Effect of Employee Turnover on Performance of an Organization

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ABSTRACT

The purpose of this study is to analyze measures put by organization to reduce employee turnover also to identify and assess the factors for employee turnover. In this study descriptive design is used as a research design. For the data collection primary method of collecting the data is used in which the respondents will fill the questionnaire. In this research the sample size of this project is 100 employees. In sampling techniques, the non-probability sampling techniques are used. The research conclude that majority of respondent stated that heavy workload and lack of appreciation of work as major reasons which lead to turnover and also agree with the organization to focus the turnover and take it into consideration. From the study the organization has to offer flexible working hours, reduce the workload and also appreciate the performance of the employees which make them feel comfortable and motivated.

INTRODUCTION

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee's turnover. Although, there is no standard framework for understanding the employees turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover [1]. Employee turnover is understood by human resources professionals to be the rate at which an organization's workforce terminates employment and requires replacement [2]. Most organizations have been successful because of the organization's ability to retain employees. Keeping staff rather than losing them, however, is not achieved on a silver platter. Successful organizations in this area are the ones that are whose managements have identified and put in place measures such as reward, training and development and other forms of motivation so as to encourage the employees to work wholeheartedly and stay in the organization for a longer period of time. This helps to ensure consistency in the output of work.

The relationship between an organization and its employees is both critical and fragile. In many ways, it is an exchange relationship in which both parties bring to the table something the other wants or needs. However, long-term organization-employee relationships are often affected by many factors, such as organizational culture and relational satisfaction, which would in turn affect whether an employee intends to stay with or leave the organization. As high-performing employees' voluntary turnover is especially detrimental to organizational performance [3], it is crucial to identify and understand possible causes that predict employee turnover intention.

1.1.Problem:

A certain amount of turnover is expected, unavoidable and considered beneficial to the organization. New employees may inject fresh blood into the firm by introducing new ideas and methods and innovative, more effective ways of doing thing. In addition, turnover may help rectify poor hiring and placement decisions. Such turnover is referred to as functional turnover. Thus some turnover renews a stagnating organization. But excessive turnover creates an unstable workforce and increases human resource (HR) cost. This study seeks to assess the effect of employee's turnover on organizations [4].

1.2. Objectives:

1. To analyze measures put by organization to reduce employee turnover.

2. To identify and assess the factors for employee turnover.

1.3. Review of literature

Davison Maunganidze said that, high levels of labour turnover can be a serious problem for large and small organizations. All organizations can expect some degree of labour turnover. Indeed a certain degree of labour turnover may be desirable since it creates opportunities to introduced wider experience and new ideas to the organization, as well as providing career development opportunities for existing workers. Persistently high levels of labour turnover is costly both to the individual, organizations and the economy as a whole and can adversely affect inefficiency, profitability and morale [5].

AHM Shamsuzzoha [et. al] also said that 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 are 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 [6].

Amstrong M argues that the prospect of getting higher pay elsewhere is one of the most obvious contributions to turnover. This practice can be regularly observed at all levels of the economic ladder, from executives and generously paid professionals in high-stress positions to entry-level workers in relatively undemanding jobs [7].

Manisha, in her study on the cause of an informative report regarding employees turnover and retention on the causes of high employee turnover which affect the most, and the companies can decrease employees turnover in order to cut the hidden cost. Further, she highlighted the poor management, low pay, boring repetitive work, with no opportunity for advancement, high turnover of employees is a symptom of a mismanaged company [8].

2. METHOD

2.1 Research design:

There are three types of research design:

- Explanatory design

- Descriptive design

- Causal design

In this descriptive design had been taken for study of the problem.

2.2. Data collection method:

There are two type of data collection method:

- Primary data collection method

- Secondary data collection method

2.2.1. Primary data collection method:

Primary data is one which is originally collected by researcher base on sampling. It may be collected by survey, observation or experiment or any possible combination suitable to firm and researcher.

For this research purpose primary which is collected from the respondents by filling the questionnaire.

2.3. Sample size:

The sample size of 100 employees has been taken.

2.4. Sampling method:

Sampling method is classified into two types:

- Probability sampling

- Non-probability sampling

Here the researcher used non-probability sampling in which convenience sampling technique was used.

2.5. Choice of survey method:

The data will be collected with the help of questionnaire.

1. What is your age?

18-25 year

25 – 30 year

35 – 40 year

45 – 50 year

2. Gender:

Male

Female

3. Work experience:

Less than 1 year

1 to 5 year

Above 5 year

4. Salary:

3000-7000

7000-10000

12000 or above

5. What according to you are the types of employee turnover?

Functional turnover (retirement)

Dysfunctional turnover (fired)

Avoidable turnover (working condition, wrong placement)

Unavoidable turnover (absenteeism, ineffectiveness)

6. Before joining this company have you worked in any company?

Yes

No

7. Considering company or industry as whole do you think turnover focus?

Yes

No

Can"t say

8. Which of the following factor may contribute to employee turnover?

Table:1 Factors employee turnover

Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Low salaries					
Lack of career opportunity					
Lack of job satisfaction					
Sickness					
Long working hours					
Family related problem					

