DEALING WITH THE PROBLEM OF EMPLOYEE TURNOVER

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Employee turnover is expensive, costing American industry billions of dollars every year. It strikes operations of all sizes and is not any less devastating in the public sector than it is in the private sector. These financial costs can be classified as both direct (additional fees for recruitment, steeper assessments for unemployment taxes, and the rising expenses of payroll administration for people who are rapidly moving in and out of the organization) and indirect (the marked decrease in productivity as replacements require training time to reach adequate levels of job performance).

If the monetary costs of employee turnover are not staggering enough, the human costs can be even more aggravating. Those people who do not fit into an organization spend a large amount of their time upsetting the morale of more contented employees. Before they leave, many unsatisfactory workers can antagonize customer, client, and community relations. While these human costs may be less tangible, their expense is equally significant.

Despite the widespread occurrence of turnover, there are some misconceptions about its causes and effects. This article identifies the major misconceptions, then turns to an analysis of some of the primary causes of turnover. The final section presents a systematic plan for dealing with employee turnover and thereby bringing it under control.

Misconceptions About Employee Turnover

Most people feel that the major cause of employee turnover is the issue of salary. While there is some support for this view, its importance has been greatly exaggerated; it is widely held because individuals frequently cite salary as their excuse for leaving, making the organization and its pay scale a convenient target for employee frustrations. This is largely due to the fact that few workers want to give more personal reasons for leaving and thereby risk the possibility of not receiving a good reference at a later date.

Another major misconception is that today's turnover is the direct result of a decline in our nation's work ethic. While it is true that worker attitudes have changed dramatically in the last thirty years, the problem of turnover goes beyond this shift in values. Instead, the real causes of turnover seem to be linked to problems within the organization and not really attributable to attitudes carried by the influx of new employees. The unwillingness on the part of employers to look inward has served both to perpetuate and accelerate the turnover problem.

Major Causes of Employee Turnover

The major causes of turnover can be classified under three general headings: improper personnel selection techniques; inadequate employee orientation and training; and personnel management problems within the organization. While there is little overlap between these areas, they can act simultaneously to increase the turnover problem.

Hiring the Right People

The problem of high turnover can start with the employee selection process. Selecting people who
will not fit into an organization's operation because they lack proper skills, or they do not share the same interests as other employees, leads to their likely termination at an early date. Selection problems are quite common because of a lack of appreciation for the process at hand. First, employers often hire from too limited a source of job applicants—e.g., word of mouth advertising is inexpensive, but it has its drawbacks. Friends and relatives of present employees are often selected rather than those who are more qualified but not contacted.

Secondly, many organizations do not hire in any systematic fashion, preferring instead a haphazard approach. Some employers judge applicants on their physical appearance or rely on first impressions, only to realize later that they made a mistake.

It is also a failure in the selection process not to communicate to applicants exactly what is ahead for them as employees of the organization. Too often, personnel interviewing applicants place a strong emphasis on selling the virtues of their organizations; as a result, they gloss over some of the more unpleasant tasks associated with the job, or portray the job as being more glamorous than it really is. When applicants accept the position and then meet with disappointment, they become turnover statistics.

NEGLECTING PROPER GUIDANCE AND ORIENTATION

Many employers consider formal orientation and training activities to be time-consuming and unnecessary. This seems to be especially true of small to medium-size organizations. As a result, the most common approach to employee orientation and training is the sink-or-swim method (its more formal name is on-the-job training); it costs virtually nothing, though its ultimate value tends to equal its purchase price. A bit more formal orientation method is the use of “buddy systems,” pairing a new hire with an established employee to learn the job. Sometimes this does very well, but if the new employee is paired with the wrong buddy, he or she can acquire some bad habits (e.g., how to avoid working too hard). In general, a lack of formal training can get new employees off to a bad start, and over a period of time, problems begin to multiply; with no instruction in proper work behaviors, the situation becomes worse. The final result is that these people leave.

INCONSISTENT MANAGEMENT

More than a few operations, lacking written job descriptions, have inadequately defined work roles and standards. Though job manuals may seem to be an exercise in paperwork, they provide specific details to employees who may be unsure about their assignments or whose duties overlap and conflict with the work of others; manuals may prevent these people from becoming confused or frustrated.

Poor supervision plays an important part in turnover and one or two bad supervisors can be responsible for a great deal of it. Supervisors may be inconsistent in their behavior or fail to enforce the work rules in a uniform fashion. They may be punitive or show little or no flexibility when circumstances dictate otherwise. Contrariwise, there are supervisors who surrender their managerial prerogative; they dislike having authority and consequently allow employees to act as they please. These situations spell trouble for the organization.

Although salary is too often cast as the major, obvious culprit in turnover, there are instances when pay, or rather, inconsistent management of pay and benefits, is an important factor, and if an employer attempts to reduce labor costs by lowering wage scales, workers may seek better wages elsewhere.

Recommended Solutions to the Problem of Turnover

Figure 1 presents a four step model for dealing with the problem of employee turnover. A quick review of the model shows that the application of solutions is the fourth and final phase in the approach. Management will be guilty of “jumping to solutions” (a waste of time and money) unless it carefully diagnoses the roots of the turnover problem.

