A Qualitative Study on Causes and Effects of Employee Turnover in the Private Sector in Malaysia

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Abstract: The term “employee turnover” is an important metric that is often central to organizations’ workforce planning and strategy. The reasons why employees leave their current positions; not just the fact that they leave have crucial implications for future retention rates among current staff, job satisfaction and employee engagement and an organization’s ability to attract talented people for job vacancies. 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 several organizations globally. The purpose of this research is therefore, to find out the actual reasons behind turnover and its damaging effects on the productivity of manufacturing industries in Malaysia. To explore turnover in greater detail, this article will examine the main sources of employee turnover, its effects and recommend some strategies on how an organization can retain employees and reduce employee turnover.

Key words: Employee turnover • Sources • Effects • Causes and strategies

INTRODUCTION

With the effect of globalization in the world, it has been touted that every organization will have to manage their employee turnover methodically. To meet the basic necessities of offering a safe environment, good pay and benefits in an economic way is very difficult and cumbersome to an organization. Every organization wished to have high productivity, fewer turnovers and to be profitable. Managing turnover successfully is a must to achieve the above goals. Studies have also been carried out regionally and globally to explore and to study the relationship between various variable(s) with employee turnover. These studied variables include occupational content, leadership styles and job satisfaction [1]. The literature on employee turnover is divided into three groupings: types of employee turnover, causes of employee turnover and strategies to minimize employee turnover.

Literature Review: [2] defines employee turnover as the “entrance of new employees into the organization and the departure of existing employees from the organization”. The researcher will use the term departure of existing employees interchangeably with voluntary separation or exit. [3] defined turnover rate as how many new recruitments were hired to replace resigned employees. By these definitions, turnover ‘occurs’ only when a replacement is successfully hired. A similar definition is provided by [4] who state that turnover means voluntary cessation of membership of an organization by an employee of that organization. Another study suggests that employee turnover is the rotation of workers around the labor market, between different companies, occupations and jobs and also between states of employment and unemployment [5]. In an organizational context, turnover can be defined as the termination of an employee’s intraorganizational career trajectory, which is composed of a sequence of job changes from job entry to exit [6].

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Employee turnover could refer to a situation whereby employees exit the organization voluntarily for various reasons and thereby affecting the organization negatively in terms of costs and the capacity to deliver the minimum required services [7]. When an employee leaves the organization, this may have a variety of effects that not only impact on organization but also on employee itself and society also. Although enough literature on employee turnover is available but still there is not universally agreed framework for why employees leave [8]. Employee turnover has a significant subject for many researchers and academics because of its negative results as turnover [9]. The relationship between training and development has been developed in the literature but contradictory outcomes described in literature defining the part of training and its impacts on employee turnover creates the complicated relationship [10]. For example the low rate of training programs in organizations may lead to poor job performance and higher employee turnover rate. On other side, the organizations which have proper training program for the development of their employees, enjoying high success ratio and lower level of employee turnover. Employees might feel grateful to show greater commitment and less encouragement to leave the organization [11]. [12] had asserted that both low levels of job satisfaction and organizational commitment are related to higher rates of turnover. Moreover, [13] have summarized thirty nine studies related to the relationship between job satisfaction and turnover conducted in the past 50 years and found that all but four cases have shown a negative relationship. Research by [14-16] have shown that job satisfaction was a strong predictor of turnover intentions.

Types of Employee Turnover

Voluntary Turnover: When employees leave an organization at their own discretion, it is referred to as voluntary turnover [17]. It is initiated by the choice of the employee. A similar definition is given by [18], stating that “an instance of voluntary turnover, or a quit, reflects an employee’s decision to leave an organization, whereas an instance of involuntary turnover, or a discharge, reflects an employer’s decision to terminate the employment relationship”. According to [19] who study voluntary turnover, it can be affected by a lack of job satisfaction, job stress as well as alternative opportunities. It is thus important to consider attractions such as alternatives when looking at voluntary turnover. However, voluntary turnover can be predicted and, in turn, be controlled.

