



Employee Turnover-A Study of Its Causes and Effects to Different Industries in India

Dr. Hardik Soni.

Science & Humanities Dept., Sigma Institute of Engineering

Abstract — Productivity is very important issue for an industry or organization. There are several factors on which productivity of an organization mostly depends upon. Employee's turnover is one of them which is considered to be one of the challenging issues in business nowadays. 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 by several organizations globally. The purpose of this research is therefore, to find out the actual reasons behind turnover and its damaging effects on the productivity of different industries in India. The author of this paper visited and studied several industries both from government and non-government sectors in India and observed the suffering for turnover problems. The objectives of these case studies were to find out the actual reasons of turnover, its negative effects and possible recommendations that could be helpful to the local industries for their productivity and market share.

Keywords- Employee turnover, Job satisfaction, Industrial regulation, Productivity.

1. Introduction

Today's competitive business world, it is considered to be an important task to manage employee turnover for any organization. Naturally people want diversities in his/her everyday life; seeks for new and challenging jobs and good working environment in job place. To provide these things to the employees in an economic way is very difficult and cumbersome. But it is also crucial for any organization to retain its talented employees. Every organization wished to have high productivity, fewer turnovers and to be profitable. Managing turnover successfully is a must to achieve the above goals.

In India, it is very important to manage turnover for both government and non-government sectors. In government sectors, although some fringe benefits are given to the employees regularly do not satisfy them sufficiently. In private sectors, though salary and benefits are high but security of job is less. Due to these reasons turnover rate in private sectors are higher than public sectors. Turnover rate also varies from manufacturing to service sectors.

Very few researches have been conducted related to turnover in India so far. The owners of the business organizations do not concentrate on this important issue because of less awareness. They have little idea about how detrimental the effect of turnover is into the productivity of their organizations. In recent years, researchers are conducting research on turnover. The significance of this research is to identify the actual reasons of turnover, to analyze how turnover affects productivity on organizations, to find out the possible solutions of reducing turnover and to help business organizations by identifying their problems, analyzing the information's and recommending for possible solutions.

The rest of this paper is organized as follows. Section 2 presents a brief literature review on turnover. Section 3 provides the research methodology whereas section 4 presents the causes and influencing factors of turnover. Section 5 introduces the relationship among turnover and productivity and the case studies results are analyzed in section 6. Finally section 7 concludes the paper with providing some future research directions.

2. Literature Review

The rate of turnover varies from company to company. The highest level of turnover normally found in private sectors than public sectors. The levels of turnover also vary from region to region. The highest rates are found where unemployment rate is lower and where it is easy for people to get alternative employment [1]. Sometimes employee turnover benefits organizations positively. This might happen when a poor performer is replaced by a more skilled employee and when a retired employee replaced by a younger one. Employee turnover may be also costly as it requires different cost to take account such as administrative costs of recruitment, cost of covering during the period in which there is a vacancy, training cost for the new employee etc. [2].

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 [3]. 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 [4]. A lack of proper training and development is also major cause for voluntary turnover. Employees have a preference for security of their jobs.

Turnover could be minimized through considering different preventive measures by the management. These may include providing training to the line managers for an effective supervision before appointing or upgrading them, providing security of jobs with good working environment etc. There may be an offer for re-training the existing managers who have a poor record at keeping their staff happily. Supervising managers could be accountable for employee turnover in their teams. Maximization of opportunities for individual employees such as accommodate individual preferences on working hours, regular appraisals, providing as much job security as possible can help to reduce turnover [5].

Employee turnover can be extremely devastating for any company. It makes the employers difficult to maintain a steady and successful operation. Management should have their own rating on employee turnover and measurement how this affects organizations performance. Losing a single key worker can decrease the likelihood of a project's success and can reduce investors' confidence in the firm [6].

Many academic scholars pointed out turnover as the correlation between job dissatisfaction and decreased organizational commitment. The stronger the feeling of discontent in one's job, the more likely one is to begin a search for an alternative job. This perspective on turnover highlights the role of emotions and attitudes as antecedents of behavior. When an employee leaves an organization, it can have a variety of effects that not only impact on the organization, but also the individual employee and the society [7].