The first step in the model calls for an examination of the organization’s present rate of employee turnover. Several formulas can be used, but the most common method is given below:

\[
\text{Turnover Rate} = \frac{\text{Number of separations during the month}}{100 \times \frac{\text{Total number of employees at midmonth}}{}}
\]

The formula is computed on a monthly basis. Not only can month-to-month and seasonal comparisons be made, but comparisons between different departments can also be computed.
FIGURE 1
A FOUR STEP MODEL TO DEAL WITH
EMPLOYEE TURNOVER

Step 1: Measure the Organization's Turnover Rate

Step 2: Determine the Severity of the Turnover

Step 3: Analyze the Causes of the Turnover through
   (1) Observation
   (2) Informal discussions
   (3) Formal surveys
      (a) Interviews
      (b) Questionnaires
   (4) Exit interviews

Step 4: Apply the Appropriate Solution(s)
   (1) Systematic selection techniques
      (a) Job-related tests
      (b) Weighted application blanks
      (c) Patterned interviews
   (2) Formalized orientation and training
      (a) New Employee's Handbook
      (b) Periodic refresher training
   (3) Organization improvement
      (a) Supervisory skills workshops
      (b) Goal-setting programs
      (c) Equitable wage scales

Determining the severity of an organization's turnover rate relies on judgment. Once the turnover rate has been assessed, compare it with other organizations in the same geographical area, as well as with what is considered standard turnover for the industry. This information should be available through both the local chamber of commerce and national trade associations. If it is 10 to 15 percent higher than the average, then some action should be taken. If it is the same as other, similar organizations, some managements may see no reason for concern while others may want to act. If the decision is that the turnover rate warrants taking steps to reduce it, proceed with the model.

The third step in the model offers some ways to analyze the causes of employee turnover. There are two tried and true methods that often yield results as reliable as the more sophisticated ones that behavioral scientists have devised for analyzing employee motivation. The first is observation. By walking around with eyes and ears open, managers can begin to learn some of the reasons why employees are leaving. The other method is to engage in informal discussion with employees. This can be done at coffee breaks, over lunch, or during slow periods. Most people are eager to discuss things that are making them unhappy.

There are surveys for those managers who prefer a more scientific approach. These can be conducted through interviews or through written questionnaires. The advantage of interviews is that the investigator may probe into areas of discontent to a far greater depth than permitted by a standard questionnaire; however, interviews are time consuming and if used should be limited to a selected number of employees. Written questionnaires can be filled out on the employee's time to insure confidentiality, and everyone can be surveyed; however, their one disadvantage is that many employees are fearful of putting their negative feelings into writing and, as a result, rates of return are often low. In making a choice between methods, employers must weigh the advantages and the disadvantages according to their own goals and objectives.

Moreover, the exit interview can be used to analyze turnover. If possible, employees who quit should be asked to share their reasons for leaving. Some sample questions that might be asked are:

1. When you were hired, what did you think the job would entail?
2. How much orientation and training did you receive?
3. What was your understanding of expected performance?
4. How would you evaluate management?
5. What could be done to improve the organization?

Sometimes, employers prefer to ask these questions after the employee has left, allowing time and distance to lend objectivity to the process. This can be done either by telephone or through mailed questionnaires. Regardless of how the information is obtained, it should prove useful in analyzing turnover problems.

The fourth step deserves somewhat more discussion.

SYSTEMATIC SELECTION TECHNIQUES

There are three methods that can be used to select competent employees, each of which is systematic in its approach and designed to promote the principles of fair employment practices.

The first method is job-related testing. Since testing is an excellent way to determine whether or not
an applicant can perform a given job, tests should involve specific work samples. Suppose there is a need to hire a bookkeeper; the best method of testing is to devise an examination that asks the applicant specific questions about dealing with cash flow, accounts payable and receivable, etc. If the need is for a salesperson, a simulated sales situation should be developed. A thorough analysis should be conducted prior to designing any employment test. This identifies which skills are necessary to perform the job for which the test is being developed. A failure to do this can result in a test that taps irrelevant job behaviors, and the improper selection of employees will continue.

One solution to the problem of employees who do not fit in is to use weighted application blanks. Several steps must be taken in order to implement this technique. First, separate the files of application blanks into two groups: long-tenure and short-tenure employees. (The time definition for long- or short-tenure is at the discretion of the employer. Some prefer to place employees who left in less than six months in the short-tenure groups and all others in the long-tenure group, while others prefer to use 12 or 18 months as the dividing point.) Next, examine the application blanks to see if there are certain biographical items that distinguish short-term from long-term employees; typical items that might produce differences include level of education, courses most liked and least liked, previous work experiences, number of previous jobs, hobbies, leisure-time activities, or other outside interests. If differences can be found between the two groups on a number of items, then this information could be used in selecting new hires. A word or two of caution should be added concerning the use of this method because developing weighted application blanks is tricky. The items that distinguish long-tenure and short-tenure employees can change over time, so it is a good idea to periodically re-evaluate the weighting process. Moreover, some items might have an adverse impact against certain races, sexes, or ethnic groups. While the probability of this occurring is low, employers must be on the lookout to avoid such violations of fair employment laws. Outside assistance from a qualified industrial/organizational psychologist is often a good precaution.

