

Week 7

Labour Turnover

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- Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees.
- A huge concern to most companies, employee turnover is a costly expense especially in lower paying job roles, for which the employee turnover rate is highest.
- Many factors play a role in the employee turnover rate of any company, and these can stem from both the employer and the employees.
- Wages, company benefits, employee attendance, and job performance are all factors that play a significant role in employee turnover.

Costing employee turnover

- administration of the resignation
- recruitment costs
- selection costs
- cost of covering during the period in which there is a vacancy
- administration of the recruitment and selection process
- induction training for the new employee.

The Causes of Turnover

- **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 spectre 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 have 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 lifestyle 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 biodata 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 behaviours 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.