9. What kind of benefits will attract you to stay in the company?

Fringe benefit ☐

Medical allowances ☐

Bonus ☐

10. Which of the following reasons to leave the company?

Insufficient salary ☐

Heavy workload ☐

Lack of appreciation for work done ☐

Conflict with superior ☐

Lack of support from colleagues ☐

Health and safety ☐

Insufficient training ☐

Problems with management

11. **How is your relationship with your superior?**

Excellent

Good

Bad

Very good

12. **What according to you the organization should do to keep their employees' turnover rate low?**

Pay them well

Offer flexible hours

13. **I am satisfied with my job?**

Extremely disagree

Disagree

Neutral

Agree

Extremely agree

14. **How many times you got promotion in this company?**

None

1

2

Over 2 times

15. Salary package are sufficient in my company?

Extremely disagree

Disagree

Neutral

Agree

Extremely agree

16. Your immediate boss appreciates your work?

Yes

No

3.0 RESULTS AND DISCUSSION

Table:2 Employee's age

		Frequency	Percent	Valid Percent	Cumulative Percent
	18-25 year	41	41.0	41.0	41.0
	25-30 year	27	27.0	27.0	68.0
Valid	35-40 year	21	21.0	21.0	89.0
	45-50 year	11	11.0	11.0	100.0
	Total	100	100.0	100.0	

AGE
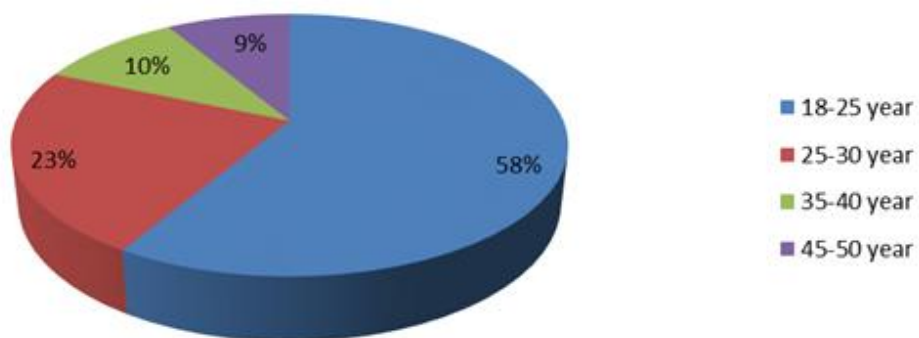
Fig:1 Percentage of employee age

From the above graph, Fig.1 it has concluded that 58% respondendant were 18- 25 and 23% respondent were of 25-30 year. While the 10% respondent were 35-40 and 09% respondent were 45-50 years.

Table:3 Employee's Gender

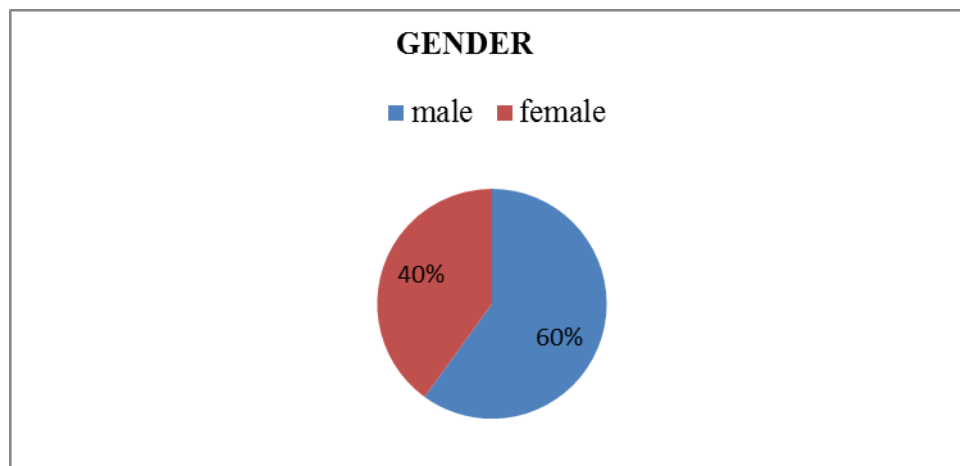|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	60	60.0	60.0	60.0
	Female	40	40.0	40.0	100.0
	Total	100	100.0	100.0	

Fig.2 Employee's gender

From the above graph, fig.2 it has concluded that 60% respondent was male, and 40% respondent was female. So, the majority are male employee in company.

