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# REASONS, IMPACTS AND RETENTION TECHNIQUES FOR EMPLOYEE TURNOVER: A LITERATURE REVIEW

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## ABSTRACT

***The term "Employee turnover" is commonly used in corporate circles in today's complex business world. So much research has been conducted on employee turnover and most of them just focused on causes. However, few studies have been done on the sources of factors that work as an accelerator behind this employee turnover, classification of turnover, the impact of turnover, cost of turnover, and strategies to mitigate employee turnover. Employees are the most vital resource and organizations need to understand this. This study tries to explain the causes of employee turnover, the classification of turnover, the impact of turnover and some suggested strategies that can be followed by organizations to reduce employee turnover.***

**KEYWORDS:** ***Employee turnover, job satisfaction, job factors, job enrichment, organizational factors, turnover classification***

## INTRODUCTION

Organizations make significant investments in their workers' onboarding, training, career development, employee maintenance, and retention. Therefore, managers must make every effort to reduce staff turnover. Numerous factors have been shown to be helpful in analyzing employee turnover, despite the fact that there is no universal framework for comprehending the process as a whole. Kevin and others (2004). Therefore, it is necessary to get a deeper understanding of employee turnover, including its causes, consequences, and preventative measures that managers may take. Organizations must continue to generate real products and offer services based on employee development strategies as globalization increases competition. These workers are vital to the company since their contributions and effort are virtually immeasurable and difficult to duplicate. Meaghan and others (2002). Therefore, managers must acknowledge that workers are key to effectively achieving the success of the firm. Abbasi and co. (2000). Employee turnover should be kept under control by managers for the good of the business. The literature on employee turnover is broken down into four categories: classification of turnover, factors that cause of turnover, consequences of turnover, and prevention tactics.

## EMPLOYEE TURNOVER DEFINITION

Employee turnover has received extensive research over the period of time Shaw et al (1998). However, there isn't a single cause why individuals quit or move to another organization. Employee turnover is the movement of workers within the labor market, between businesses, occupations, and states of employment and unemployment, according to Abassi et al (2000). According to Price (1977), "turnover" is the ratio of the average number of persons in an organization for a certain period divided by the number of organizational members who have departed during that same period. When a position is abandoned, whether voluntarily or involuntarily, a new employee must be hired and trained. This entire process is referred to by management as turnover. This replacement cycle is called employee turnover Woods (1995). This phrase is frequently used in efforts to scale employee connections inside a business when they depart, regardless of the cause. The "Unfolding model" of voluntary turnover represents a divergence from traditional thinking (Hom and Griffeth, 1995) by focusing more on the decisional aspect of employee turnover, in other words, showing instances of voluntary turnover as decisions to quit. Indeed, the model is based on a theory of decision making, image theory Beach, (1990). The image theory explains the steps people take to analyze information before making decisions. The model's fundamental principle is that people quit jobs after carefully considering their reasons for doing so. Beach (1990) argues that individuals seldom have the cognitive resources to systematically evaluate all incoming information, so individuals instead of simply and quickly compare incoming information to more heuristic type decision making alternatives.

## CLASSIFICATION OF TURNOVER

### *Voluntary and involuntary turnover*

In the case of involuntary turnover, an organization terminates the services of a staff person and the staff member resigns unwillingly. The cause for the employee's dismissal might be poor performance, layoffs, or early retirement owing to the employer's restructuring or downsizing. Voluntary turnover, on the other hand, occurs when an employee decides to leave the

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firm of his or her own will (e.g., to take a better career opportunity in another organization). Voluntary turnover encompasses any separations that are not formally imposed by employers (Lorquercio et al, 2006). This form of employee churn is viewed as a managerial difficulty requiring addressing. It is considered that employees quit when they are dissatisfied with their current position and there are better employment possibilities available. It has also been noticed that employees that quit are the most brilliant, as it is simpler for them to find new employment.

***Functional and dysfunctional turnover***

Functional turnover occurs when the employer benefits from the employee's leave, whereas dysfunctional turnover occurs when the employer has an interest in retaining the departing employee. This form of turnover typically impacts individuals who are difficult to replace and whom the business would want to keep. According to Asimah (2018), the top performers go on, but the bottom performers remain and continue to engage in other forms of withdrawal behavior. Olckers and du Plessis (2012) emphasize that in the present labor market, skilled employees may choose from a large pool of available positions.

