

# Employee turnover, causes, the relationship between turnover and productivity and recommendations to reduce it

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**Abstract**— The issue of employee turnover is a challenge for any organization. One would think that during times of high unemployment, the turnover rate in most organizations would be at an all-time low, however, it is found that there is high rate of employee turnover in all companies and organizations. One of the famous aerospace companies in the Middle East has high rate in employee turnover and this article will be focused on the reasons for that issue and how it can be overcome or reduced as much as possible.

Today's competitive business world, it is considered to be an important task to manage employee turnover for any organization. Obviously people want varieties in his/her everyday life; looks for new and challenging jobs and good working situations in job place. To afford these things to the employees in an economic manner is very difficult. But it is also critical for any organization to keep its employees with high potentials and capabilities. Every organization or company aimed to have high productivity, fewer turnovers and to be cost-effective and profitable. Managing turnover successfully is a must to attain all goals. In Middle East, it is very important to manage turnover for both government and private sectors. Turnover rate also varies from manufacturing to service sectors. Not much research has been conducted related to turnover in Middle East so far. The owners of the business organizations do not focus on this important issue because of less awareness. They don't have a comprehensive idea about how negative effect of turnover is on productivity of their organizations. Recently more researchers are doing research on turnover.

**Keywords** — PQM (Power Quality Monitoring)

## I. INTRODUCTION

Employee turnover happens when employees voluntarily leave their jobs and must be replaced. Turnover is defined as the rate of change in the work force of the organization or the company during the certain period. For example, 25 percent employee turnover, it means that one-quarter of a company's workforce at the beginning of the year has left by the end of the year. Turnover should not be mixed up with layoffs, which involve the termination of employees at the employer's discretion in response to the company's conditions such as reduced sales. So turnover means the shifting of work force into and out of an organization. It is a

mean of which old employees leave and new employees enter into the facility in a given period. Employee turnover is the cause and effect of instability of employment, apart from being a main reason of the morale and efficiency of the employee. Therefore, it can be determined that employee turnover is a continuous concern for companies and organizations. Turnover costs for many organizations and companies are very high, costly and can affect the economic performance of an organization or company. For example; direct costs include recruitment, selection, and training of new people. Much time and expense go into this process. Indirect costs include such items as increased workloads and overtime expenses for co-employees, as well as reduced productivity related to low employee morale.

To understand the nature of employee turnover it is essential to define the term turnover. There are several definitions of employee turnover. For the purpose of this paper, turnover is defined as the movement of employees in and out of employment with respect to a given organization or company. This movement is sometimes considered voluntary though involuntary separations are also of concern, but will not be the focus of this paper. There are four different classifications of turnover that a company or organization must put it in consideration:

- *Voluntary separations*: resignation from the work, initiated by the employee.
- *Layoffs*: suspensions from payroll that are initiated by the company due to an economic slowdown.
- *Discharges*: permanent termination of employment for disciplinary reasons.
- *Other*: retirement, death, and permanent disability [1].

## II. LITERATURE REVIEW

The ratio of turnover differs from one organization to another organization. The level of turnover usually is found in private sectors more than governmental sectors. The levels of turnover also differ from section to section and from area to area within the same organization. The highest ratio is found, where unemployment percentage is low and

where it is easy for employee to find a better job alternative [2].

Sometimes employee turnover benefits organizations positively. This might happen when an employee with poor performance is replaced by a high educated and skilled employee and when a retired employee replaced by a younger one. On the other hand sometimes employee turnover may be costly as it needs different cost to take account for instance administrative costs of recruitment, cost of covering during the period in which there is a position vacancy, training cost for the new employee etc. [3].

Employee turnover can be a main tool for innovation in competing companies. Determined changes in turnover between two otherwise identical companies will develop very different tenure distributions, with implications for stability and organizational culture which in order may have significantly different implications for innovation. The level of turnover can be a result of the human resources management (HRM) practices selected by the company, but the HRM practices can also have a direct influence on innovation actions of the company. [4].