Table:4 Employee experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 1 year	38	38.0	38.0	38.0
	1 to 5 year	45	45.0	45.0	83.0
	above 5 year	17	17.0	17.0	100.0
	Total	100	100.0	100.0	

Work Experience

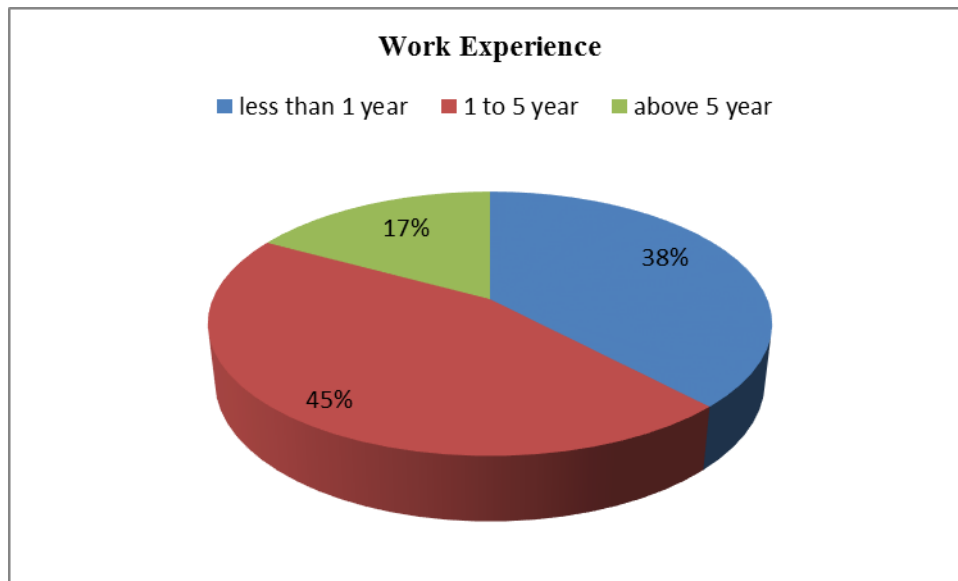■ less than 1 year   ■ 1 to 5 year   ■ above 5 year

17%

38%

45%

Fig.3 Percentage of employee work experience

From the above graph, fig.3 it has concluding that 38% responded were less than one-year experience and 45% of respondents were work 1to5 year experience. While 17% of employee experience were above 5 year.

Table:5 Employee's Salary

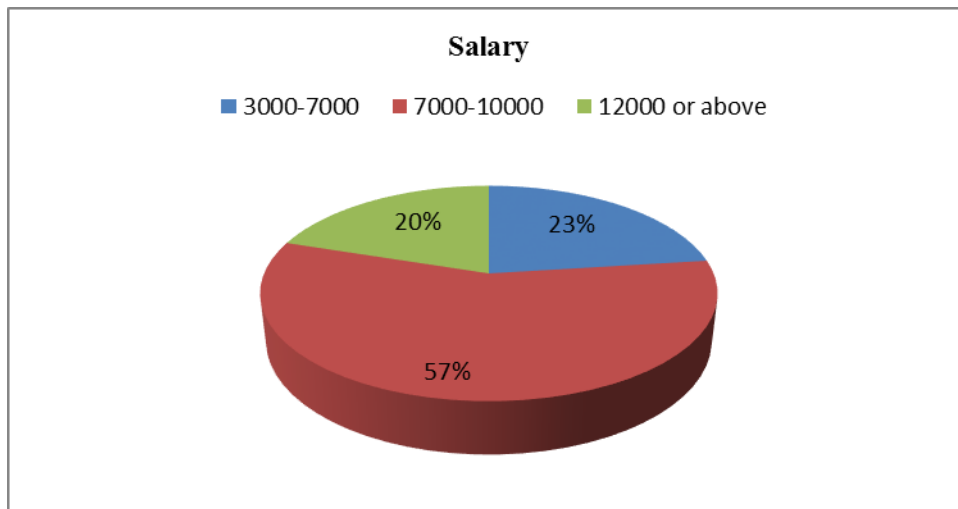|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3000-7000	23	23.0	23.0	23.0
	7000-10000	57	57.0	57.0	80.0
	12000 or above	20	20.0	20.0	100.0
	Total	100	100.0	100.0	

Fig.4 Percentage of employee salary

From the above chart indicate that the 23% respondent's salary was 3000-7000 and 57% respondent salary was 7000-10000. While 20% respondent salary above 12000.

Table.6 Employee Turnover

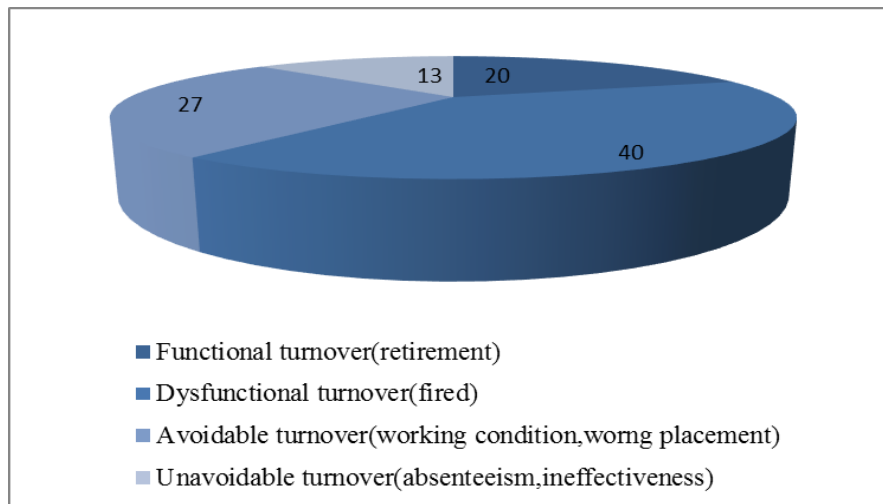|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Functional turnover(retirement)	20	20.0	20.0	20.0
	Dysfunctional turnover(fired)	40	40.0	40.0	60.0
	Avoidable turnover(working condition, wrong placement)	27	27.0	27.0	87.0
	Unavoidable turnover(absenteeism, ineffectiveness)	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

Fig.5 Percentage of factor employee turnover

Above the data fig.5 it has concluded that 20% respondent turnover is functional turnover, and 40% responded turnover is dysfunctional turnover. While 27% respondent is avoidable turnover and 13% respondent is unavoidable turnover.