Turnover is an index of organizational effectiveness and as such it authorizes attention and some understanding of itself. Additionally, however information on turnover can help the planning, prediction and control of resources [8]. Despite an enormous literature on turnover in organizations, there is as yet no universally accepted account or framework for why people choose to leave [9].

The phenomenon of turnover is of interest to organizations and theorists because it is significant, potentially costly and relatively clear cut [10, 11, 12]. It also describes the end result of a decision process. The goal of 'effective management of turnover' dictates that a high level of sophistication, and thereby particularity, needs to be achieved by organizations in order to selectively influence the turnover process. However, the phenomenon has not so far proved amenable to prediction. Although some researches have focused on potential predictors of turnover behavior, such as job tenure, locus of control etc. [13, 14].

3. Research Mythology

This research were conducted by taking interview of the top, middle and lower level management of organizations and the workers to find out the causes of turnover in terms of salaries, working environment, security of jobs etc. During the time of interview, the main concern was why an employee plan to leave a job and if not leave why? Also to find out how employers plan to keep their talented employees in hand by providing them extra benefits and what may be the other possible solutions to control employee leaving they think. Before interviewing, the studies were divided in two categories; private sector and government sector (both manufacturing and service).

For the interview, two types of questionnaires were prepared. First one for the employers; consist questionnaires related to the view of the employee turnover, causes of turnover, their plan to prevent turnover in their organizations and the second one for employees; consists of questionnaires about the employee's personal information related to their organizations, their view about turn over and their jobs. After collection of data, the information was analyzed by applying several techniques such as plotting curves and tables to represent the results graphically. Finally all the outcomes were marked out and concluded the recommendations for further research.

4. Turnover: Causes and Influencing Factors

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. We explore some of these factors in more detail below:

(i) The economy - in exit interviews, one of the most common reasons given for leaving the job is the availability of higher paying jobs. Some minimum wage workers reported for leaving one job to 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.

(ii) 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, challenges, danger, perceived importance and capacity to elicit a sense of accomplishment.

(iii) Demographics - empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.

(iv) 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.

(v) A bad match between the employee's skills and the job – Employees who are placed in jobs that are too difficult for them or whose skills are underutilized may become discouraged and quit the job.

(vi) Substandard equipment, tools or facilities – If working conditions are substandard or the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time.

(vii) Lack of opportunity for advancement or growth – If the job is basically a dead-end proposition, this should be explained before hiring so as not to mislead the employee. The job should be described precisely, without raising false hopes for growth and advancement in the position.

(viii) Feelings of not being appreciated – As employees generally want to do a good job, it follows that they also want to be appreciated and recognized for their works. Even the most seasoned employee needs to be told what he or she is doing right once in a while.

(ix) Inadequate or lackluster supervision and training – Employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of a training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.

(ix) Inadequate or lackluster supervision and training – Employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of a training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.

(x) Unequal or substandard wage structures – Inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit. Again, a new worker may wonder why the person next to him is receiving a higher wage for what is perceived to be the same work.

5. Relationships among Turnover and Productivity

Turnover deeply related with the productivity of an organization. Employee turnover can hamper the overall productivity of an organization and is often a symptom of other difficulties. Productivity is the measures of an organization to achieve its targeted production with the means of workforce, authority's strategies, machineries, equipment and assets [15]. Authorities must have plans to increase their productivity. Various terms affect productivity such as incentive scheme, line balancing, scheduling, etc. [16].

Production of a manufacturing organization is hampered due to labor turnover. This problem is one of the main factors for Ready Made Garment (RMG) sectors in India. Small percentage of turnover may cause considerable amount of production lost. Turnover directly affects the production and productivity. It causes a replacement which is costly and time consuming. So many formalities have to maintain to replace a person. During that time production is hampered to a great extent. There are also other difficulties during the replacement of workers such as follows:

- The newly replaced worker may not be efficient like the previous one. The newer one takes time to be easy with the new system, with the co-worker, to be habituated with the new environment etc.
- During the time of replacement the co-worker faces problems due to the vacancy. After the replacement the co-worker have to spend time from their task to help the new worker.
- Some organizational authority point on the turnover tendency of the worker that affects their productivity. Suppose, a worker may get assurance from another organization for joining and the joining date may be after one month later, then the worker gives up concentration from working. At the time productivity of the organization falls down.
- Newly appointed employee may not be trained properly for the new position and needed time consuming training for settle down with the new job place.
- There may be cultural differences between new employees with the previous one which slows down his / her job performance. Demographic position also influences workers performance and characteristics.