Chen and his colleagues [5], explained how turnover affects productivity. Employee turnover is one of the most important reasons of decreasing productivity and drooping morale in both the public and private sectors. Specialists estimate that the collective total of the three component costs of turnover (i.e. hiring, training, and reductions in productivity) can exceed 5% of the total annual operating budget. Previous studies indicate that job satisfaction and intent to stay are usually considered as key elements in determining the turnover among employee. However, it seems there is no clear agreement as to the serial track and connection between job satisfaction, intent to stay, and actual turnover [5].

Laura Stanley and her colleagues concluded that actual turnover includes both an assessment of the individual's willingness to leave and an assessment of the useful outcomes related to leaving. So, both the salience of internal motivation linked with the behavior (staying vs. leaving) and interest and ease of movement come into play as potential drivers of turnover. It is also conceivable that these factors act as alternatives for one another. That is, when the salience of internal drive is high, the level of desirability and ease of movement will not incrementally act upon turnover. Likewise, when desirability and/or ease of movement are low, the relative salience of the internal drive for the behavior will not account for turnover [6].

Campion classified the reasons for the turnover, which will be discussed in details in the next section. Turnover occurs for various reasons. Sometimes new job attracts employees and pull them to leave the old one. On the other hand, employees also could be pushed to leave their job due to the dissatisfaction in their present work or by domestic situations and conditions [7].

Sometimes the relations between the management and its employees can increase or decrease the employee turnover.

A poor link with the management can be an important cause for the employees to leave their jobs [8].

Hutchinson and Purcell think that lack of training and development can increase the rate of the employee turnover. A lack of appropriate training and development is also main reason for voluntary turnover. Employees have a preference for security of their jobs. Turnover could be reduced through considering different protective measures by the management. These may include providing training to the line managers for an effective supervision before appointing or upgrading them, providing security of jobs with good working environment etc. There may be an offer for re-training the existing managers who have a poor record at keeping their staff happily. Supervising managers could be accountable for employee turnover in their teams. Maximization of chances for individual employees such as accommodate individual preferences on working hours, regular evaluations, providing as much job security as possible can help to reduce turnover [9].

Employee turnover can be very overwhelming for any company. It makes it difficult for employers to keep a stable and successful operation. Management should have its own evaluation on employee turnover and measurement how this affects organizations performance. Losing a single key employee can decrease the probability of a project's success and can reduce customers' and investors' confidence in the company [10].

Many researchers indicated that turnover is the correlation between job dissatisfaction and decreased organizational commitment. The stronger the feeling of dissatisfaction in the employee's job, the more likely employee is to begin a search for an alternative job. This viewpoint on turnover highlights the role of emotions and attitudes as antecedents of behavior. When an employee leaves an organization, it can have a variety of effects that not only influence the organization, but also the individual employee and the society [11].

Turnover is a guide of organizational effectiveness and as such it allows attention and some understanding of itself. Moreover, however, information on turnover can help the planning, forecasting and control of resources [12].

In spite of a massive literature on turnover in organizations, there is as yet no universally accepted account for why people choose to leave [13].

The phenomenon of turnover is of interest to organizations because it is important, potentially costly and relatively a main deterministic for the future of the organization. The aim of effective management of turnover dictates that a high level of development, and thereby needs to be done by organizations in order to selectively impact the turnover process. However, the phenomenon has not so far shown amenable to prediction. While some researches have focused on potential predictors of turnover behavior; such as job tenure and locus of control. [14].

Ten elements of turnover were considered in this study: job involvement, positive and negative affectivity, distributive justice, job stress, promotional chances, autonomy,

routinization, social support, and pay. As derived from reflections on the determinants of voluntary turnover (Price, 2001), two dominant variables have been regularly studied in turnover models, and therefore were considered in the study: job satisfaction and intent to stay. It is assumed that the selected elements affect actual turnover by their influence on the dominant variables of job satisfaction and intent to stay. Four demographic characteristics (age, education level, rank and tenure) were included as control variables because studies have shown that these variables were related to job satisfaction, turnover, and other organizational variables [15].