Table:7 Worked any company

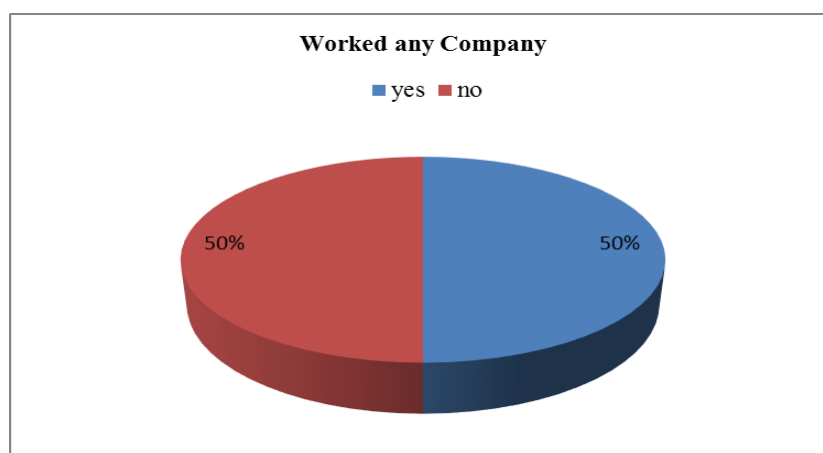|		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	50	50.0	50.0	50.0
Valid	No	50	50.0	50.0	100.0
	Total	100	100.0	100.0	

Fig.6 Percentage of employee worked any company

From the Above chart fig.6 it can be indicate that 50% respondents have worked in other company before joining this company, and 50% respondents have not worked in other company.

Table:8 Employee Turnover focus

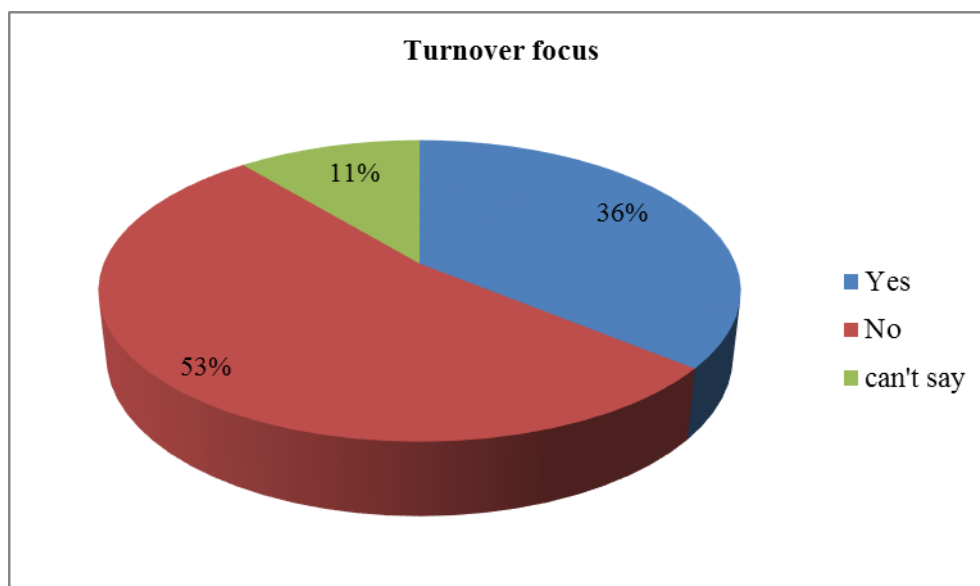|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	53	53.0	53.0	89.0
	No	36	36.0	36.0	36.0
	can't say	11	11.0	11.0	100.0
	Total	100	100.0	100.0	

Fig.7 Percentage of employee turnover focus

From above table & graph, fig.7 majority of the employee think that turnover need to be focus and take into consideration for reducing the rate of turnover in the organization.

Table:9 Employee low salaries

One-Sample Test

	Test Value = 3					
	T	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
Low salaries	-13.501	99	.000	-1.48000	-1.6975	-1.2625

H0: All employees are dissatisfied with the low salaries.

H1: All employees are not dissatisfied with low salaries.

From the above table, it can be said that p-value is 0.000 that is less than 0.05 so, alternative hypothesis is accepted. It means that all employees are not dissatisfied with low salaries.

Table:10 Employee lack of career opportunity

One-Sample Test

	Test Value = 2					
	T	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
Lack of career opportunity	2.755	99	.007	.31000	.0867	.5333

H0: All employees are dissatisfied with the lack of career opportunity.