All the causes mentioned above contribute hugely to the damage of productivity of any organizations or service sectors. Care therefore must be taken to reduce or minimize turnover rate as minimum as possible.

6. Result Analysis

The causes and solutions of turnover are discussed with the viewpoint of the interviewees. The effects of turnover to the production and productivity are also discussed. The data collected from different case studies have been analyzed and required calculations have been done to plot the production curves and graphs. For the purpose of analysis both industries from government and private sectors have been selected. Production curves from both sectors have been drawn and comparative studies were done. In total 44 employees were interviewed to measure turnover effects and remedies.

Table1 shown below presented an overall turnover rates among studied organizations both from private and government sectors. It indicates that turnover rate is much higher in private sectors than government sectors. On average,

turnover rate in government sectors is 8.87 % whereas in private sectors it is 26.67 %. This may happen due to the security of job in government sectors is higher than private one though salary structures is higher in private sectors than government one.

Table 1 Turnover rates among organizations

Name of Organization	Turnover Rate (%)
<i>Private Sectors:</i>	
Apollo Tyres	25%
Balaji Group	20%
Bharat Forge	32%
Bombay Dyeing	23%
CEAT	26%
Infosys Technologies	31%
<i>Public Sectors:</i>	
Bharat Sanchar Nigam Limited	9%
Hindustan Antibiotics	8%
IFCI Limited	10%
Indian Oil Corporation	6%
National Insurance Co Ltd	10%
Rajasthan Electronics and Instruments	7%

From Tab.2 and Fig.1 we can observe different causes of turnover that induced from case studies. It indicates that less salary is the highest among the causes of turnover which is 33% whereas irregular payment, improper management and better job option are other considerations too.

Table 2 Different causes of turnover

Irregular payment	No. of People Mentioned	% of Response
Less salary	12	12%
Improper management	32	33%
Job location	10	10%
Better job option	7	7%
Noisy work environment	10	10%
Insufficient medical allowance	6	6%
Leaving tendency of people	2	2%
Job insecurity	2	2%
Job dissatisfaction	5	5%
Working time	3	3%
Less increment	1	1%
Behavior at root level	1	5%
Delay in promotion	1	1%

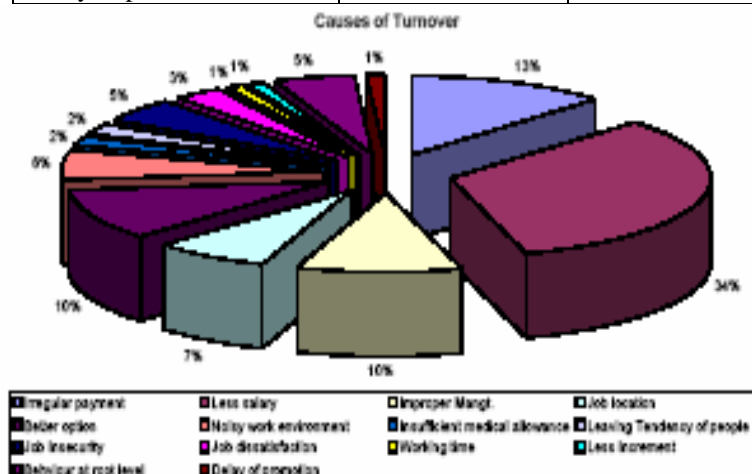


Fig. 1 Causes of turnover

In Tab.3 and Fig.2 shown below indicates the basic reasons why employees stay in an organization. From the table it is clear that employee prefers job security in the top most position which is 39% in total. Pension, increment and job location also occupy a considerable amount of choices among employees. It is therefore, very much essential for the management authorities of any organization to provide security of the job of their employees to reduce turnover rate. It should be kept in mind that replacing employee with old one normally decreases the production rate. At the same time if the newly recruited workers are much expert than old ones will benefit for the company too. Turnover therefore sometimes considered being tradeoffs among organizations.

