

## Employee Attrition-Causes and Remedies

Mitushi Jain

### Abstract

High employee attrition is unfortunately part of almost every industry. Yet, understanding what is driving it can mitigate with the amount of turnover that is experienced by an organization.

There are two types of reasons for employees to seek other employment, controllable and non-controllable reasons:

Reasons within the control of the company are work stress, insufficient pay, lack of advancement possibilities, and lack of support or reward on the job. These are all issues that can be and should be addressed. Otherwise, the organization must be prepared to pay a high price for neglecting to correct the situation. Hiring costs alone make the correction effort a worthy endeavor.

Reasons outside the control of the company include employee retirement, advancement to other parts of the organizations, promotions within the same group, illness, and changes in the employee's personal circumstances. While it is not possible to control all the reasons why employees may leave the organization, knowing the incidence of various issues can help in planning a sustainable and cost effective workforce.

In present scenario, attrition is one of the main problem for any organization struggling to retain its expertise and knowledge base, an analytical approach to the same would also help in prediction and necessary remedies.

**Keywords:** Employee Attrition; Turnover; Switchover; Reasons and Remedies.

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### Introduction

Employee Attrition is the natural thing of workers due to retirement, layoffs, quitting or any other reason for leaving the job. 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 organizations.

This paper provides a summary of information, abstracted from published research, on the costs of turnover, factors

contributing to its magnitude in organizations, and proposed remedies.

Analyses of the costs associated with turnover yield surprisingly high estimates. The high cost of losing key employees has long been recognized. However, it is important for organizations to understand that general turnover rates in the workforce can also have a serious impact on an organization's profitability, and even survival.

There are a number of costs incurred as a result of employee turnover. These costs are derived from a number of different sources, a few of which are listed below.

1. Recruitment of replacements, including administrative expenses, advertising, screening and interviewing, and services associated with selection, such as security checks, processing of references, and, possibly, psychological testing.
2. Administrative hiring costs.
3. Lost productivity associated with the

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interim period before a replacement can be placed on the job.

4. Lost productivity due to the time required for a new worker to get up to speed on the job.
5. Lost productivity associated with the time that coworkers must spend away from their work to help a new worker.
6. Costs of training, including supervisory and coworker time spent in formal training, as well as the time that the worker in training must spend off the job.
7. Costs associated with the period prior to voluntary termination when workers tend to be less productive.
8. In some cases costs associated with the communication of proprietary trade secrets, procedures, and skills to competitive organizations.
9. Public relations costs associated with having a large number of voluntary or involuntary terminations in the community spreading gossip about the organization.
10. Increased unemployment insurance costs.

Using an example from the health care industry, Cascio (2000) calculated that the cost of replacing 288 employees per year (in a hospital with 200 beds employing 1200 persons with a turnover rate of 2% per month) was \$2,888,295.52 when all sources of costs were analyzed.

Moreover, a recent Business Week (1998) study estimated that the replacement costs alone, are over \$10,000 for about half of all jobs and approximately \$30,000 for all jobs. These estimates highlight the considerable costs that can be associated with turnover.

#### *Causes of turnover*

There are a number of factors that contribute to employee turnover. We explore some of these factors in more detail below:

#### *The economy*

In exit interviews one of the most common reasons given for leaving is the availability of higher paying jobs. Some minimum wage workers report leaving one job for 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.

#### *The performance of the organization:*

An organization perceived to be in economic difficulty will also raise the specter of impending layoffs. Workers believe that it is rational to seek other employment.

#### *The organizational culture:*

Much has been written about organizational culture. It is sufficient to note here that the reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, among other factors, will influence such indices of job satisfaction as turnover intentions and turnover rate.

#### *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, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment. A job's status is also important, as are many other factors.

#### *Unrealistic expectations:*

Another factor is the unrealistic expectations and general lack of knowledge that many job applicants has about the job at the time that they receive an offer. When these unrealistic expectations are not realized, the worker becomes disillusioned and decides to quit.

*Demographics:*

Empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers. But to use life-style factors (e.g. smoking) or past employment history (e.g. many job changes) as an explicit basis for screening applicants, it is important for legality and fairness to job applicants to verify such bio data empirically.

*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.

These traits are some of the same characteristics that predict job performance and counterproductive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production.

These traits can be measured and used in employee screening to identify individuals showing lower probability of turnover.

It is important to note that the factors we've listed above can be classified as being within or beyond the control of the employing organization. In order to actively participate in reducing costs associated with turnover, organizations need to identify those factors over which they do have some control and initiate necessary changes to reduce turnover attributable to these "controllable" factors.

Adopting an effective applicant screening procedures is an efficient and cost effective method of identifying employees who possess the necessary traits and behaviors to succeed on the job and are, therefore, less likely to leave.

SIGMA's Employee Screening

Questionnaire 2 (ESQ2) measures both productive and counterproductive job behaviors and, as such, provides employers with a tool for reducing involuntary turnover resulting from poor selection decisions.

In addition to reducing involuntary turnover, the ESQ2 also has the ability to reduce voluntary turnover by identifying those applicants who are likely to be satisfied and committed to their jobs.

There is a large body of academic research supporting the intuitive contention that people who are satisfied with their jobs and committed to their employing organization are more likely to stay than those who are not (e.g. Griffeth, Hom, & Gaertner, 2000; Maertz & Campion, 1998; Meyer, Stanley, Topolnytsky, & Herscovitch, 2001).

In summary, the ESQ2 offers employers an effective and practical method for dealing with turnover and reducing its associated costs.

*How to prevent turnover*

1. Employees are important in any running of a business; without them the business would be unsuccessful. However, more and more employers today are finding that employees remain for approximately 23 to 24 months, according to the 2006 Bureau of Labor Statistics.
2. The Employment Policy Foundation states it costs a company an average of \$15,000 per employee, including separation costs, paperwork, unemployment; vacancy costs, including overtime or temporary employees and replacement costs including advertisement, interview time, relocation, training and decreased productivity when colleagues depart.
3. Providing a stimulating workplace environment, which fosters happy, motivated and empowered individuals, lowers employee turnover and absentee rates.
4. Promoting a work environment that fosters personal and professional growth

promotes harmony and encouragement on all levels, so the effects are felt company wide.

5. Continual training and reinforcement develops a work force that is competent, consistent, competitive, effective and efficient.
6. Beginning on the first day of work, providing the individual with the necessary skills to perform their job is important.
7. Before the first day, it is important the interview and hiring process expose new hires to an explanation of the company, so individuals know whether the job is their best choice.
8. Networking and strategizing within the company provides ongoing performance management and helps build relationships among co-workers.
9. It is also important to motivate employees to focus on customer success, profitable growth and the company well-being .
10. Employers can keep their employees informed and involved by including them in future plans, new purchases, policy changes, as well as introducing new employees to the employees who have gone above and beyond in meetings.
11. Early engagement and engagement along the way, shows employees they are valuable through information or recognition rewards, making them feel included.
12. When companies hire the best people, new talent hired and veterans are enabled to reach company goals, maximizing the investment of each employee.
13. Taking the time to listen to employees and making them feel involved will create loyalty, in turn reducing turnover allowing for growth.

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