H1: All employees are not dissatisfied with the lack of career opportunity.

From the above table, it can be said that P value is 0.007 that is greater than 0.05 so, null hypothesis is accepted. It means that all employees are satisfied with the lack of career opportunity.

Table:11 employee lack of satisfaction

One-Sample Test

	Test Value = 2					
	T	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
Lack of job satisfaction	1.563	99	.121	.20000	-.0538	.4538

H0: All employees are dissatisfied with the Lack of job satisfaction.

H1: All employees are not dissatisfied with the lack of job satisfaction

From the above table, it can be said that P value is 0.121 that is greater than 0.05 so, null hypothesis is accepted. It means that all employees are satisfied with the lack of job satisfaction.

Table:12 Employee sickness

One-Sample Test

	Test Value = 3					
	t	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
Sickness	-1.120	99	.265	-.13000	-.3603	.1003

H0: All employees are dissatisfied with the sickness.

H1: All employees are not dissatisfied with the sickness.

From the above table.12, it can be said that P value is 0.265 that is greater than 0.05 so null hypotheses is accepted. It means that all employees are satisfied with the sickness.

Table: 13 Employee long working hours

One-Sample Test

	Test Value = 3					
	T	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
Long working hours	-1.619	99	.109	-.23000	-.5118	.0518

H0: All employees are dissatisfied with the long working hours.

H1: All employees are not dissatisfied with the long working hours.

From the above table, it can be said that P value is 0.109 that is greater than 0.05 so, null hypotheses is accepted. It means that all employees are satisfied with sustain working hours.

Table: 14 employee family related problem

One-Sample Test

	Test Value = 3					
	T	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
Family related problem	.328	99	.744	.05000	-.2529	.3529

H0: All employees are dissatisfied with the family related problem.

H1: All employees are not dissatisfied with the family related problem.

From the above table it can be said that P value is 0.744 that is greater than 0.05 so, null hypothesis is accepted. It means that all employees are satisfied with the family related problem.

Table:15 Employee attract to stay company

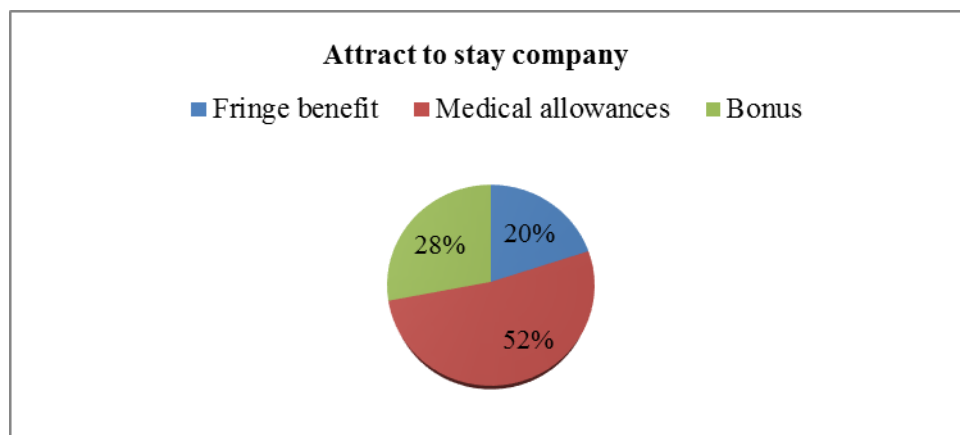|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fringe benefit	20	20.0	20.0	20.0
	Medical allowances	52	52.0	52.0	72.0
	Bonus	28	28.0	28.0	100.0
	Total	100	100.0	100.0	

Fig.8 Percentage of employee attract to stay company

Fig.8 The table shows the basic reasons why employees stay in the company. It has concluded that majority of the employee are highly attracted towards Medical allowances provided in the company. So manager need to give various others benefits to sustain the skilled employee in the company.