***Avoidable and unavoidable turnover***

Some researchers (Buhler, 2002; Lashley, 2000) also differentiate between avoidable and unavoidable employee turnover. Unavoidable turnover is caused by circumstances beyond the control of the employee, such as relocating to be with a spouse, but avoidable turnover may be prevented by applying efficient human resource policies. It is also essential to determine if the type of voluntary turnover the organization is experiencing is preventable. This information will help the business choose the most effective strategy for retaining the impacted personnel.

## FACTORS THAT CAUSE EMPLOYEE TURNOVER

***Job Related Factors***

Most scholars (Bluedorn, 1982; Kalliath and Beck, 2001; Kramer et al., 1995; Peters et al., 1981; Saks, 1996) have investigated potential antecedents of employees' intentions to resign and put an effort to answer the question of what determines people's intention to quit. To yet, there has been minimal agreement in findings, which is partially attributable to the researchers' diverse methods and lack of consistency in their findings. Therefore, there are a variety of reasons why people leave one organization for another or why they leave an organization altogether. The experience of job-related stress (job stress), the variety of causes that lead to job-related stress (stressors), a lack of organizational commitment, and job dissatisfaction cause people to leave their jobs, according to Firth et al (2004). This obviously demonstrates that the decision to stop is a personal one. They are other factors like personal agency refers to concepts such as a sense of powerlessness, locus of control and personal control. Locus control refers to the extent to which individuals believe that external elements, such as chance and powerful persons, govern the events that impact their lives Firth and co. (2004). According to Manu et al. (2004), employees leave organizations for economic reasons. Using an economic model, they demonstrated that people leave organizations for economic reasons and that this information may be utilized to forecast labor turnover on the market. Organizational stability is enhanced by favorable local labor market conditions. Schervish (1983). Large firms can foster organizational loyalty by providing employees with greater opportunities for promotion and higher compensation (Idson and Feaster 1990). According to Trevor (2001), local unemployment rates related with job satisfaction to predict market turnover. Role-related pressures also contribute to employee turnover. Role ambiguity refers to the gap between what others expect of us at work and what we believe we should do. This makes it unclear what our role should be. It might be due to a misunderstanding of what is anticipated, how to satisfy those expectations, or the employee believing the work should be performed differently Kahn et al. Muchinsky, 1990. Inadequate information on how to perform the job effectively, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures, and lack of consensus on job functions or duties may cause employees to feel less involved and less satisfied with their jobs and careers, less committed to their organizations, and eventually exhibit a propensity to leave the organization (Tor et al., 1997). The rate at which employees quit their positions owing to a lack of role clarity which would be increased if management and or supervisors failed to properly define the roles of their employees.

***Organizational Factors***

It has been found that organizational instability is associated with a high degree of high turnover. There are indications that employees are more motivated to remain when the work environment is predictable, and vice versa (Zuber, 2001). In businesses with high levels of inefficiency, there was a high rate of employee turnover (Alexander et al. 1994). Therefore, in cases when organizations are not stable, employees tend to leave and hunt for stable organizations, since they would be able to forecast their career progression with stable businesses. The application of a quantitative approach to managing employees led to employee dissatisfaction and, thus, increased employee turnover. Therefore, management should not take a quantitative approach to personnel management. Adopting a cost-based approach to employment expenses promotes employee turnover. Simon et al (2007). All of these methods should be avoided if managers wish to reduce staff turnover and boost organizational competitiveness in today's globalized economy. Employees have a critical need for information. Organizations with effective communication systems had less workforce turnover (Labov, 1997). In positions where they participate in some aspect of the decision-making process, employees feel comfortable staying longer. That is, staffs should have a comprehensive understanding of issues that impact their working environment (Magner et al (1996). But in the lack of transparency in sharing knowledge and employee empowerment, the likelihood of worker continuity is small. Costly et al. (1987) note that a high rate of employee turnover may indicate inadequate personnel policies, inadequate recruiting strategies, inadequate supervision methods, inadequate grievance processes, or a lack of motivation. All of these factors contribute to high employee turnover in the sense that there are no proper management practices and personnel policies, so employees are not recruited scientifically, promotions are not based on clearly defined policies, and there are no grievance procedures in place, so employees decide to leave. Griffeth et al. (2000) observed that compensation and pay-related factors have a moderate impact on employee turnover. Their research also included studies that explored the connection between compensation, an employee's performance, and employee turnover. They determined that when exceptional performers are not adequately compensated, they quit. If occupations offer sufficient financial incentives, people are more persuaded to remain with the organization, and vice versa. Additionally, bad recruiting methods, management style, a lack of recognition, the absence of a competitive remuneration structure in the firm, and a toxic workplace environment are other causes of employee turnover. Abassi et al (2000).

