HOW TO STOP EMPLOYEE TURN OVER?

[1]R.Chandra Shekar, [2]Sanjay Kumar.P

[1]Professor, [2]Associate Professor
Department of Management,
Aurora's PG College-Ramanthapur

Abstract: **Employees are the assets of any organization. Understanding the changing needs of the employees has become more imperative in the present day competitive world. Effectively managingthe employees in fact has become one of the key success factors for the present day corporates. Any organization can leverage effectively in the competition, with a strong base of human resources.Employee turnover is a major challenge being faced by the industry in India and abroad. Employeeturnover is a setback for any organization, however successful it may be in all other endeavours. Ifthe employees' needs are not fulfilled by the organizations, it leads to employee turnover. In this backdrop, it is proposed to understand the concepts of employee turnover, study the reasons for turnover and find out some possible ways to reduce turnover effectively. Through this paper the author focused on reasons of employee turnover, types of turnover and discussed about various turnover costs and finally presented employee retention strategies to minimize employee turnover.**

Keywords: **Employees, Employee Turnover, Retention Strategies**

INTRODUCTION:

Employee turnover is a major challenge being faced by the industry in India and abroad. It isthe rate at which employees are leaving an organization on an annual basis. It can be expressed asa percentage by dividing the number of employees who left over the year by the total number of employees who were with the organization at the beginning of the year. For example, if an organizationhas 1000 employees at the beginning of the year and 120 employees left the organization, the organization has an employee turnover of 12 percent Employees are the valuable assets of any organization. Because of this internal marketing is one among the service marketing triangle whichemphasizes the fact that employees are internal customers and their jobs are internal products andorganizations have to endeavour to offer internal products that satisfy the needs and wants of theseinternal customers while addressing the objectives of the organization. Organizations are striving toretain their talents by implementing effective retention strategies.

Engaged workers are more productive, perform better, motivate others and, perhaps most importantly – stay. So it is also no surprise that in a labor market such as India when attrition ratesof 20 - 30 per cent are normal and 50 per cent in industries such as IT not unheard of, serious questions about engagement are being asked.

A recent survey by Mercer[1] highlights that no fewer than 54 per cent of Indian workers areseriously considering learning their job, and that figure spikes to 66 per cent in the age group of 16 – 24 years. The really tricky part is that the people considering leaving are not even desperately unhappy. 76 per cent of Indians as per surveyed report satisfied with their jobs and 75 per cent with their organizations.

Then what appears to be the problem?

It boils down to 3 key drives of attrition in India:

1. Because they can:

Yes, there is a generational factor. Indian millennial is not different fromthose elsewhere – they just have more opportunities in their buoyant market at present. Young Indiansare looking to fast-track their learning experiences and their seniority, and job-hoppingappears to be a good way to achieve both. A 2012 survey by Catalyst[2] shows that 78per cent young Indians aspire to senior executive roles, and they are very impatient about getting there.

2. Market frenzy:

Don't think that a population of 1.2 billion with a workforce over 488 million must haveplenty of talent to spare with the world's youngest medium age at 26.2 years (U.S. 36.9, Russia 38.7 and Japan 44.8), Indian educational institutions cannot cope with the quantity or quality of education required by the industry. Because of this, only a smallpercentage of Indians hold tertiary qualifications, and of these only an estimated 15per cent are of international standards. India needs an estimated 2735 additionalmanagers each year, and only 1740 are available.

3. Bad management:

The middleman must carry some of the blame for high employee turnover: many employees are passively unimpressed by or actively disenchanted with their managers.In a market where higher pay is the main motivator for job change, one survey of Indian organizations[3] attributes 48 per cent of employee turnover to poor relationshipsbetween employees and their supervisors.

Employee turnover can be voluntary or involuntary:

Some employees leave the organizations voluntarily while others leave involuntarily due tofiring, layoff or other organizational charge.

Voluntary reasons for leaving an organization include better opportunities elsewhere, low jobsatisfaction, unrealistic expectations of the job or the workplace, lack of challenge or feeling of accomplishment on the job, limited growth opportunities, and poor financial performance of the organization.Employees also leave the jobs for personal reasons such as health or caregiving

Employee turnover can be either functional or dis functional

Employee turnover can be either functional or dysfunctional. When productive employeesleave the organization, it is called dysfunctional turnover and when poor performers leave the organization it is said to be functional turnover.[4]

Functional turnover is common in large consulting, accounting and law firms that employsan "up or out" philosophy.

Dysfunctional turnover happens for a variety of reasons, but a common cause is low potentialto advance. For example, if a company fills its management positions with external candidate anddoes not offer them to internal employees, employees are likely to seek external opportunities foradvancement.

In its 2011 Human Capital Bench Marketing Report, the Society for Human Resource Management (SHRM) defined employee turnover as the rate at which employees leave a companyin a defined period of time eg., a month or a fiscal year. The easiest way to calculate employee turnover is by counting the number of people who lave a department or an organization in a givenperiod and dividing that number by the average number of people in a department or an organization.For example, if the manufacturing division of an organization has 200 employees and 4 employeesleft in February, the employee turnover or reparation rate would be 4/2000 X 100 or an employeeturnover rate of 2 per cent.

Employee turnover cost :

It is estimated that the cost of employee turnover can range from 40 – 400 per cent of an employee's annual salary.[5] The total cost of turnover including money, time, and other hidden costsor "soft" costs which when combined, are often much more substantial than expected "Hard" costs of Turnover:

– Administration costs for leavers: exit interviews, payroll changes, etc.
– Covering a vacancy with temp – workers or overtime.
– Recruitment and selection costs:Advertising the vacancy, Reviewing application, Conducting interviews etc.
– On-boarding new hire:Induction
Training etc.
– Severance pay

"Soft" costs of turnover

– Lost expertise
– Missed deadlines
– Increased absenteeism due to stress
– Decreased production or customer service
– Reduced morale, which may cause remaining employees to express a desire to leavethe organization.