According to Randall and his colleagues, turnover will lead to less productivity. The most pressing and often overlooked impact of turnover is the loss of productivity experienced directly after the loss of an employee. Some companies recognize that overall firm productivity decreases significantly because of the lack of employees to complete the constant or increasing capacity. The morale of the remaining employees also declines because many remaining employees lose the friendships of the exiting employees [16].

### III. THE CAUSES AND INFLUENCING FACTORS OF TURNOVER

Turnover basically arises from the unhappiness of employers from employee. But being unhappy in a job is not the only reason why employee leaves one company to another. Causes of high employee turnover ratio varies among different companies. Based on the aerospace companies in the Middle East, several causes of high turnover within a company include:

1. Some employees leave by choice (known as voluntary turnover). Employees voluntarily leave organizations for a variety of reasons, including:

- Low satisfaction with their current jobs.
- The economy - in exit interviews, one of the most common reasons given for leaving the job is the availability of higher paying jobs.
- Low satisfaction with their employer or the management.
- Limited promotion and growth opportunities. If the job is simply a dead-end proposition, this should be explained before employing so as not to mislead the employee. The job should be described precisely, without raising false promises and hopes for growth and advancement in the position.
- Better opportunity and alternative elsewhere.
- Dissatisfaction of organizational changes or restructuring.
- Lack of communication between employees and management.
- Lack of resources and support within the organization for employees.

The characteristics of the job - some jobs are basically more attractive than others. A job's attractiveness will be affected by many features, including its repetitiveness, challenges, risk, perceived importance and capacity to elicit a sense of achievement.

Demographics - practical studies have proved that turnover is related to particular situations with demographic and biographical characteristics of employees.

Imbalanced allocating of tasks and responsibilities.

Lack of proper training.

Less-than-desirable physical work situation.

Personal factors include things such as changes in family situation, a desire to learn a new skill or trade or an unwanted job offer.

A bad match between the employee's skills and the job requirements who are placed in jobs that are too challenging for them or whose skills are underutilized may become depressed and quit the job.

Feelings of not being appreciated – since employees normally want to do a good job, it follows that they also want to be appreciated and recognized for their work. Even the most experienced employee needs to be told what he or she is doing right once in a while.

Inadequate supervision and training – employees need guidance and direction. New employees may need extra help in learning an inexperienced job. Similarly, the absence of a training program may cause employees to fall behind in their level of performance and feel that their abilities are less than others.

Unequal or substandard salary structures – Inequity in pay structures or low pay is a great reason of dissatisfaction and can drive some employees to quit. Again, a new employee may wonder why the person next to him is getting a higher salary for what is supposed to be the same work.

2. Some employees' changes are initiated by the organization itself (known as involuntary turnover). It can include the following:

Downsizing in order to stabilize their budgets.

Substandard equipment, tools or facilities – If working conditions are substandard or the work needs important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time.

### IV. THE RELATIONSHIP BETWEEN EMPLOYEE TURNOVER AND PRODUCTIVITY

Turnover acutely related with the productivity of an organization. Employee turnover can hamper the overall productivity of an organization and is often an indication of other problems. Productivity is the measure of an organization to achieve its targeted production with the

means of workforce, specialist's strategies, technologies, equipment and assets.

Turnover directly affects the production and productivity. It causes a replacement which is costly and time consuming. So many procedures have to maintain to replace a person. During that time production is hampered to a great level. There are also other difficulties during the replacement of employees such as follows:

- The newly replaced employee may not be as efficient as the previous one. The newer one takes time to be easy with the new system, with the co-employee, to be familiar with the new environment etc.

- During the time of replacement the co-employee faces problems due to the vacancy. After the replacement the co-employees have to spend time from their task to help the new employee which is wasting their times instead of doing their work with 100% efficiency.

