting the right employees, failing to provide a motivating work environment or losing out to employers that offer better pay and benefits. Many of the negative effects of turnover relate to performance quality, but the "Encyclopedia of Business" points out companies with higher turnover may struggle to complete all necessary or important
daily functions. For instance, if it takes 10 workers to complete a given work task or function in a day, and only seven workers are currently employed in that area, the company has to figure out how to deal with the unfulfilled daily work requirement. High costs are one of the more discussed negatives of high turnover. Every time an employee leaves and is replaced, there are costs associated with the process of losing the first employee and hiring and training the new one. The Rain Maker Group indicates that it can cost about one-half of an unskilled worker's salary to replace a lost employee. Replacing a technically skilled employee or a high level manager can cost as much as three to five times the annual salary. Training costs are commonly discussed, but many people forget costs to complete exit interviews, market new openings and complete necessary background, reference and drug checks.

In organizations with high turnover, constant change in employee ranks means average years of experience and background of employees are low. This means employees are generally less familiar with work tasks they complete and working effectively with customers. The "Business Link" website indicates that the more valuable the positions being turned over are to the company, the more impact the turnover will have on current and future performance.

If an employee feels that he has advanced as far as he can in a company, then he may consider finding a company that offers a more diverse career path. Discuss career expectations with each of your employees to understand their expectations and aspirations regarding professional growth. A lack of career-advancement possibilities can result in the loss of experienced and key employees.

A small business relies on its existing staff to provide excellent support for clients and manufacture high-quality products. One of the effects of turnover in business is a drop in the overall quality of the company's business practices. The constant loss of employees means that there aren't enough people to answer customer inquiries and take orders. In production, a lack of qualified employees means that those who are working need to cover two and three jobs to keep up with manufacturing goals. This results in a drop in product quality, which can affect your company's standing in the marketplace.
The other side of the coin “not all employees turnover is bad”. It’s hard to find a more misunderstood and mismanaged human resource area than employee turnover. Executives are constantly sounding off about how “bad” employee turnover is, but in some cases, employee turnover is actually a positive thing. It would be a mistake to assume that any firm that has low or “zero” turnover is a well-managed firm. Low turnover rates could, in fact, be caused by a number of factors including a lack of employment opportunities within the region, financial constraints that prevent employees from moving (upside down mortgage), a bad firm image (Enron or AIG) that keeps recruiters away, or a high concentration of older workers reluctant to change jobs later in their career. Another much more common reason for low turnover (that few firms actually want to consider) is the fact that your employees may be in low demand because they are perceived as being poorly skilled and undesirable.

True recruiters are always trying to steal away the best employees, even during tough economic times. If no one steals (or even tries to steal) your employees, it might mean they aren’t worth stealing. At least 25% of all turnover is “desirable turnover.” While I would never go so far as to recommend organizations start rewarding managers for such turnover, you certainly wouldn’t want to punish a manager for turnover in the following cases:

1. A bottom performer leaves on their own (avoiding the need to terminate them).
2. A bottom performer is terminated (showing that the performance management system worked).
3. A bottom performer leaves and goes directly to a competitor (hurting them).
4. An average or lower level performer gets replaced by someone that becomes a superior performer (referred to as a talent swap).
5. An employee with declining or irrelevant skills is replaced by someone with increasing or more relevant skills.
6. A lower performer is replaced by promoting someone inside that needed more challenge or growth to develop (thus improving the organization, increasing internal movement).
7. The employee exiting is a notoriously bad manager.
8. A non-diverse employee gets replaced by a diverse one.

9. An employee with key skills working in a non-critical job/business unit transfers to a strategic job/business unit.

10. The exiting employee was a trouble maker or dissatisfied person that required a lot of management time.

11. The exiting employee was a union organizer or leader who’s departure weakened the union effort.

12. The exiting employee was slated for an upcoming layoff.

13. The exiting employee was highly paid due to tenure but delivered no more than workers earning much less.

14. The exiting employee is a retiree who led a fulfilling career and has agreed to consider “fill-in” work during retirement.