Some recommendations to minimize or reduce turnover rates could be seen in Tab.4 and Fig.3. Here we can observe that standard salary structure is the highest among other choices though standard increment and medical facilities are also attracts more employees too.

Table 3 Causes of staying in the organizations

Causes of People Staying	No. of People Mentioned	% Response
Job is secured	17	39
Pension	11	25
Good location	7	16
Better salary structure	6	14
Bonus	7	16
Increment	10	25
Secular bonus system	4	9
Loan facilities	4	9
Unavailability of another job	3	7
Gratuity & PF	4	9
No bond	4	9
Welfare	2	5
Insurance	1	2
Training program	1	2
Good working environment	6	14
Good stream relation	3	7
Timely payment	4	9
Living cost is lower	2	5
Good behavior of top management	3	7
Timely promotion	1	2
Reward for performance	2	5
Disciplined management	2	5
Less working hour	3	7

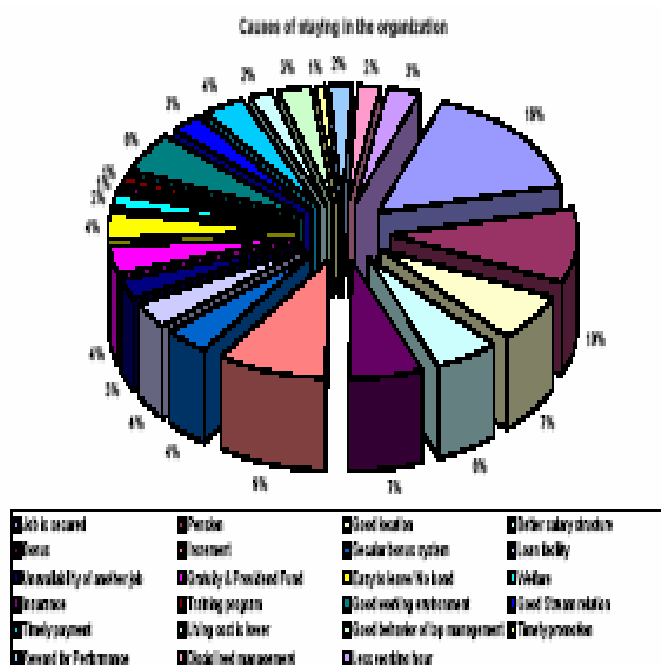


Fig. 2 Causes of people staying in the organization

Table 4 Analyses of proposed solutions

Solution Proposed	No. of People Mentioned	Percentage
Standard salary structure	35	80
Standard increment	31	70
Modest facilities	20	45
Motivating strategy	3	7
Accommodation facilities	1	2
Standard management	2	5
Good stream relations	3	7
Emergency fund for employees	1	2
Better work environment	1	2
Package offer	6	14
Suitable transfer	1	2

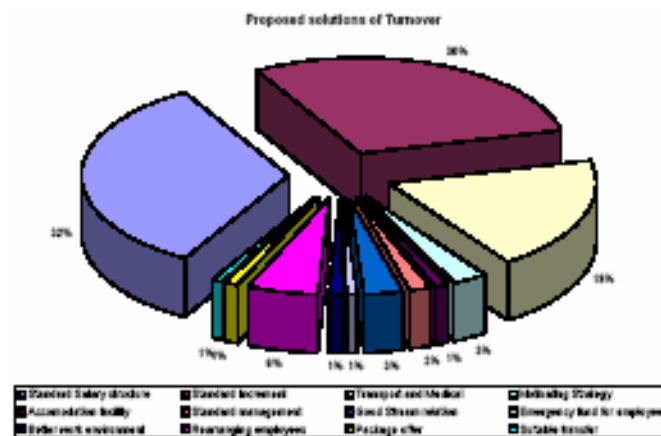


Fig. 3 Proposed solutions of turnover

7. Conclusion

Turnover is a burning issue for any organizations. For the steady productivity of an organization it is essential to maintain its skilled workforce. But most of the times it is very difficult to control the turnover rate within organizations. There are so many factors that affect turnover. According to the theoretical discussion and the case studies many solutions to reduce turnover has been discussed. First of all, obviously satisfactory salary structure helps to reduce turnover though job security also an important issue too. But it is not the only and always the solution for the authority. A person does not stay in an organization only for salary but he/she may stay for many other reasons such as, rearranging employees, good stream relation, better working environment, preferable job location etc.