## IMPACT OF EMPLOYEE TURNOVER

Employee turnover is costly from an organization's perspective. Voluntary quits, which constitute an outflow of human capital investment from organizations Fair (1992), and the ensuing replacement process impose substantial costs on firms. These replacement costs include, for instance, the search of the external labor market for a potential replacement, the selection between competing replacements, the induction of the chosen replacement, and formal and informal training of the replacement until he or she attains performance levels equivalent to those of, the departing employee John (2000). In addition to these replacement expenses, productivity would be diminished or maintained at the expense of overtime compensation. The reason turnover has gained so much attention is because it has a number of major consequences on businesses (DeMicco and Giridharan, 1987; Dyke and Strick, 1990; Cantrell and Saranakhsh, 1991; Denvir and Mcmahon, 1992). Many academics claim that, if not handled appropriately, high turnover rates might negatively impact the profitability of businesses (Hogan, 1992; Wasmuth and Davis, 1993; Barrows, 1990). Hogan 1992, nearly twenty years ago the direct and indirect cost of a single line employee quitting was between $ 1400 and $4000. There are several hidden or unseen costs associated with turnover Philips (1990) and these unseen costs are the consequence of new employees, coworkers strongly related with new employees, coworkers closely associated with leaving employees, and positions being replaced while vacant. And each of them impacts the organization's profitability. However, employee turnover impacts customer service and satisfaction Kemal et al (2002). Catherine (2002) argues that turnover includes other expenses, such as lost productivity, lost revenue, and management's time, and estimates that the turnover costs of an hourly employee range between $3,000 and $10,000. This clearly illustrates that turnover influences the organization's profitability, and if it is not well handled, it will have a negative impact on profit. According to research estimates, hiring and training a replacement worker for a lost employee costs around fifty percent of the employee's yearly wage (Johnson et al., 2000). However, the expenditures do not end there. We assume that each time an individual leaves the company, production decreases due to the learning curve required to comprehend the job and the organization. Moreover, the loss of intellectual capital adds to this cost, as not only do firms lose the human capital and relational capital of the departing employee, but also their rivals may obtain these assets Meaghan et al. (2002). Therefore, improper management of employee turnover would have a negative impact on the organization's personnel costs and, in the long run, its liquidity situation. However, voluntary turnover incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organizational memory) and the loss of social capital Dess et al. (2001).

## APPROACHES TO REDUCE EMPLOYEE TURNOVER

Strategies on how to minimize employee turnover, con- fronted with problems of employee turnover, management has several policy options viz. changing (or improving existing) policies towards recruitment, selection, induction, training, job design and wage payment. However, policy selection must be consistent with the specific diagnosis of the issue. Employee turnover due to ineffective selection methods, for example, is unlikely to decrease if the modified policy focuses solely on the induction phase. Equally, employee turnover attributable to wage rates which produce earnings that are not competitive with other firms in the local labor market is unlikely to decrease were the policy adjustment merely to enhance the organization’s provision of on-the- job training opportunities. In light of the rising direct and indirect costs of employee turnover, management is usually urged to understand the reasons why employees leave their organizations so that they may take necessary action. Extensive research has demonstrated that the following categories of human capital management elements provide a basic set of measurements that senior management may use to improve the efficacy of their investment in people and the overall success of the organization as a whole. Employee engagement, the organization's ability to engage, retain, and maximize the value of its employees, depends on how well jobs are designed, how employees' time is utilized, and the commitment and support that is shown to employees by management. These factors would motivate employees to remain with the organization. Knowledge accessibility, the level of an organization's "collaborative" and its potential to make knowledge and ideas freely available to employees would encourage people to remain with the company. Information should be shared at every level of management. This accessibility to information would increase employee