Table:16 Employee reason to leave

|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Insufficient salary	15	15.0	15.0	15.0
	Heavy work load	17	17.0	17.0	32.0
	Lack of appreciation or work done	24	24.0	24.0	56.0
	Conflict with superior	15	15.0	15.0	71.0
	Lack of support from colleagues	12	12.0	12.0	83.0
	Health and safety	6	6.0	6.0	89.0
	Insufficient training	7	7.0	7.0	96.0
	Problems with management	4	4.0	4.0	100.0
	Total	100	100.0	100.0	
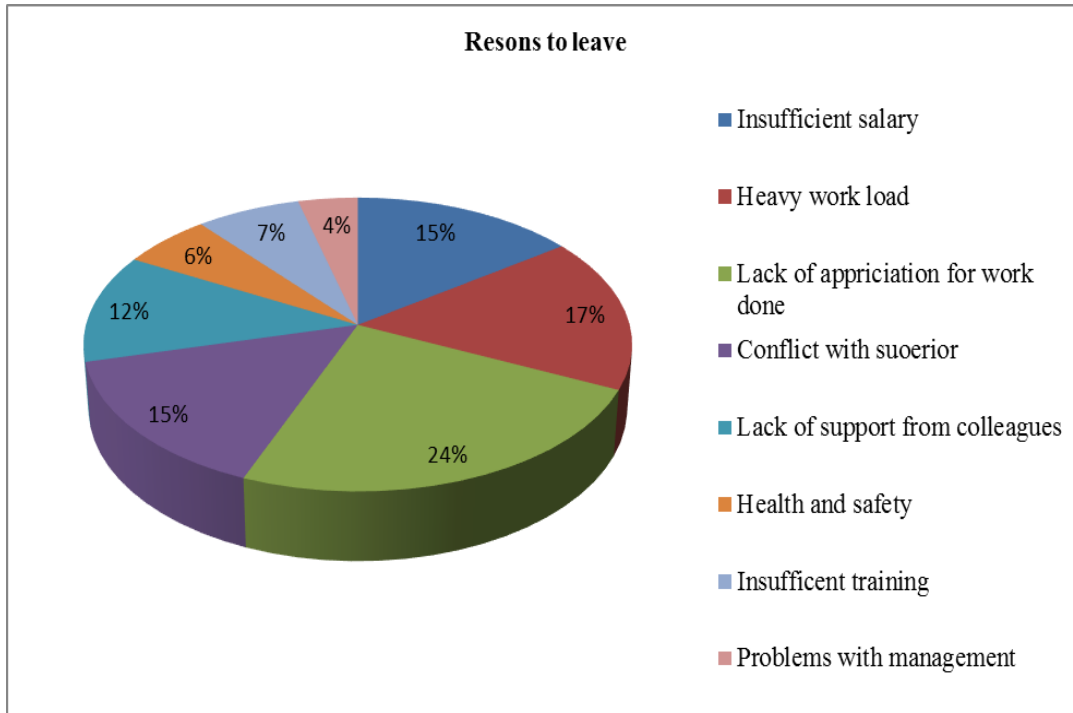
Fig.9 Employee reason to leave

From the figure, fig.9 employee are asked what reasons are of leaving the company majority consider workload, lack of appreciation as major reasons.

Table:17 Employee relation with superior

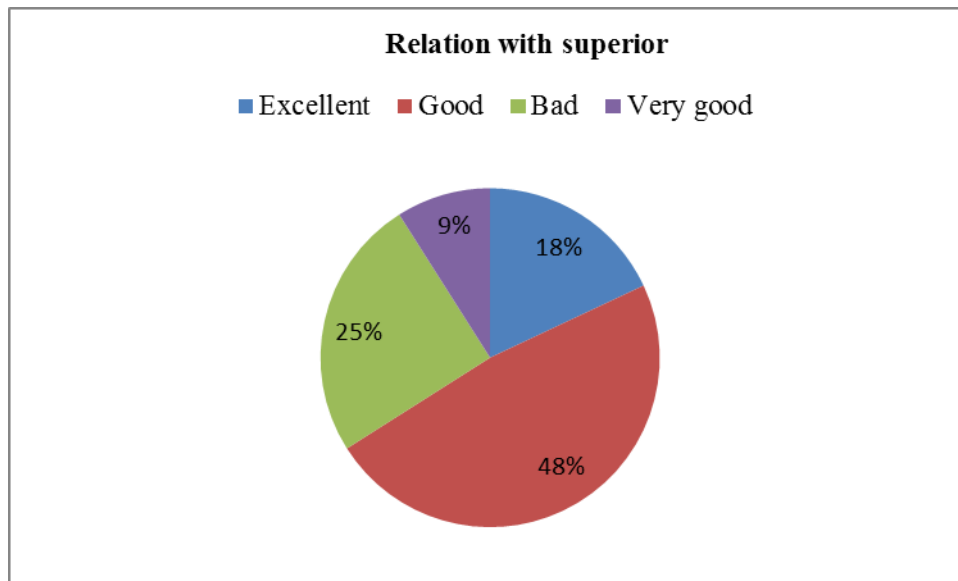|		Frequency	Percent	Valid Percent	Cumulative Percent
	Excellent	18	18.0	18.0	18.0
	Good	48	48.0	48.0	66.0
Valid	Bad	25	25.0	25.0	91.0
	Very good	9	9.0	9.0	100.0
	Total	100	100.0	100.0	

Fig.10 percentage of employee relation with superior

From the above table and graph, fig.10 majority of employee think that the superior-subordinate relation is quite good in the company. So we can conclude that there is no internal conflict among employee & supervisor.

