Chapter – IV: Theoretical Aspects
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4. Theoretical Aspects

4.1 Introduction

This chapter discusses the various theoretical aspects on Turnover by different authors from the field of Human Resource Management. This chapter also includes the definitions, meaning, scope, and different models contributed by different experts on satisfactions, dissatisfactions and Turnover.

4.2. Human Resource Management System

Lado and Wilson (1994, p.201) define HRM system as “a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources.” In addition, it can be defined as “… as an organizational capability which involves the strategic integration of the set of HR activities, functions and processes: selection, training, appraisal, promotion and compensation, carried out to attract, develop and maintain the strategic HR that allow the firm to achieve its goals.

4.3. Employee Satisfaction:

Human Resource Management is getting more important in the business nowadays, because people and their knowledge are the most important aspects affecting the productivity of the company. One of the main aspects of Human Resource Management is the measurement of employee satisfaction. Companies have to make sure that employee satisfaction is high among the workers, which is a precondition for increasing productivity, responsiveness, quality, and customer service.

4.4. Meaning:

Employee satisfaction is the terminology used to describe whether employees are happy, contented and fulfilling their desires and needs at work. Many measures support that employee satisfaction is a factor in employee motivation, employee goal achievement, and positive employee morale in the workplace.

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4.5 Definition:-

Dave defined employee satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. In the field of human resources, employee satisfaction is perhaps considered one of the most important employee attitudes that need outmost consideration in decision making and policy making.

4.6. Models of Employees satisfaction:

Today, the most important factor affecting the performance of companies is the level of employee satisfaction with the company. In that sense, gauging the level of employee satisfaction has become of an exceptional importance. Employee satisfaction is one of the most important parameters of productivity. An institution has an identity together with its employees. If one wants to increase productivity, one can benefit from their Employee Satisfaction Model.

Focus points are :-

Management style and decision making
Involvement in and liking the job
Performance and pace
Salary and satisfaction
Career planning
Solidarity and participation +
Hierarchical relations
Feeling of success

Several factors appear to be linked to turnover (Henery Ongori, 2007). A review article on studies of turnover revealed that age, tenure, overall satisfaction, job content, Intentions to remain on the job and commitment were all negatively related to turnover. Higher the age of the employee, less is the likelihood of his leaving the organization. Similarly, an employee who has spent a long time in an organization is less likely to leave because of his emotional attachment to the workplace. Job satisfaction has been found to be the most important tool for employee retention. Job satisfaction refers to how employees perceive their jobs (Snell /Bohlander, 2007). It is an emotional state resulting from experiences at work. If employees experience high satisfaction with their jobs, it may create a pleasurable emotional state (Bartolo & Furlonger, 1999; Ivancevich, 2008) and a positive reaction with the organization (Feinstein, 2002; Oshagbemi, 2000). Both job content and job security are found to affect the overall job satisfaction of employees (Green and Tsitsianis, 2005; Benz and Frey, 2008). Employees feel satisfied when they are provided certain degree of freedom in carrying out their tasks and taking job related decisions. Moreover, they enjoy performing jobs which demand higher levels of skills and knowledge (Guthrie, 2001). Employee involvement practices have been reported to reduce turnover (Vera, 2001). According to Luthans (1989) satisfaction can arise from three different facets: (a) emotional response to work environment, (b) relationship between expectations and outcomes; and (c) satisfaction with pay. The significance of job satisfaction can be accessed from the fact that it not only influences the efficiency of workers but also impacts job behaviour such as absenteeism, accidents, work stress and employee turnover (Rajendran and Chandramohan, 2010) identified five components of job satisfaction – work, supervision, co-workers, pay and promotion.

Besides, a number of factors related to job context such as social relations at workplace, communication (sharing of information within organization) and working conditions also influence job satisfaction. Workers are dissatisfied if they are denied

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access to information and other resources necessary for performing their job. Similarly, if a performance evaluation criterion is not clearly communicated or if feedback on their performance is not provided by supervisors, it may lead to employee dissatisfaction. Cordial relations with colleagues and supervisors contribute to job satisfaction. A healthy organizational climate characterized by trust and collaboration improves satisfaction. The various dimensions and outcomes of job satisfaction have clearly reflected in figure __.

**Figure 4.7: DIMENSION & OUTCOMES OF JOB SATISFACTION**

It has been often found that the highest performing workers find good alternatives and are the first to leave (Lichia 2007). Hence, organizations should devise a strategy for keeping their valuable assets (employees) satisfied (figure 2). Strategic initiatives proposed for enhancing job satisfaction and employee retention include the following:
Many research studies indicate work overload as a major factor responsible for job dissatisfaction and intent to quit (Firth et al., 2004). A supervisor should therefore, understand the profile of each individual worker before allocating responsibilities. Elangovan (2001) has indicated strong causal links between stress and job satisfaction (higher stress leads to lower satisfaction). Role ambiguity and role conflict, identified as role stressors have been reported to be negatively associated with job satisfaction.