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performance and foster a strong business culture, according to Meaghan et al (2002). Therefore; information accessibility will help employees feel that they are valued for their labor and possibilities of quitting the firm are limited. Workforce optimization, the organization's success in maximizing the performance of its employees by developing essential processes for completing work, providing appropriate working conditions, establishing responsibility, and making effective recruiting decisions, would result in the retention of its personnel. Rising personnel expenses and high rates of employee turnover highlight the necessity of acquiring a deeper understanding of the elements associated with employee recruitment, motivation, and retention (Badawy, 1988; Basta and Johnson, 1989; Gar-den, 1989; Parden, 1981; Sherman, 1986). As a result of globalization's increased competitiveness, managers in many organizations are under greater pressure from upper management to improve recruitment, selection, training, and retention of good employees, which would, in the long run, encourage employees to remain with their organizations. Job participation reflects the amount to which an individual identifies psychologically with his or her occupation (Kan-ungo, 1982). Involvement in terms of internalizing values like the goodness or significance of work prevented individuals from quitting their employment, and these involvements are associated with task features. Those who have a broader diversity of responsibilities prefer to remain employed. It has been shown that task features are possible predictors of employee turnover (Couger, 1988; Couger and Kawasaki, 1980; Garden, 1989; Goldstein and Rockart, 1984). These include the five core job characteristics identified by Hackman and Oldham (1975, 1980): skill variety, which refers to the opportunity to utilize a variety of valued skills and talents on the job; task identity, or the extent to which a job requires completion of a whole and identifiable piece of work - that is, doing a job from beginning to end, with visible results; task significance, which reflects the extent to which the job has a substantial impact on the lives or work of other people, whether within or outside the organization; job autonomy, or the extent to which the job provides freedom, independence, and discretion in scheduling work and determining procedures that the job provides; and job feedback, which refers to the extent to which the job provides information about the effectiveness of one’s performance (Tor et al., 1997). Employee work satisfaction and organizational commitment would be affected by involvement. Employees that are more engaged in their work are more devoted to their organization and happier with their careers (Blau and Boal, 1989; Brooke and Price, 1989; Brooke et al., 1988; Kanungo, 1982). Involvement in the workplace has also been found to be adversely associated with plans to leave the organization (Blat and Boal, 1989). Job satisfaction, career satisfaction, and organizational commitment demonstrate a good attitude about the organization, hence directly influencing employee turnover intentions. Job satisfaction, job participation, and organizational commitment are viewed as interconnected (Brooke and Price, 1989). Satisfaction means the pleasant or good emotional state coming from an evaluation of one's job or profession and denotes an effective reaction to certain components of the job or career (Locke, 1976; Porter et al., 1974; Williams and Hazer, 1986). Organizational commitment is a response to the organization as a whole and the degree of connection or loyalty employees feel towards the company. Job engagement is the level to which employees are immersed or obsessed with their employment, as well as the degree to which an individual identifies with his or her job (Brooke et al., 1988). The level of dedication and commitment may be obtained if management enriches jobs, empowers individuals, and compensates them adequately. Staff empowerment might contribute to increased employee retention in firms. Managers oversee more subordinates than in a typical hierarchy and delegate greater authority to their subordinates (Malone, 1997). Managers function as coaches and assist employees in problem-solving. Superiors empowering subordinates by distributing duties which results job satisfaction in subordinates and are more content with their leaders, view them as fair, and perform to the superior's standards (Keller and Dansereau, 1995). All of these factors contribute to employees' commitment to the firm, reducing their intention of switching the organization.

## CONCLUSION

Consequently, if the aforementioned tactics are implemented, the firm will be able to thrive in a changing economy by considering its staff as one of its most important assets. Employees are the backbone of every successful business; hence, they must be motivated and retained at all costs in the organization in order to remain internationally competitive in terms of supplying high-quality goods and services to the community. Moreover, long-term gains on investments in employees would be realized. Recruitment and selection must be conducted scientifically with the goal of keeping people. Management should support the redesign of jobs in terms of task autonomy, task importance, and task identity, open-book management, and employee empowerment. Managers should investigate the causes of employee turnover and offer the most effective method for filling the gap of the source so that they can retain personnel in their firm and increase their global competitiveness. The ability of an organization to face the waves of globalization depends on its ability to treat its people as it is the most liquid assets. Managers must recognize that personnel must be regarded as the firm's most liquid assets. Unless this asset is monitored with proper care, their organizations will cease to exist. Work should be challenging for employees. Griffeth et al. (2000) observed that compensation and compensation-related factors had a significant impact on employee turnover. Management must reward employees properly. In addition to compensating employees based on their performance, they should offer incentives such as individual bonuses, lump sum bonuses, profit sharing, and other advantages. Therefore, these implementation would reduce staff turnover.

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