Involuntary Turnover: [20] define involuntary turnover as “… an instance of involuntary turnover, or a discharge” that “reflects an employer’s decision to terminate the employment relationship”. According to [21], involuntary turnover includes retirement, death and dismissals. [22] further state that turnover initiated by the employee such as resigning to take care of a terminally ill family member or accompanying a spouse to another area should also be considered as involuntary as it includes reasons over which the employee has no control. Another definition states that involuntary turnover includes the need to cut costs, restructure or downsize due to reasons which are independent of the affected employee(s), as explained by [23]. This represents a decision or choice made by the employer. It appears that the distinction between voluntary and involuntary turnover is important but not straightforward [24]. Reasons for turnover may be misinterpreted. Employees leaving an organization may wish not to disclose the real reasons for leaving as they are dependent on the organization for future reference and this would of course only come to light during the exit interviews. According to [25], interviewers may not want to put the organization or the employee in a bad light.

Avoidable and Unavoidable Turnover: It is also important to distinguish between avoidable and unavoidable turnover as this too will determine the intervention needed to address the issue of employee turnover [26]. Unavoidable turnover results from life decisions that extend beyond an employer's control, such as a decision to move to a new area or a job transfer for a spouse. Avoidable turnover is something organizations can prevent by hiring, evaluating and motivating their employees more effectively. It is important to determine whether the organization is dealing with voluntary turnover that could have been prevented. Such information is important as it will direct the organization to the type of intervention needed to enhance the retention of employees [27]. According to [28], the phenomenon of turnover is psychological, organizational and costly, as cited in [29]. There is presently no accepted model for understanding the process of turnover as a whole. A variety of factors are used to evaluate the causes of employee turnover. This includes personal factors, job content factors, work environment factors and external factors.
Organizational Factors: High turnover in an organization has been attributed to instability in the management of an organization. Employees are more inclined to stay and work when the organization is stable and the work environment is consistent [30]. In organizations where there was a high level of inefficiency there was also a high level of staff turnover [31].

Employees are more susceptible to work in an organization when predictability and stability is in force and consistent career growth will minimize employees from switching to other organization. The imposition of a quantitative approach to managing the employees led to disenchantment of staff and hence it leads to labor turnover. Therefore management should not use quantitative approach in managing its employees. Adopting a cost oriented approach to employment costs increases labor turnover [32]. All these approaches should be avoided if managers want to minimize employee turnover. Employees have a strong need to be informed. Practicing strong communication system between employees and employer could ultimately lower turnover of staff [33]. Employees feel comfort-able to stay longer, in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere [34]. But in the absence openness’ in sharing information, employee empowerment the chances of continuity of employees are minimal. [35] points out that a high labor turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit.

Job related Factors: Presently, there has little empirical evidence which suggests that diversity of employee will reduce turnover. There are instead much evidence to support employee turnover due to poor management and lack of consistent evidence to support why employees leave one organization and move to another [36] argue that employees quit from organization due to economic reasons. Using economic model they showed that people quit from organization due to economic reasons and these can be used to predict the labor turnover in the market. Good local labor market conditions improve organizational stability [37]. According to [38], many large organizations are able to retain employees mainly because of their size and also providing better chances for advancement with higher salary and benefits ensuring smooth career advancement. Links to the organization are the relationships that the individual has with the organization (e.g., department, work team) and the relationships that they have with others at work (e.g., coworkers, boss, mentor). The links to the community include the ties that the individual has in the area especially with friends, relatives and organizations. Fit with the organization assesses how the individual perceives their work in the organization and whether the individual feels that there is congruence between what she wants to do or can do and what she is actually doing. However [39] state that “turnover may matter more in organizations where jobs are not standardized and procedures do not exist for transmitting knowledge to new members” (p. 922).

Causes of Employee Turnover

Job Satisfaction: Job satisfaction was related to resignations [39-41]. Thus employees having job dissatisfaction leave their current employer more easily. [42, 43] gave us an idea about the relationship between job satisfaction and turnover is stronger when the time span between administration of the questionnaire and assessment of the turnover is shorter [44, 45] found that military personnel have strong binding relationship with his job satisfaction and retention as compare to civilians. The relation between job satisfaction and employee turnover is reciprocal to each other and this relationship is high when unemployment rate is low in the society and similarly low when unemployment rate is high. As [46] explained “Even though people are not satisfied with their jobs, they will be less likely to quit if there are few alternatives”.