Productivity of an organization depends on the skills or expertise of its workforce. A skilled worker may be an asset for any organization. If a skilled person leaves an organization the effects will be very high where as in case of a semiskilled or un-skilled person the effect will be less. As a result, a vacant place of a skill labor may be filled by another new worker but production falls due to their skill difference. On the other hand, five or six semi-skilled or unskilled labor may be turnover but those empty places can be filled by one or two skilled labors. It is therefore, crucial to maintain a constant workforce particularly for the skilled ones in an organization to reduce turnover for the betterment of the organization.

Most of the work of this paper is obviously theoretical but a complete mathematical model to measure this turnover rate can be done in future research. If the skill of the employee or worker is expressed in terms of weight or in percentage, a mathematical model then could be possible to measure the direct relationships of turnover and productivity. To develop such model we have to consider so many factors such as; relationships among wage and salary structure, compensations, fringe benefits, location advantage, job security, social and economic factors to turnover etc. To integrate all these factors in a model could show a new way to control turnover for the managerial concern.

References

- [1] RANKIN, N.: Benchmarking labour turnover. IRS Employment Review. No 842, 3 March; 2006, p. 42-48.
- [2] PHILIPS, J.D.: The price tag on turnover. Personnel Journal. December; 1990, 69(12): 58-61.
- [3] CAMPION, M.A.: Meaning and Measurement in Turnover: Comparison of Alternative Measures and Recommendations for Research. Journal of Applied Psychology, 1991, 76: 199-212.
- [4] CARSTEN, J.M. and SPECTOR, P.E.: Unemployment, Job Satisfaction, and Employee Turnover: A Meta-Analytic Test of the Machesney Model. Journal of Applied Psychology, 1987, 72: 374-381.

- [5] HUTCHINSON, S. and PURCELL, J.: Bringing policies to life: the vital role of front line managers in people management. Executive briefing. London: Chartered Institute of Personnel and Development. 2003, Available at <http://www.cipd.co.uk/bookstore>
- [6] LEE, T. and MITCHELL, T.: Control Turnover by Understanding its Causes. Handbook of Principles of Organizational Behavior. Malden, MA: Blackwell Publishers Ltd, 2000, p. 90-104.
- [7] MOBLEY, W.H.: Employee Turnover: Causes, Consequences and Control. Addison-Wesley Reading, 1982.
- [8] PRICE, J.L. and MUELLER, C.W.: A Causal Model of Turnover for Nurses. Academy of Management Journal, 1981, 24: 543-565.
- [9] ABELSON, M.A.: Examination of Avoidable and Unavoidable Turnover, Journal of Applied Psychology, 1987, 72: 382-386.
- [10] LAZEAR, E.: Performance pay and productivity. American Economic Review, 2000, 90:1346-61.
- [11] PRICE, J.L.: The Study of Turnover, Iowa State University Press, Iowa, 1977.
- [12] MOBLEY, W.H.: Intermediate linkages in the relationship between job satisfaction and employee turnover. Journal of Applied Psychology, 1977, 62: 238.
- [13] CLARK-RAYNER, P. and HARCOURT, M.: The Determinants of Employee Turnover Behaviour: New Evidence from a New Zealand Bank. Research & Practice in Human Resource Management, 2000, 8: 61-71.
- [14] SHAW, J., DELERY, J., JENKINS, G. and GUPTA, N.: An Organization- Level Analysis of Voluntary and Involuntary Turnover. Business School Research Series, January 2001, ISBN 1 85901 169 1.
- [15] MAERTZ, C.P. and CAMPION, M.A.: (1998). 25 years of voluntary turnover research; A review and critique. In C.L. Cooper & I.T. Robinson, (Eds), International Review of Industrial and Organizational Psychology: London, John Wiley & Sons, Ltd. 1998, p. 49-86.
- [16] GRIFFETH, R.W., HOM, P.S. and GAERTNER, S.: A met analysis of antecedents and correlates of employee turnover. Update, moderator tests, and research implications for the next millennium. Journal of Management, 2000, 26: 463-488.