Table:18 Employees turnover rate low

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pay them well	56	56.0	56.0	56.0
	Offer flexible hours	44	44.0	44.0	100.0
	Total	100	100.0	100.0	

Employee turnover ratelow

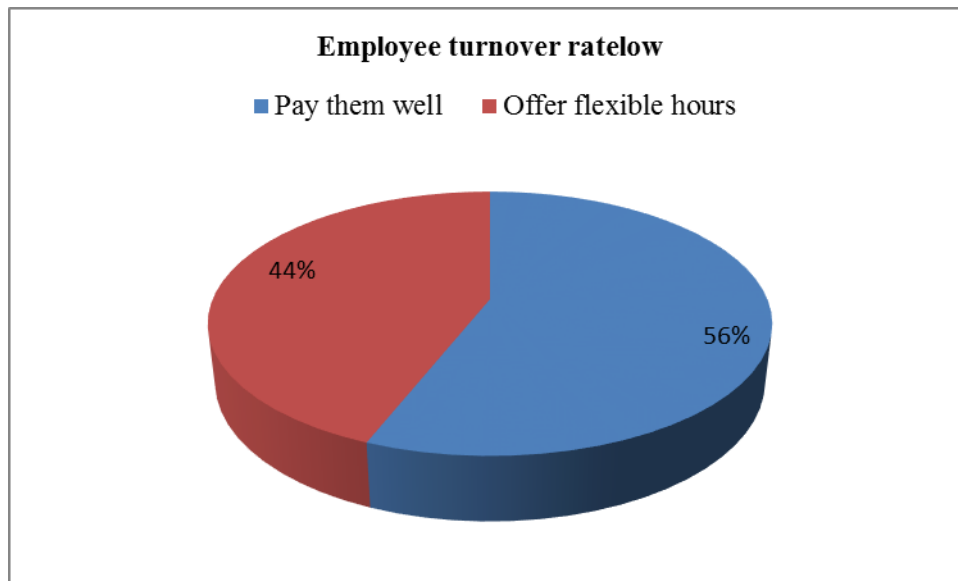■ Pay them well   ■ Offer flexible hours

44%   56%

Fig.11 Employee turnover ratelow

Fig.11, Majority of the employee stated that the company can maintain the rate of turnover by provide proper flexibility. So we conclude that the company should provide proper pay them well in working hours to reduce employee rate.

Table:19 Satisfied with job

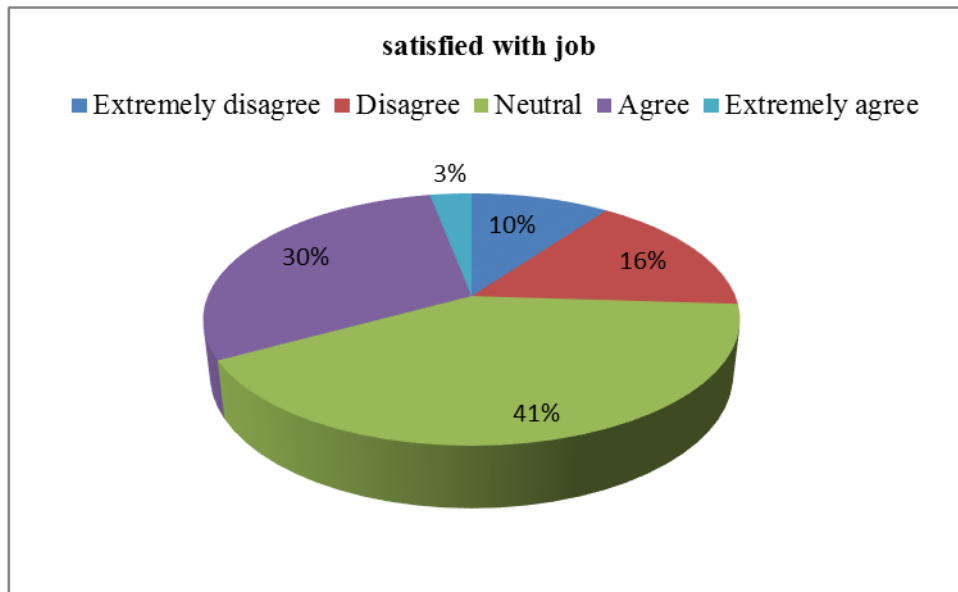|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely disagree	10	10.0	10.0	10.0
	Disagree	16	16.0	16.0	26.0
	Neutral	41	41.0	41.0	67.0
	Agree	30	30.0	30.0	97.0
	Extremely agree	3	3.0	3.0	100.0
	Total	100	100.0	100.0	

Fig.12 Employee satisfied with job

From the above chart fig.12 it has indicate 41% respondents are neutral satisfied of their job,30% respondents were agree, and 16% respondents are disagree of their job. So we can say that majority of employee are may or may not be satisfied with job.

Table:20 Employee promotion company

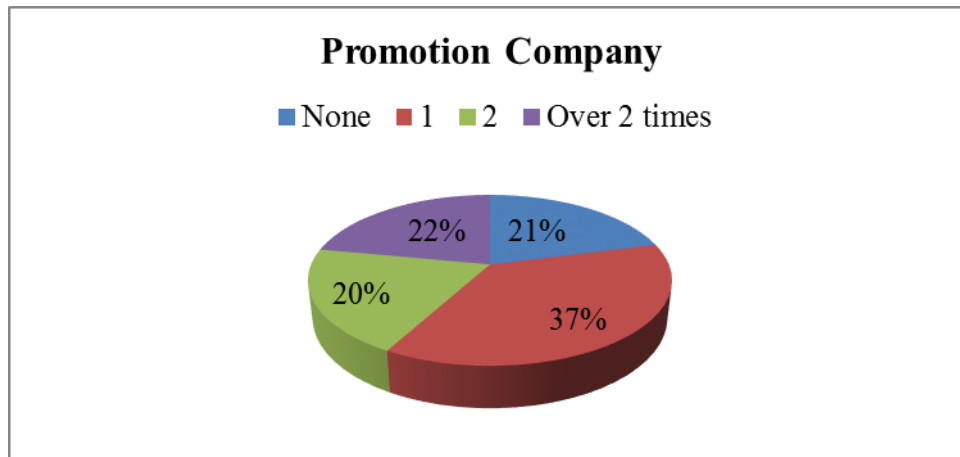|		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
	None	21	21.0	21.0	21.0
	1	37	37.0	37.0	58.0
Valid	2	20	20.0	20.0	78.0
	Over 2 times	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

