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EMPLOYEE TURNOVER IN HEALTH CARE INDUSTRY: A CONCERN FOR THE ORGANIZATION

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Abstract

In today's context, most of the Indian business organizations are facing a paradoxical problem so far as employment of their human resources is concerned. On one hand, they are facing the problem of overstaffing and are busy to pruning the surplus staff through voluntary retirement and other schemes. On the other hand, they are facing the problem of employee turnover and are busy in developing retention strategies. The problem of employee turnover is more acute in new economy businesses. For example, Guru Bakshi, Vice President (HR), Metamor Global Solutions Limited has observed that "the IT industry has one of the highest turnovers, with employees constantly looking for more money and opportunities abroad". Employee Turnover is defined as the rate of change in the working personnel of an organization during a specified period. It signifies the extent to which old employees leave and new employees enter into service in a given period.

KEYWORDS: *Attrition rate; Turnover cost; Exit Interview; Retention Strategy; Employee Relationship Management; Human Capital Management.*

1. Introduction

Employee Turnover is one of the major challenges organizations are facing today. It can be considered as a gift from economic development as well as from the globalization of the economy. According to the Times News, New York (2003) overall attrition rate is 42% in USA, 29% in Australia, 24% in Europe, 18% in India where as the global average is 24%. The rate of employee turnover in India has crossed 20% in the manufacturing sector while the services sector is facing 40% attrition (ASSOCHAM, 2007).

Organizations invest a lot on induction, training and grooming of their employees. In present labour market scenario, organizations spend a lot of time, efforts and money to devise plan and strategies to retain especially the skilled employees as they provide the competitive edge over others.

2. Types Of Turnover

Turnover is classified in a number of different ways. Each of the following classifications can be used and are not mutually exclusive.

2.1 Involuntary Turnover

It is the turnover where termination occurs as a result of poor performance or due to work rule violations. Involuntary turnover is triggered by organizational policies, work rules, and performance standards that are not met by employees.

2.2 Voluntary Turnover

It is the turnover where employees leave by choice. Voluntary turnover can be caused by many factors, including career opportunities, pay, supervision, geography and personal/family reasons.

2.3 Functional Turnover

It is the turnover where lower-performing or disruptive employees leave. Not all turnovers is negative for organizations because some workforce losses are desirable, especially if those workers who leave are lower-performing, less reliable individuals, or those who are disruptive to co-workers.

2.4 Dysfunctional Turnover

When key individuals and high performers leave at critical times, it is said to be the dysfunctional turnover. For example, a software project leader left in the midst of a system upgrade to take a promotion at another firm in the city, causing the system upgrade timeline to slip by two months due to the difficulty of replacing the project leader.

2.5 Uncontrollable Turnover

When turnover occurs for reasons outside the impact of the employer, it is called the uncontrollable turnover.

2.6 Controllable Turnover

When turnover occurs due to factors that could be influenced by the employer, it is said to be the controllable turnover.

Many reasons employees quit cannot be controlled by the organization and include

a) The employee moves out of the geographic area.
b) The employee decides to stay home for family reasons.
c) The employee's spouse is transferred.
d) A student employee graduates from college.

3. Measurement Of Employee Turnover

Quantitatively, employee turnover can be measured in different ways. These are accession method, separation method, combined method and replacement method.

3.1.Accession Method

In this method, employee turnover is expressed in the form of relationship between total number of employees acquired during a year and the average number of employees employed during the year. This relationship is expressed in the following form:

$$\text{Turnover rate} = \frac{\text{Total number of employees acquired}}{\text{Average number of employees during the year}} * 100$$

3.2.Separation Method

In this method, employee turnover is measured in terms of number of employees separated from the organization and the average number of employees employed during a year and is expressed as follows:

$$\text{Turnover rate} = \frac{\text{Total separations during the year}}{\text{Average number of employees}} * 100$$

This method gives better idea about the employee turnover which can be used for designing retention strategy.

