A STUDY ON EMPLOYEE TURNOVER

(With special reference to Go Go International Pvt Limited, Hassan, Karnataka, India)

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ABSTRACT

The purpose of this research article is to find out the relationship of the factors such as compensation and benefits, existence of alternative opportunities in the competitors firm, relationship between top management and employees, work environment and its effect on the employee turnover in an organization. For this purpose the researcher has designed the hypothesis to shed light on the impact of variable factors on the individual’s decision to quit the organization and it’s also been tested. The managerial implications are outlined and the paper concludes with the directions for future research.

Key Words: Employee turnover, Compensation and Benefits, Alternative Opportunity, Relationship with Top Management, Work Environment.

1.0 Introduction

Employee turnover, as defined by Hom and Griffeth (1994), is ‘voluntary terminations of members from organizations’. Loquercio et al. (2006) observed that staff turnover is the
proportion of staff leaving in a given time period but prior to the anticipated end of their contract. According to Singh et al. (1994), staff turnover is the rate of change in the working staffs of a concern during a defined period. Ivancevich and Glueck (1989) is of the opinion that staff turnover is the net result of the exit of some employees and entrance of others to the organization. Kossen (1991) defined turnover as the amount of movement in and out (of employees) in an organization.

In today’s competitive business world talented employees are considered as key resources. Retaining them in the organization is the major challenge in the global market. Employees have a certain expectations which has to be met by the employers, if not they tend to shift job from the existing organization to the competitors organization. Employee turnover is a serious problem faced by any firm depending upon the turnover rate. It not only affects the quality and productivity of the products being produced but also the profitability of the firm, it also involves a lot of cost such as recruitment cost, induction cost, training and development cost etc. It demotivates the other employees who are working in the firm and it makes it difficult to achieve the organizational goals. In order to overcome all these issues organization has to address it at right time and in a right way. It becomes very necessary for the employers to first identify the reason for employee turnover and come up with suitable measures to overcome them. This problem is very common in almost all types of industries, but its intensity varies from one firm to another. A low level of employee turnover is acceptable in any occupation, in that it offsets potential stagnancy, eliminates low performers, and encourages innovation with the entry of new blood. However, high levels of employee turnover lead to low performance and ineffectiveness in organizations, and result in a huge number of costs and negative outcomes (Ingersoll & Smith, 2003).

Go Go International Pvt Ltd comes under textile industry which is situated in Hassan Industrial area, Karnataka, India. The company exports the garments to EU counties like Italy, France, Denmark, United States of America, United Kingdom, Australia etc. This organization faces the challenge of employee turnover. Statistics revealed that there is a 10% increase in the attrition rate when compared to the previous year. Hence the study aims at identifying the factors influencing employee turnover, so that the organization can come up with strategies to overcome them.

1.1 Literature Review

Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment (Abassi & Hollman, 2000). Staff turnover that can occur in any organization might be either voluntary or involuntary. Voluntary turnover refers to termination initiated by employees while involuntary turnover is the one in which employee has no choice in the termination as it might be due to long term sickness, death, moving overseas, or employer-initiated termination. (Heneman,1998). Turnover is
referred as an individual’s estimated probability that they will stay or not stay in an employing organization (Cotton & Tuttle, 1986).

Turnover is defined simply as “the reverse position of an employee in organization”. Many scholars have defined it very cutely. Cotton and Tuttle (1986) referred to it as an individual’s estimated probability that they will stay with an employing organization. Tette and Meyer (1993) defined it as “Conscious willingness to seek for other alternatives in other organizations”. This is mentioned in the Attitude Behavior theory of Fishbein and Ajzen (1975). Price and Mueller (2001) also described that turnover intentions construct alternative in measuring actual turnover. Job turnover of employees can play a crucial role in an organization’s long term achievements and success because the more workers contend the more the low ratio of employees” turnover, which will in return yields to the organization. It drives the performance towards the targets of its firms and institutions. The vital quality of human resources services which they may render in future is typically polished by retaining the well experienced old employees. Employee satisfaction is interlinked with rewards of retirement benefits or life time benefits and job security.

The topic employee’s turnover is widely studied with multiple perspectives and suggested various factors are the causes of turnover of an employee in an organization. Some factors are demographics and some are biographic e.g. financial rewards, work environment, promotion, feeling of employees self accomplishment and self_recognition, over stress of employees, alternative opportunities, relationship with top management etc.

The research conducted on the link between dissatisfaction with pay and voluntary turnover appears to be inconclusive. Mobley et al (1979) concluded that results from studies on the role of pay in turnover were mixed but that often there was no relationship between pay and turnover. Other studies found no significant relationship. On the other hand Campion (1991) cited in Tang suggests that the most important reason for voluntary turnover is higher wages/career opportunity. Martin (2003) investigates the determinants of labor turnover using establishment-level survey data for the UK. Martin indicated that there is an inverse relationship between relative wages and turnover (ie establishments with higher relative pay had lower turnover).