The patterned interview is another selection method that can be used to reduce turnover. The primary objective is to introduce structure into the interviewing situation and eliminate the negative effects that are produced by haphazard techniques. Questions are designed to probe the following areas: previous work experience, education and training, and personal plans and goals. All job applicants are asked the same basic set of questions, thus allowing for comparisons between candidates. In addition, the interviewer communicates to the applicant realistic information about working conditions and expected performance on the job.

Any one or all three of the above methods can be used to assist management in reducing turnover.

FORMALIZED ORIENTATION AND TRAINING

If a lack of formal orientation is found to be a reason for turnover, there are two ways to correct the problem. Every new employee should be thoroughly briefed the first day on the job. Since these people will be acquiring so much information so quickly, it would also be wise to compile the more important materials in a New Employee's Handbook. It would cover such basics as work hours, dress codes, pay scales, general performance standards, etc. The orientation period should be formalized to the extent that it covers several weeks. One or more competent employees of long-standing service could be assigned to assist the new hires with any questions that they might have about the operations. Finally, new employees should be periodically quizzed by their supervisors to see whether or not they are learning their job assignments.

The issue of turnover in long-tenure employees is also a problem. One way of attending to their special needs is to provide educational programs. Even the most experienced employees need refresher courses to keep their skill levels honed and to maintain maximum performance levels. Providing training for this group has another added advantage in that it shows employees that the management is concerned about their well-being and career development. This display of attention and genuine interest can go a long way toward halting turnover among long-tenure employees who (sometimes need to be reminded that they) mean so much to an effective operation.

University programs for continuing education offer seminars and workshops on a wide range of topics, and their enrollment fees are usually reasonable. In the event that an organization wants a program tailored to its specific operation, in-house specialists
and training consultants are available to furnish such services. With respect to the latter group, their approaches and their costs vary; employers are advised to shop around.

Many organizations pay nothing more than lip service to the need for orientation and skill upgrading. This is a risky practice when one considers how many good employees leave for lack of proper guidance. The solution is to address this matter squarely by providing training opportunities for employees at all levels in the organization.

ORGANIZATION IMPROVEMENT

The area of organization improvement is a broad one, to say the least. There are, however, three approaches that have a direct impact on reducing turnover. The first involves the use of supervisory skills workshops. While they can accurately be viewed as a skill training activity, supervisory skills workshops have even broader applications. They are extremely effective in dealing with attitudes that impair supervisors’ abilities to relate to their employees. These workshops should have an open format in order to meet the anticipated resistance to change that will be displayed by supervisory personnel. In general, supervisory skills workshops should cover the following topics: motivating employee performance, improving communication skills, delegating work assignments, and problem-solving and decision-making. Attendance should be mandatory, and some type of follow-up on participants’ on-the-job behavior is recommended to measure the workshop’s effectiveness.

Another strategy for improving the organization is to define standards of performance. If employees leave because they feel that performance standards are ill-defined, then goal-setting and planning programs can be of service. To use this technique, organizations must establish both short-range and long-range objectives for employee performance. These goals should be job-related and be as specific as possible. In addition, written plans for achieving these goals should be prepared by managers and their subordinates in order to guarantee a joint commitment between both parties. These goals can be derived from job descriptions, operating plans, or other relevant sources of information. It is best to link goal achievement to rewards. This, however, is not always possible when circumstances beyond the employee’s control have a large impact. While managers might complain about the amount of paperwork involved in the process, it is precisely these formal aspects that serve to ensure high levels of performance. When performance is well-defined and at peak levels, there is little room for the job dissatisfaction that breeds high turnover.

The third organization improvement effort involves the installation of equitable wage scales. Earlier, it was mentioned that local chambers of commerce and national trade associations would be helpful in supplying turnover statistics. Most of these same organizations also conduct annual wage and salary surveys. This data can then be checked against an organization’s pay schedule. In the event that these scales are far below the reported data, appropriate changes should be instituted.

On an individual basis, pay should be fair and reflect in financial terms the contribution that the person is making to the organization. Benefits should also be offered that meet employee needs, and if possible, a “cafeteria” approach is recommended to reflect individual preferences. More specifically, a young person might prefer more time off, as opposed to increased life insurance coverage. An older worker might like just the opposite. In conclusion, all compensation decisions should be communicated in a manner that can be understood by all employees. Equitable wage and salary administration is a valuable tool in promoting employee commitment and reducing turnover.

Conclusion

At this point, we have seen that reducing turnover involves practicing good personnel management techniques. Proper selection, formalized training, and improved operating policies go hand-in-hand with the principles of effective personnel administration. If organizations adhere to these recommendations, reduced turnover should be one of the many positive outcomes likely to follow.

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