Figure: 4.9. INTERVENTION & OUTCOME OF EMPLOYEE RETENTIONS
In recent times, employees’ demand and expectations have undergone a sea change. Money no more seems to be the prime motivator. Rather, people enquire about career prospects in an organization before applying for a job. To improve retention, companies should adopt career development policies in alignment with the needs of the employees (Wetprasit, 2006). Employee empowerment practices positively affect employee satisfaction (Voisard, 2008; Dewettinck et al., 2003; Halvorsen, 2005, Kirkman & Rosen, 1999). Employees can be empowered through involvement, which in turn is possible through greater emphasis on collective bargaining, continuous improvement of team performances and suggestion schemes.

4.7. Factors affecting Employee Satisfaction:

Employee Satisfaction is a many-faceted thing. The contemporary employer has much to consider beyond the basic terms of employment having to do with wages and hours. Each worker wants the optimal setting for work, and there can be intense competition for skilled workers. Even the mundane, less-skilled positions can suffer from too much turn-over, so the employees need to have satisfaction on the job.

1. Environment – pleasant workplace, efficient, and healthy
2. Support - incentive program, Daycare, Flexi-time, have a voice in policies.
4. Mission - Encouragement and extra-curricular activities
5. Upkeep, Image - premises clean and tended, with the infrastructure intact Working technology and smooth communications.
6. Worth - feel as though they are getting a fair, competitive wage and that they are appreciated.
4.8. Turnover:-

In a Human Resources Management, turnover or staff turnover or labor turnover is the rate at which an employer gains and losses employees. 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, if skilled workers are often leaving and the worker population contains a high percentage of novice workers. Like recruitment, turnover can be classified as 'internal' or 'external'. Internal turnover involves employees leaving their current positions and taking new positions within the same organization. Both positive (such as increased morale from the change of task and supervisor) and negative (such as project/relational disruption, effects of internal turnover exist, and therefore, it may be equally important to monitor this form of turnover as it is to monitor its external counterpart. Internal turnover might be moderated and controlled by typical HR mechanisms, such as an internal recruitment policy or formal succession Planning. Turnover often means that employees are unhappy with the work or compensation, but it can also indicate unsafe conditions, or that too few employees give satisfactory performance (due to unrealistic expectations or poor candidate screening). The lack of career opportunities and challenges, dissatisfaction with the job-scope or conflict with the management has been cited as predictors of high turnover.

4.9. Meaning:-

Employee turnover refers to the number or percentage of workers who leave an organization and are replaced by new employees.
4.10. Definition:-

The ratio of the number of workers that had to be replaced in a given time period to the average number of workers

Or in other words we can say Employee Turnover is the Percentage of a company's employees who leave during a specified period. Although it is most often expressed at annual turnover rate, the calculation can be done for shorter or longer periods.

Turnover can be caused by employees who leave on their own. This is called voluntary turnover. When an employee leaves because of a layoff or a disciplinary firing this is called involuntary turnover. The total of the two is called total turnover.

To calculate turnover rate divide the number of employee who left, in each category, by the total number of employees at the start of the period.

4.11. Theory of Turnover:

The traditional theory of how employees make the decision to leave a job focuses on two key variables:

1. The employee’s level of satisfaction/dissatisfaction with their current employment, and
2. The perceived desirability and ease of finding new employment.

In fact, this model of turnover is based on the premise that active consideration to leave a job is necessitated by low levels of both job satisfaction and commitment to the organization and this assumes that turnover decisions follow a rational and fairly deliberate, pre-determined path.

However, in recent years, this simple model has been shown to be less effective at predicting turnover since there is not necessarily an orderly progression from dissatisfaction with a job to a search for alternative employment. There has also been increased recognition that many other factors can influence an employee’s decision to leave. Furthermore, the extent and availability of perceived alternatives for
employment have not been shown to be a good predictor of turnover and thus overemphasizes the role of pay as a motivator to leave, at the expense of other intrinsic sources of job satisfaction.

As a substitute for the traditional model of turnover, the “unfolding” model of employee turnover has identified five main “paths” as the most comprehensive means of summarizing why employees leave their jobs. For three of these paths, a critical event or disruption (“shock”) in the employee’s routine is sufficiently strong that it may lead to turnover, even including abrupt decisions to leave made without the consideration of alternatives and without having the employee experience a slow withdrawal of commitment to the organization. In other words, this model does not assume that there is a linear and continuous relationship between the factors contributing to the decision and the turnover decision itself – rather, the “unfolding” model is more representative of the “threshold” nature of the decision to leave a job.