1.2 Analysis of Variable Factors

1.2 (i) Pay and performance
Griffeth et al (2000) noted pay and pay-related variables have a modest effect on turnover. Their analysis also included studies that examined the relationship between pay, a person’s performance and turnover. They concluded that when high performers are insufficiently rewarded, they leave. They cite findings from Milkovich and Newman (1999) that where collective reward programs replace individual incentives, their introduction may lead to higher turnover among high performers.
There are also other factors which make employees to quit from organizations and these are poor hiring practices, managerial style, lack of recognition, lack of competitive compensation system in the organization and toxic workplace environment Abassi et al (2000)

1.2 (ii) Flat-rate versus piece-rate pay systems

Taplin et al (2003) conducted a large-scale turnover study in the British clothing industry. Two factors emerged as the most significant reasons for employees leaving the industry. One was the low level of wage rates in the clothing industry relative to other manufacturing sectors. The other reason referred to industry image with staff leaving because of fears relating to the long-term future of clothing manufacture in the UK. In this study, turnover rates were highest among the most skilled workers. The study also examined the role of payment systems in turnover. The researchers found that where there were flat-rate payment systems alone, average turnover exhibited a statistically significant difference from the industry mean (ie they were 4.5 per cent lower). However, most firms in the clothing industry adhered to piece rate payment systems finding it to be the most effective way of regulating the effort-bargain. This is, in the authors’ view, despite anecdotal evidence that many skilled workers dislike its unpredictability and new entrants to the workforce lack the skills to maximize their earnings potential.

1.2 (iii) Attitudes to money

For some individuals pay will not be the sole criterion when people decide to continue within an existing job. In their study of mental health professionals, Tang et al (2000) examined the relationship between attitudes towards money, intrinsic job satisfaction and voluntary turnover. One of the main findings of this study is that voluntary turnover is high among employees who value money (high money ethic endorsement), regardless of their intrinsic job satisfaction. However, those who do not value money highly but who have also have low intrinsic job satisfaction tended to have the lowest actual turnover. Furthermore, employees with high intrinsic job satisfaction and who put a low value on money also had significantly higher turnover than this second group. The researchers also found that placing a high value of money predicted actual turnover but that withdrawal cognitions (ie thinking about leaving) did not.

1.2(iv) Career commitment/Alternative opportunities

Chang (1999) examined the relationship between career commitment, organizational commitment and turnover intention among Korean researchers and found that the role of career commitment was stronger in predicting turnover intentions. when individuals are committed to the organization they are less willing to leave the company. This was found to be stronger for those highly committed to their careers. The author also found that employees with low career and organizational commitment had the highest turnover intentions because they did not care either about the company or their current careers. Individuals with high career commitment and low organizational commitment also tend to leave because they did not believe that
organization can satisfy their needs or goals. This is consistent with previous research that high career committers consider leaving the company if development opportunities are not provided by the organization. However this group is not apt to leave and is likely to contribute to the company if their organizational commitment is increased. Chang found that individuals become affectively committed to the organization when they perceive that the organization is pursuing internal promotion opportunities, providing proper training and that supervisors do a good job in providing information and advice about careers.

1.2(v) Supervision/ Management

Mobley et al (1979) concluded that a number of studies offered moderate support for a negative relationship between satisfaction with supervision and turnover (i.e., the higher the satisfaction with supervision, the lower the turnover).

1.2(vi) Work Environment

Melanie Lovie – Tremblay et al.,(2011) in their study found that there were no differences in generation Y and X nurses with respect to their perceptions of nursing work environment and their intention to leave their position or the profession. Galetta, Maura (2011) found that having the opportunity of responsibility and freedom to develop own activities, can encourage the sense of identification and attachment to work environment that in turn can reduce the turnover intention. The research also showed the importance of intrinsic motivation to promote affective commitment. Also that the affective commitment completely mediates the relationship between intrinsic motivation and turnover intentions. This means that employees intrinsically motivated towards their own work, develop a sense of identification and attachment to their organization that in turn is negatively related to turnover intention.

1.3 Objective of the Research

- To understand employee turnover in an organization.
- To analyze the impact of various factors on employee turnover.
- To formulate suitable strategy for retaining the employees.

1.4 Scope of the Research

Scope of the study is limited to four variable factors that affects employee turnover namely compensation and benefits, alternative opportunities in competitors firm, relationship of employees with the top management and work environment. For this purpose study is conducted at Go Go International Pvt limited, Hassan, Karnataka, India.
1.5 Hypotheses

Keeping in view the importance of variables and their integrative impact on the employee turnover, further venues for investigation can be explored because there is a room for it. Therefore this research paper is extremely keen in answering the following hypotheses.

H1: Compensation and Benefits has positive effect on the turnover of the employee

H2: Existence of Alternative opportunities in competitors firm has a strong impact on employee turnover.

H3: Relationship between top management and employees also has a positive impact on employee turnover.