3.3.Combined Method

This method is a combination of accession and separation methods. The basic idea behind combining both methods is to ascertain the exact mobility of employees eliminating seasonal and cyclical impact on employee mobility. For example, during prosperity, there may be more acquisitions and lesser separations while in depression, the reverse may true. This method calculates employee turnover as follows:

$$\text{Turnover rate} = \frac{(\text{Accessions} + \text{Separations}) / 2}{\text{Average number of employees}} * 100$$

3.4.Replacement Method

In this method, net amount of employee mobility is taken into consideration which is obtained by difference between total number of employees acquired and total number of employees separated and is expressed as follows:

$$\text{Turnover rate} = \frac{\text{Total accessions} - \text{Total separations}}{\text{Average number of employees}} * 100$$

The above methods express employee turnover in quantitative form and a high turnover is considered as bad for the organization. However, in today's context, it is not merely the number of employee turnover that is relevant but the quality of personnel who leave the organization is a matter of concern. Such personnel may be in managerial or technical cadre whose replacement is quite a costly affair. Therefore, organizations have to take care of this qualitative aspect too while measuring employee turnover.

4. Causes Of Employee Turnover

Employee turnover is caused by a variety of factors. Some of these factors lie within the employees themselves while some of the factors lie within the organization.

4.1.Employee – Related Factors

Employee – related factors responsible for turnover are of the following types.

(i) Job hopping tendency among individuals particularly at the initial stage of the career.
(ii) Too much ambition among individuals leading to a state of never being satisfied.
(iii) Dissatisfaction from the present job and the organization.
(iv) Better career opportunities particularly in new economy sectors.
(v) Tendency of home sickness.
(vi) Tendency to start own business.

4.2.Organization – Related Factors

Besides the individual factors, there are many organizational factors which are not conducive resulting into high employee turnover. These factors are as follows:

(i) Incongruent organizational culture resulting into conflict between the individuals and the organization.
(ii) Faulty human resource policies and practices particularly related to compensation, promotion, and training and development.
(iii) Poor leadership and supervision.
(iv) Poor working conditions.

(v) Unrealistic job preview raising high expectations.

5. Effects Of Employee Turnover

High employee turnover is a costly affair for both employees as well as organization. It indicates that there is something wrong in the organization and unless this is corrected, the organization cannot flourish. In the same way, unless an employee sticks to an organization for a fairly long time, he cannot make significant contributions. Thus, organization and employees both suffer because of high turnover.

6. Cost To Organization

High employee turnover is a huge cost to an organization. For example, Brian Friedman, an HR consultant, views that "what is the cost of replacing, say a middle ranking executive in your organization? It is not just the cost of replacing the person, or paying a higher salary. We have found that the transactional cost of replacing a person is about 1.5 to 2 times the current salary paid in that position. Companies tend not to factor that in." An organization has to bear the following types of cost because of high employee turnover:

I. Hiring cost involved in recruitment, selection, and placement of new employees.
II. Cost of training and development.
III. Loss of production in the intervening period in which the position remains vacant.
IV. Socialization cost of new employees.
V. Adverse impact on the existing employees' morale.
VI. Loss of prestige of the organization in human resource market and other relevant environmental factors.
VII. Disturbed teamwork and team spirit in the organization.

7. Cost To Employees

High employee turnover is costly to employees which are in the following forms:

I. Frequent job changes resulting into loss of long-term benefits like provident fund, pension, gratuity, etc to employees.
II. Socialization process with the new work environment resulting into lower productivity.
III. Frequent dislocations affecting personal and family life adversely.
IV. Loss of employee's credibility because of frequent job changes.
V.

8. Costs Of Turnover

More detailed and sophisticated turnover costing models consider a number of factors. Some of the most common areas considered include the following.

8.1 Hiring Costs

It includes recruiting and advertising expenses, search fees, HR interviewer and staff time and salaries, employee referral fees, relocation and moving costs, supervisor and managerial time and salaries, employment testing costs, reference checking time, pre-employment medical expenses, etc.

8.2 Training Costs

It includes paid orientation time, training staff time and salaries, costs of training materials, supervisors and manager's time and salaries, co-worker "coaching" time and salaries etc.

8.3 Productivity Costs

It includes lost productivity due to "break-in" time of new employees, loss of customer contacts, unfamiliarity with organizational products and services, more time to use organizational resources and systems etc.

8.4 Separation Costs

It includes HR staff and supervisor time and salaries to prevent separations, exit interview time, unemployment expenses, legal fees for separations challenged etc.

9. Control Of Employee Turnover

Though a reasonable degree of employee turnover is desirable even for the organizations, high level of turnover is detrimental. Therefore, most of the organizations make attempts to control high employee turnover. In order to control employee turnover, attempts can be taken in two directions – holding exit interview to identify the reasons for turnover and developing retention strategy to retain employees in the organization.