Fig.13 Percentage of promotion in company

From the above chart,fig:13 it has indicated 21% respondents were none promotion, 37% respondents are one time promotion, 20% respondents were two time promotions & 22% respondents were over 2 times promotions.

Table:21 Employee salary package

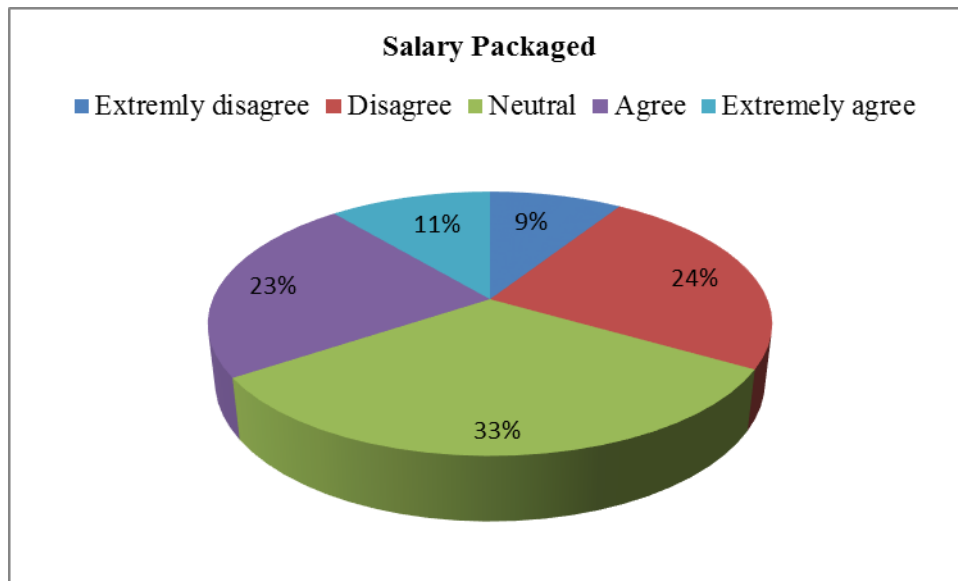|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely disagree	9	9.0	9.1	9.1
	Disagree	24	24.0	24.2	33.3
	Neutral	32	32.0	32.3	65.7
	Agree	23	23.0	23.2	88.9
	Extremely agree	11	11.0	11.1	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Fig.14 Employee salary package

From the above chart, fig.14 it can be indicate 33% respondents are neutral sufficient in salary package, 24% respondents are disagreed of salary packages.

Table:22 Employee Boss appreciates work

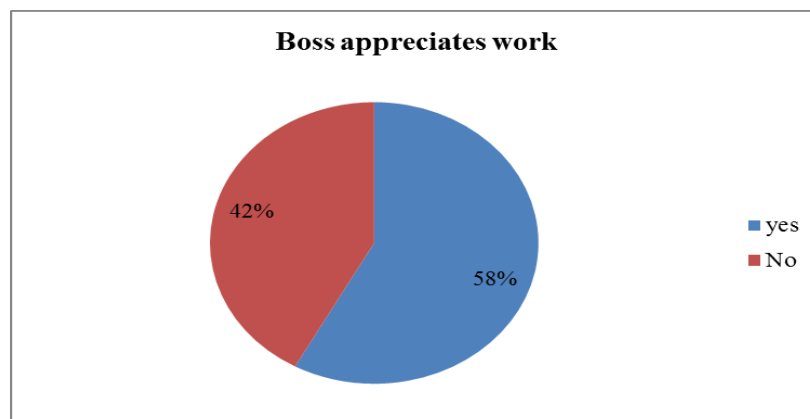|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	58	58.0	58.0	58.0
	No	42	42.0	42.0	100.0
	Total	100	100.0	100.0	

Fig.15 Percentage of employee boss appreciates work

From the above chart, fig.15 it has indicate 58% respondents were asked boss appreciates their works, 42% respondents were asked boss not appreciates their works.

4.0 CONCLUSION

- The overall experience of the research was quite good. Researcher found through analysis that company may face problems due to workload, incentives, salaries are not up to mark, as per analysis the various way through which company reduce employee turnover problem:

- Frequent review and positive reinforcement encourage high- performing employees.

- Majority of respondent stated that heavy workload and lack of appreciation of work as major reasons which lead to turnover.

- The research also indicates that superior- subordinate relation is quite good in this organization.

- Reduction in workload and more flexible work patterns are also important.

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