H4: Work Environment positively affects the employee turnover

1.6 Methodology

This study is descriptive in nature. The statistical tool used in this research is regression analysis. Both primary and secondary data was collected. Questionnaire was administered and convenience technique has been employed in this study. The sample size is 40. The respondents include staff at all levels of processing unit. Both quantitative and qualitative analysis is been used to derive the results.

1.7 Measurement

Dependent variable

Turnover of an employee is the dependent variable. It was measured and tested with various questions. Each statement is presented with Likert Scale of 0.5 to find out the turnover of an employee in the organization.

Independent variable

Compensation and benefits, alternative opportunities in competitors firm, work environment, relationship between top managers and employees are the independent variables. They were measured with the likert scale of 0.5 from strongly disagree to strongly agree.
1.8 Analysis and Findings

Table 1
Impact of Compensation and Benefits

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<table>
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<tbody>
<tr>
<td>Mean</td>
<td>4.275</td>
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<tr>
<td>Standard Deviation</td>
<td>0.598</td>
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<tr>
<td>Sample Variance</td>
<td>0.358</td>
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<tr>
<td>P Value</td>
<td>0.768</td>
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Note: confidence level is 95% and significance value is 5%

Table 1 reveals the mean value, Std.D, sample variance and P value. (probability value) the mean of compensation and benefits is 4.275. Std.D is 0.598, sample variance is 0.358 and P value is 0.768. As P value is more than 5 percent it is inferred that the alternative hypothesis is accepted and the null hypothesis has been rejected. This clearly shows that compensation and benefits has a strong and positive impact on the employee turnover of the organization.

Table 2
Alternative Opportunities in Competitors Firm

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<tbody>
<tr>
<td>Mean</td>
<td>3.775</td>
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<tr>
<td>Standard Deviation</td>
<td>0.619</td>
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<tr>
<td>Sample Variance</td>
<td>0.383</td>
</tr>
<tr>
<td>P Value</td>
<td>0.043</td>
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</tbody>
</table>

Note: confidence level is 95% and significance value is 5%

Table 2 reveals the mean value, Std.D, sample variance and P value. (probability value) the mean of alternative opportunities in competitors firm is 3.775. Std.D is 0.619, sample variance is 0.383 and P value is 0.043. As P value is less than 5 percent it is inferred that the null hypothesis has been accepted and the alternative hypothesis has been rejected. This clearly shows that alternative opportunities in competitors firm has no significant relationship with the employee turnover in the organization.

Table 3
Impact of Relationship of Employees with Top Management

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<tbody>
<tr>
<td>Mean</td>
<td>3.95</td>
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<tr>
<td>Standard Deviation</td>
<td>0.677</td>
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<tr>
<td>Sample Variance</td>
<td>0.458</td>
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<tr>
<td>P Value</td>
<td>0.019</td>
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</tbody>
</table>

(Primary data)

Note: confidence level is 95% and significance value is 5%
Table 3 reveals the mean value, Std.D, sample variance and P value. (probability value) the mean of relationship of employees with top management is 3.95. Std.D is 0.677, sample variance is 0.458 and P value is 0.019. As P value is less than 5 percent it is inferred that the null hypothesis has been accepted and the alternative hypothesis has been rejected. This clearly shows that relationship of employees with top management does not have a strong and positive impact on the employee turnover in the organization.

Table 4
Impact of Work Environment

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<tbody>
<tr>
<td>Mean</td>
<td>4.275</td>
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<tr>
<td>Standard Deviation</td>
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<td>Sample Variance</td>
<td>0.763</td>
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<td>P Value</td>
<td>0.405</td>
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Note: confidence level is 95% and significance value is 5%

Table 4 reveals the mean value, Std.D, sample variance and P value. (probability value) the mean of work environment is 4.275. Std.D is 0.873, sample variance is 0.763 and P value is 0.405. As P value is more than 5 percent it is inferred that the alternative hypothesis is accepted and the null hypothesis has been rejected. This clearly shows that work environment has a strong and positive impact on the employee turnover of the organization.

1.9 Recommendations

- Compensation structure has to be revised in the organization.
- Fringe benefits have to be included in the compensation policy.
- Overtime pay has to be given double the normal pay.
- Incentives have to be provided for outstanding performance.
- Retention bonus can be given in order to retain the talented employees in the organization.
- Working hours is very rigid at present. Flexibility of timings has to be maintained in order to improve the working environment.
- Health and safety measures have to be improved in the organization. Especially for the staffs in night shift.
- The existing HR policy needs to be revised in order to improve the working environment of the organization.

1.10 Conclusion and Direction for Future Study

The research revealed that in Go Go International Private Limited the main variable factors that are affecting employee turnover are compensation and benefits and work environment. The other
two variable factors that were included in the study did not show a significant relationship with the employee turnover. This research had set aside other important factors like culture, retirement benefits, job security etc which have pertinent impact on employee turnover. These factors can be included in the future studies.

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