It is extremely important to recognize, however, that such events or “shocks” can occur either inside or outside of the organization and can be either positive or negative. The following examples help to illustrate the possible range and variety of disruptions or shocks that employees may experience and that may lead to turnover:

Examples of shocks outside the control of the employer

- Becoming pregnant, being admitted to college, being relocated to another city because of your spouse’s job – these are the types of changes that generally do not prompt employees to reassess their attachment to the organization but can lead directly to a decision to leave, often because the employee already has a pre-existing plan of behaviour in place.

Examples of shocks within the control of the employer

- Getting a new supervisor, being passed over for a promotion, being relocated to another city because of your job – these are the types of changes that can cause employees to re-evaluate their commitment to the organization and then decide to leave, whether deciding quickly or over a longer time period and whether or not they have an alternate job in place.
Table No. 4.11.1 the five paths of the unfolding model can best be summarized as follows:

<table>
<thead>
<tr>
<th>Path</th>
<th>Initiating event</th>
<th>Reassess attachment</th>
<th>Relative satisfaction</th>
<th>Alternate job search</th>
<th>Time of decision</th>
<th>Proportion of departures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Disruption (“Shock”)</td>
<td>No, since an alternate plan is often already in place</td>
<td>High (not relevant to the decision to leave)</td>
<td>No</td>
<td>Very short</td>
<td>Approximately 5%</td>
</tr>
<tr>
<td>2</td>
<td>Disruption (“Shock”)</td>
<td>Yes</td>
<td>Medium/Low</td>
<td>No – shock is so great as to trigger leaving without a job search</td>
<td>Short</td>
<td>Approximately 5%</td>
</tr>
<tr>
<td>3</td>
<td>Disruption (“Shock”)</td>
<td>Yes</td>
<td>Medium/Low</td>
<td>Yes</td>
<td>Long</td>
<td>55%-65%</td>
</tr>
<tr>
<td>4 A</td>
<td>Accumulated dissatisfaction</td>
<td>Yes</td>
<td>Low</td>
<td>No</td>
<td>Medium</td>
<td>Approximately 5%</td>
</tr>
<tr>
<td>4 B</td>
<td>Accumulated dissatisfaction</td>
<td>Yes</td>
<td>Low</td>
<td>Yes</td>
<td>Long</td>
<td>20%-30%</td>
</tr>
</tbody>
</table>

Subsequent analysis of this model has found validation in the premise that critical events are predictive of turnover and that an employee’s decision to leave is not necessarily mediated by a “slow burn” in work attitudes/satisfaction or by a deliberative search for alternative employment.
4.12. The main reasons for leaving

In traditional internal face-to-face exit interviews, “better pay” and “better job opportunity” are often the main reasons cited for leaving the organization. However, relying on the information gathered in this way can be misleading, since, in this type of interview situation, employees are often reluctant to identify the true causes for their decision to resign and tend to provide more “socially acceptable” reasons for leaving.

This is not to suggest that pay has no influence over an employee’s decision to leave. Rather, this issue emphasizes the need to be sensitive to both “push” and “pull” factors that may have influenced the employee’s decision.

4.13. Models of turnover:

Over the years there have been thousands of research articles exploring the various aspects of turnover, and in due course several models of employee turnover have been promulgated. The first model and by far the one attaining most attention from researcher, was put forward in 1958 by March & Simon. After this model there have been several efforts to extend the concept. Since 1958 the following models of employee turnover have been published.

- March and Simon (1958) Process Model of Turnover
- Porter & Steers (1973) Met Expectations Model
- Price (1977) Causal Model of Turnover
- Mobley (1977) Intermediate Linkages Model
- Whitmore (1979) Inverse Gaussian Model for Labour Turnover
- Steers and Mowday (1981) Turnover Model
- Sheridan & Abelson (1983) Cusp Catastrophe Model of Employee Turnover
- Lee et al. (1991) Unfolding Model of Voluntary Employee Turnover
In order to collect the most effective information from departing employees, employers need to recognize the need to provide departing employees with a forum that makes them comfortable revealing the full range of factors that led to their resignation and encourages them to give an honest critique of the expectations, conditions and requirements of their jobs. With the use of an exit survey system that effectively canvasses the opinions and attitudes of departing employees, a wide range of operational, organizational and personal variables affecting the decision to leave are likely to be uncovered. It is this information that is essential to highlighting the areas of perceived deficiency in the organization’s working environment and can then be used to plan effective retention strategies and actions.

4.14. Factors affecting Turnover:

High turnover tends to occur in jobs where employees view themselves as undervalued. Low pay is one factor, but turnover also increases when employees feel they are not treated with respect and where there is a lack of teamwork, or where management is viewed as arbitrary and overly demanding. A lack of flexible work scheduling can also cause employees with families, especially women, to leave a job. Turnover can also increase when there is a change to the corporate structure, such as a merger or a major organizational restructuring. Jobs where there are high levels of stress or injury, such as police officer, child-care worker and construction worker, may also have higher level of turnover.