- Some organizational authority point on the turnover tendency of the employee that affects their productivity. Suppose, an employee may get assurance from another organization for joining and the joining date may be after one month later, then the employee gives up concentration from working. At the time productivity of the organization falls down.

- Newly appointed employee may not be trained properly for the new position and needed time consuming training for settle down with the new job place.

- There may be cultural differences between new employees with the previous one which slows down his / her job performance. Demographic position also effects employees' performance and characteristics.

All the reasons mentioned above contribute hugely to the damage of productivity of any organization or company. Care therefore must be taken to reduce or minimize turnover rate as much as possible.

High turnover can be a serious obstacle to productivity, quality, and profitability at companies of all sizes. For the smallest of companies, a high turnover rate can mean that simply having enough staff to fulfill daily functions is a challenge, even beyond the issue of how well the work is done when employees are available. Turnover is no less a problem for major companies, which often spend millions of dirhams a year on turnover-related costs. The cost of turnover differs with the difficulty of the job to be performed.

## V. SOME OF THE RECOMMENDATIONS TO REDUCE THE RATE OF EMPLOYEE TURNOVER

The last section will include some recommendations and suggestions to eliminate employee turnover and that will lead to increase the productivity.

While it is important to do all what an organization can do to avoid high employee turnover, it also have to consider the turnover impact on the company as a whole.

### A. During the hiring process

- One of the best ways to prevent turnover is to hire the right person in the first place. This needs writing a clear job description, identifying the essential skills and strengths to perform the position well, having the prospective staffer meet the people they would work with to make sure they will be able to work together, rigorous interviewing and reference checks, and training to make sure the position requirements are clearly understood.

Once employees are hired, turnover can be reduced through fair compensation and benefits as compared to other similar positions available, and by making a position as good a fit as possible through flexibility to employee needs and interesting career paths.

To make sure the company is doing a good job in these areas; many companies survey their competitors on a regular basis, and conduct exit interviews with employees leaving voluntarily to understand why they decided to leave.

- Look at all aspects of candidates. Although this sounds simple, the fact is, many employers don't look at all aspects of a candidate, such as how they'd fit in with a team or if their values align with the company's. When you evaluate all aspects of a candidate, you'll choose the right employees. In turn, this will decrease turnover because in combination of performing well, employees will want to be there.

- Make cultural fit top experience when hiring. Increasing employee retention will mean improving hiring efforts. Employers should focus their efforts on obtaining candidates who are not just skilled for the position, but are also a strong cultural fit for the company. Behavior-based screening and interviewing will help to make best long-term hires.

### B. Retaining current employees

- Invest in your staff. This does not mean to just talk about compensation, which is vital to retaining top talent, but also spending the time to guide, train and advance your staff. The reason that most employees quit is out of frustration with the status quo, and lack of future development. The trick is to communicate with your employees from the beginning and set clear goals that you review with them at least twice a year. Then create an environment where new ideas are encouraged, good work is rewarded and employees are allowed to stretch themselves to take on new roles and responsibilities.

- People management and balance reduces turnovers. It's about people management and managing their expectations, their motivations, their problems, and even their joys. Instead of asking —how hard will you work for our company, ask people what they will do to balance their work/home life. Balanced, contented employees will be productive, successful, and loyal.

- Collect input on how the company should be run. Ask your employees what they think! Everyone is a knowledge

employee today, and everyone should have input on how their part of the organization can or should be run.

- Provide regular feedback. Engage in weekly feedback sessions. Employees are hungry for feedback that makes them better. Setting up weekly keep-doing, start-doing, and stop-doing sessions is fast and effective at making the employee feel valued and heard. Also Feedback Performance is very important - there needs to be a constant flow of information on how all employees are performing in each section of the organization. Employees who are kept in the dark about their performance become disappointed and cranky. The simple kindness of letting employee know how they are performing on a daily or weekly basis pays off in terms of lower turnover.