1.3. Some turnover is neither good nor bad.

“Neutral” turnover might impact the firm by driving up replacement cost, but might be something that you exclude from turnover reporting rates that are used to reward/punish managers. Some of the situations that can be classified as “neutral turnover” include:

1. Turnover of an employee or contractor that was hired to provide short-term coverage.

2. Turnover by an employee who provided sufficient notice, enabling an exceptional replacement to be sourced, hired, and trained prior to the employee’s exit.

3. Turnover by an employee leaving a non-hard-to-fill job with a short learning curve.

4. Turnover of a top-performing employee who has a high probability of returning as a boomerang.

5. Turnover by an employee who left the firm because of a major illness or something that could not be predicted or prevented.
1.4. Critical or Highly Undesirable Turnover

Some turnover must be classified as highly undesirable or bad. Critical or bad turnover might be something that you focus your retention and metrics efforts on. I estimate that in an average organization, less than 20% of all turnovers should be classified as critical. Some of the situations that can be classified as “critical” include:

1. Turnover of a top performer with little or no advance notice.
2. Turnover of a critical team leader or manager.
3. Turnover of a top innovator or thought leader.
4. Turnover of an individual with mission critical skills or knowledge.
5. Turnover of an employee that possesses the only knowledge or experience in a critical field in the organization.
6. Turnover of an individual with extensive contacts and experience.
7. Turnover of an employee in a “mission critical” job.
8. Turnover of an employee in a revenue generating or revenue impact job.
9. Turnover of an employee in a critical business unit.
10. Turnover of a diverse person or someone with international experience (especially in an exempt job).
11. Turnover of a top performer or a key individual that goes to a direct competitor.
12. Turnover of an individual that was on the succession plan.
13. Turnover of a high-potential individual who left due to a lack of development opportunities.
14. Turnover of a desirable employee forced out during a layoff or merger because of seniority or weak, non-performance-based, layoff processes.
15. Turnover in a position where there was no available internal candidate or external applicant pool to replace them.
16. Turnover of an individual forced to leave due to a work-related disability or accident.

17. Turnover of an employee who subsequently files a credible government or legal complaint against the firm.

18. Turnover of a famous person or industry icon.

19. Unplanned turnover of a C-Level executive who receives significant external publicity.

1.5. Advantages of Employees Turnover.

New blood - If the same team of employees is in place for a long time, they tend to become stale. They may still get the job done, but almost as if they are on automatic pilot and there will be very little innovation. New blood may be able to see what can be improved and act on it, because they haven't yet had chance to get stuck in a rut. They can inject new ideas and innovation into the proceedings.

Keeps other employees on their toes - Long-term employees tend to resent newcomers, simply because they are set in their ways and don't want anyone else to show them up. However, in the long run, it can be a good thing, because it reminds older members of staff that they can't afford to slack off. There is also the possibility that relations between staff members will improve as the result of new members of staff.

Gets rid of troublesome employees - Most organizations have at least one or two members of staff that cause trouble - perhaps because they gossip or are moody. Their behaviour may be detrimental to the office as a whole. Once they have left, the office environment may become a much better place - unless the trouble-makers are replaced by other trouble-makers of course.

1.6. Disadvantages of Employees Turnover.

Brain drain - Staff members build up a great manual of knowledge during their time in a job. Unfortunately, few, if any, write this knowledge down, so when they leave, it
leaves with them. Management is then faced with the challenge of ensuring that the new members of staff are trained up as quickly as possible, which can be a drain on resources. There is also the risk that the employees who have quit will pass on trade secrets to their new company.

Potential loss of clients - It is often personal contact that makes a business what it is; so losing a good salesperson could result in the loss of clients, because they leave to follow the employee to their new job. This is a major reason that headhunters look to persuade employees to leave and go elsewhere - they already have a proven track record of which another company can take advantage.

Lower levels of loyalty - Loyalty to a company tends to build up over a period of time, so if most of the employees in a company have only been there for a short time, they are unlikely to feel particularly loyal to the company. Lower levels of loyalty mean that employees will come in, do the job and go home - there will be no extra input from them and good employees could well feel under-appreciated.

Ultimately, whether a high employee turnover is a good thing or not depends on the type of company you are running. A company where new employees can be trained quickly and do not take away as much knowledge when they leave could benefit from a high turnover, whereas a knowledge-based company could struggle.