9.1 Exit Interview

Exit interview is held with an employee who is due to leave an organization. Its basic objective is to identify the reasons for which the employee is leaving the organization and to take corrective actions to overcome those reasons. Because of high employee turnover, many companies have taken exit interview compulsory. For example, Whirlpool has made a rule that the employee's dues are not settled unless the exit interview report is attached with other papers.

9.2 Retention Strategy

In order to control excess employee turnover, organizations should chalk out retention strategy and implement it. Retention strategy involves taking actions having both long-term and short-term impact in retaining desired employees. Research studies indicate that both high and low achievers have higher quit rates than average performers. While quitting by low performers may not have adverse impact on an organization, quitting by high performers is a matter of serious concern for the organization. Therefore, the organization has to adopt strategy to retain high performers. This is known as selective retention strategy that is retaining those who are needed and letting to go those who are not needed. An organization can take a number of measures to retain its employees. These measures may be package for long-term stay, retention bonus, intangible benefits, matching jobs and individuals, and employee relationship management. Some of these measures have financial implications while others are related to work environment.

(i) *Package For Long-Term Stay*

An employee leaves the organization because he feels that his market value is more somewhere else. This feeling can be overcome by designing suitable long-term package for employees who may include stock options with provision of higher benefits for longer duration of stay in the organization, increasing financial incentives over the period of time, and increasing emphasis on deferred payment of financial incentives in the long run like superannuation allowance or long-term stay bonus. The provision may be made that if employees leave earlier than stipulated time, they will forgo certain long-term benefits.

(ii) *Retention Bonus*

Retention bonus is a kind of ad hoc payment to essential employees to retain them in the organization. The retention bonus, once a compensation tool reserved largely for top executives, is increasingly being used to retain essential mid-level and rank and file employees. The measure of paying retention bonus in used when any change in an organization takes place such as merger and acquisition or organizational restructuring where employees tend to leave the organization because of such a change. There are several issues involved in paying retention bonus. These are paying one lump sum or over several times, paying on the basis of length of service or other measures, uniform payment to all employees or discriminate payment to them depending on some criteria, and basis of calculation of amount of retention bonus. These issues can be solved by an organization taking its own needs and those of employees.

(iii) *Intangible Benefits*

Companies are offering many intangible benefits to their employees for developing belongingness with the organization. Such intangibles are in the form of overseas training, overseas employment in case of companies having branches in foreign countries, holiday trips for employees and their families, dinner meetings in posh hotels with employees and their families, etc. In fact, many companies, particularly MNCs operating in India use overseas training and employment as carrots to their employees.

(iv) *Matching Jobs And Individuals*

In fact, many employees change their organizations because of mismatch between them and their jobs. Career planning, career development and promotion can take case of this problem. Many companies offer choice to their employees to switch from line function to staff function and vice-versa; from fast-track project to slow-track project, and so on. This flexibility helps in reducing monotony and job stress and the job satisfaction is high.

(v) *Employee Relationship Management*

On the pattern of customer relationship management (CRM), the concept of employee relationship management (ERM) has developed. While CRM is the external response to 'why' an organization does business, ERM is the internal response to 'how' an organization does business. ERM is a wider set of functions that encompasses learning performance and incentive guidance, workforce analysis, and a host of other operational issues related to managing human resources. Researches show that changing jobs by employees is a painful decision with repercussions on a family's stability, spouse's career, children's education, social network in the present location and employment, and uncertainty in the next job. Unless a person feels quite strongly about issues such as equity, morale, relation with immediate superior, and opportunities outside, he is unlikely to change jobs. Therefore, the employing organizations should take adequate care to develop employee relationship based on the above factors. Many software developers have developed human capital management (HCM) solution in which ERM is included as a capsule. HCM solution keeps track of employee satisfaction/ dissatisfaction. If a key employee's dissatisfaction level goes beyond a certain level at which he is likely to be attracted by a rival's offer for job, HCM solution brings it to the notice of the organization and HR personnel can take immediate step to overcome this problem.

Besides the above measures, an organization can use persuasion to retain key employees. In persuasion/ the persuasive skills of the chief executive or HR personnel are important. In fact, many progressive organizations rely on this method to retain key employees.

10. Conclusion

Employee turnover is a very complex phenomenon. A large number of factors in isolation or in combination may cause people to leave the organization. As a result various theoretical formulations have been proposed by researchers to shed light on employee turnover. Different organizations and different department may have different level of closeness to turnover culture. Though there is no readymade solution to this problem, organizations need to do proper diagnosis to unravel employee turnover issue in the organization and plan retention strategy accordingly.

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