Employee turnover is one of the largest though widely unknown costs an organization faces.Ernst & Young[6] estimates it costs approximately $ 120000to replace 10 professionals. Employee turnover costs companies 30 to 50 per cent of the annual salary of entry – level employees, 150 percent of middle level employees, and up to 400 per cent for upper level, specialized employees. According to research done by Sibson & Company, to recoup the cost of losing just one employee,a fast food restaurant must sell 7613 combo meals at $2.50 each.

Thus, companies have to adopt proper measures to retain employees. Retention is not just toreduce the employee turnover costs but also the need to retain talented employees. If an organizationmanages people well, employee retention will take care of itself.

FIVE RETENTION STRATEGIES:

Popularly there are 5 major strategies which serve employee retention to avoid employee turnover.

1. Compensation
2. Environment
3. Growth
4. Relationship
5. Support

Compensation includes salary and wages, bonus, benefits, perquisites, stock option, vacationetc. While setting up compensation package, the following components should be kept in mind.

Salary and monthly wage is the biggest component of the compensation package. It includes

a. Basic wage b. House Rent Allowance c. Dearness Allowance and d. City Compensation Allowance.

Salary and wags represents the grade, level of skill, responsibilities and experience an employeehas. Time to time increase in the salary and wage should be done to motivate and to improve economic condition. And this increase should be based on the employee's performance and lies contribution to the organization. Benefits include paid holidays, leave travel concession, etc. Long-term incentives include stock options or short grants. These incentives help retain employees in the organization start up stage.

Health insurance is a great benefit to employees. It saves employees' saving money as wellas gives them a piece of mind. Employees have belief, trust and owning the organization internallyand work for the organization, if the organizations provide this facility to their employees. In turn,it reduces employee turnover.

Work **environment** includes efficient managers, supportive co-workers, challenging work,involvement in decision-making, clarity of work and responsibilities and recognition. The environmentshould be such that the employee feels connected to the organization in every respect.

Personal **Growth** and career growth and development are the integral part of every individual'scareer. Human Resource Development

has to take care of employee growth to retain their employees.
Management expected to maintain cordial **relationships** with their employees to maintain to stop employee turnover and need to know employee desires which can be fulfilled by the organization and offer employee desires if it is reasonable.
The feedback from supervision helps the employee to feel more responsible, confident andempowered. Top management can also **support** its employees in their personal crisis by providingpersonal loans during emergencies, child care services, employee assistance programmes, counselingservices, etc.
Employers can also support their employees by creating an environment of trust and inculcatingorganizational values into employees. Thus, employers can support their employees in a number ofways as follows:

- By providing feedback
- By giving recognition and rewards.
- By counseling
- By providing emotional support

Along with the retention strategies it will be useful if I discuss by level employee retentionstrategies. Because motivational factors are different form one level to another and employees perceptions may vary based on their levels. Thus, ***employee retention strategies*** **can be appliedas follows:**

Low level employee retention strategies:

- Appreciating and recognizing a well done job.
- Congratulations e-card.
- Value mails or messages from top managers.

- Wedding gifts.
- New born baby gifts.
- Scholarships for employee's children
- Dependent's care assistance
- Providing training and development for personal growth opportunities.
- Individualized career guidance.

Medium level retention strategies:

- Appreciating and recognizing a well done job
- Special bonus for successfully completing firm-sponsored Certifications
- Benefit programs for family support
- Child adoption benefits
- Flexible benefits
- Dependents care assistance
- Medical care reimbursement

High level retention strategies :

- Promoting work/life effectiveness.
- Develop support services
- Develop flexible schedules
- Extended leave of absence
- On-site ay care facilities.

Along with 'employee retention strategies' and 'by level retention strategies' it is also necessary for the managements of the organizations to understand the changing needs of the employees time to time. This facilitates organizations to fulfill the needs of the employees and thereby overcoming the problem of employee turnover and the resultant cost.

UNDERSTAND EMPLOYEE NEEDS:

This can be done through proper management style and culture.

- Financial planning assistance
- Casual dress policies
- Facilities for expectant mothers
- Parking

- Parenting guide
- Location rooms
- Celebrate birthdays, anniversaries, promotions, etc.
- Occasional parties like a diwali, holi, dushera etc.
- Organize get together for watching football, hockey, cricket matches.
- Organize picnics and trips for movies, etc.
- Sports outings like cricket match, etc.
- Indoor games

– Occasional stress relievers
– “Casual dress” day
– “Green is the color” day
– Tatoo methods, hair branding stalls in weekends.

CONCLUSION:

Employee turnover is one of the major challenges for organizations in the present competitiveworld. This leads to increase in high employee turnover costs includes administrative costs for leavers, recruitment and selection costs for new joiners, employee training and developmental costs. Along with these costs organizations have to bear soft costs like lost expertise, missed deadlines, decrease in production or customer satisfaction etc. Due to the same organizations are loosing confidential data/information and business/industry core competencies along with leavingemployees. To minimize these employee turnover costs, organizations cope-up with employee retention strategies. To make the employees happy and satisfied in person and towards organization,employees are to be motivated with monetary and non monetary benefits and services in addition todirect remuneration. By understanding the changing needs of the employees, organizations may follow retention strategies like compensation, environment, growth, relationship and support strategiesto minimize employee turnover costs and to make employees satisfied by all means.

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