- Recognize Good Performance - Reinforcing people for doing good work, lets them know they are appreciated. Tangible and intangible rewards are a great way to show management appreciation for employees who excel. This increases morale if it is done well. However, understand that reinforcement can be a problem if it is not handled properly. Make sure employees receive sincere appreciation by management on a continuing basis.

- Identify and offer unusual employee benefits. For many companies, standard employees benefit programs are not always given the fanfare that they deserve. But by offering programs that might be a bit out of the ordinary — such as pet insurance, Health Savings Accounts, Job-Sharing Days, etc. An employee's appreciation and attachment to a company may grow.

- Create meaningful employee experiences. Engagement levels increase when employees feel authorized to apply what matters to them to everything they work on and with an employer whose mission aligns to their personal values. Inspire employees to apply what makes them great as people to the outcomes they are driving and they'll want to get out of bed in the morning to contribute to their employers' success.

- Open the lines of communication. Ask your employees what they want. Take what they say and implement it. Not every suggestion will be viable, but it's important for them to know you value them individually, that their voices are heard. Open communication can also give you advanced warning if someone is unhappy and thinking about leaving so that you can think and talk about the issue. Communication needs to be ubiquitous and reliable. It is not enough to have a monthly corporate news letter or an irregular town hall meeting. Communication needs to take several different forms and be a constant importance for all levels of management.

- Develop People - Organizations that emphasizes on employee development enjoy higher employee satisfaction, which leads to lower turnover. If each employee has a development plan that is reviewed at least annually and has a diversity of growth opportunities, the employee will have little reason to seek greener pastures elsewhere.

- Build Trust - By extending trust to employees, leaders demonstrate their willingness to support them. This pays off

in terms of higher trust on the part of employees toward the organization. By creating a real environment, more trust in an organization will lead to lower turnover.

- Reduce Boredom - Employees, who are underutilized, tend to get bored and restless. If there is a vacuum of activity, people often get into harm. It is important for managers to craft job duties and responsibilities such that people are actively involved in the work every day.

- Cross Train - Employees, who have been trained on several different jobs, know they are of higher value to the organization and tend to be less inclined to leave. Along with the preference of having more diversity of work, employees appreciate the ability to take on extra skills. Having good bench strength permits the organization to function well, even during times of high vacation or illness.

- Keep It Light - When managers apply constant pressure to outdistance the last drop of productivity, they often go over the line, and it becomes reverse. If leaders grind people down to a stump with constant pressure for perfection and ever higher productivity, the quality of work life suffers. Employees can tolerate a certain amount of this for some time, but eventually they will fail. It is smart to set very high goals, but very important to have employees believe the stretch goals are possible. One good way to provide this assurance is to have the employees themselves contribute in setting the goals. The best companies create ways to work in a little fun somewhere, even (and especially) in high pressure situations.

- Train Leaders - All levels of management and supervision need to be highly capable at creating an environment where the culture is upbeat, positive, and has high trust. This does not occur by accident, or simply by desire. It takes work and lots of focus by leadership team to ensure that there are no weak links in the management chain. In many companies there is a failure of a manager somewhere between the well intentioned and talented top employees and the other employees. The result is that great objectives, standards, and procedures are transformed into forgetfulness by the time they reach the shop floor. The solution is to enhance leadership effectiveness at all levels and eliminate any dud who is incompetent of changing.

## V. CONCLUSION

Overall, this paper presents causes of high turnover in general and high turnover in aerospace industry in the Middle East in particular. It looked at different aspects of people leaving the company or organization voluntarily. After that, the paper gave a prescription on certain cited experiences to do during the hiring process as well as after hiring. It is important to be selective in a distinguished industry like the aerospace industry in the Middle East. Making sure that candidates understand the job requirements upfront and agrees to the expectations of the company is paramount. However, once the candidate is hired, it more important to keep him/her interested in the job and develops his/her career and sees his/her future in the

company. Communication with the employees on a continuous bases will keep them informed and plan their future in alignment with the company's vision.

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