Pay: According to [47], pay is something given in exchange for services rendered in an organization. It has an important role in retaining and rewarding high quality employees but at the expense of the overall labor costs for any organization. Also, by binding pay with performance, an employer can monitor and control specific activities and level of performance. Sourcing specific talents for a niche job can be overcome by recruiting talents across the globe. Conversely, employees need to prove their worth
in order to stay longer with the organization by providing quality work or else run the risk of getting terminated. Pay has a strong determination to job satisfaction [48]. There are two categories of pay linked with job satisfaction; one is satisfaction with pay by itself and the other, the prospects of financial rewards in the future for a job performed well. There is a longstanding interest of two items which are correlated with job satisfaction. In order to achieve higher productivity, the influence of pay and job satisfaction as a denominator cannot be over emphasized.

Career Promotion: In general terms rewards programmes come within the overall concept of compensation strategies which are defined as the “deliberate utilization of the pay systems as an essential integrating mechanism through which the efforts of various sub-units or individuals are directed towards the achievement of an organization’s strategic objectives” [49]. All businesses use pay, promotion, bonuses or other types of rewards to encourage high levels of performance [50, 51] acknowledged that lack of promotion and mundane work task significantly contributed to employees’ intention to leave an organization. By adopting “job enrichment” programs, many employers were able to retain employees and provide better career advancement opportunities. Besides promotion opportunities, changing the selection and evaluation criteria used to rate promotion and reward systems also had a positive effect on intentions of employees leaving the organization [52]. Ineffective performance appraisal and planning systems contributed to employees' perceptions of unfairness and they were more likely to consider leaving the organization [53].

Fringe Benefits: A fringe benefit is an indirect reward given to an employee or group of employees as a part of organizational membership [54], which affects performance and retention of employees. Benefits planning are a critical component of human resource planning processes on account of enormous costs and the financial commitment made for the future [55]. At the organizational level, a fringe benefit is critical in attracting, retaining and motivating the employees to continue contributing towards organization’s success [56]. The reason being is that fringe benefits are important to influence individuals’ choice to work with an organization. Many organizations not only use the fringe benefits to reward and recognize employees’ efforts and contributions, but also as a motivational tool [57] to improve employees’ productivity through improving job performance, impeding the intention to leave and increasing career satisfaction. Fringe benefits have traditionally been designed to attract and retain employees and to motivate them to increase their effort and outputs toward the achievement of organizational goals [58].

Management: [59] state that the relationship between managers and employees influences employees’ decision to staying a job. Research shows that supervisors and managers have an important impact on employee turnover. The length of time that employees stay in an organization is largely determined by the relationship between employees and their managers [60]. Employees value certain factors about managers. Firstly, [61] notes that employees desire managers who know and understand them and who treat them justly. Employees also prefer managers who can be trusted. If employees feel that their managers are fair, reasonable and supportive, levels of job satisfaction increase. Secondly, if the manager shows interest in the well-being of employees and is supportive and sensitive towards employees emotionally, employee job satisfaction increases [62]. Furthermore, autonomy is valued by employees and decreases turnover.

Job Fit: According to [63], the process of selecting is about the fit between the applicant and the job. [64] reveal that levels of job satisfaction will increase if there is a good fit between the applicant’s personality and the job. It is important that there is a good fit between what the applicant wants and what the institution needs. “Almost half of the employees who voluntarily quit their jobs within a year cited a wrong fit as the reason to leave” [64]. Therefore, a mismatch between what employees want and what employees get can only be solved through turnover or a transfer which can be costly as it probably involves staff training. According to [64], candidates who accept a position in an organization and who cannot marry their value system with that of the organization usually do not stay long or they are not productive. [65] states that “a happy worker is a productive worker”.

Personality: Dispositional variables are seen as personality attitudes, characteristics, preferences, motives and needs that lead to the tendency to respond to a situation in a predetermined way [66]. According to [67], personality might affect the experience of emotional happenings at work which, in turn, may influence job satisfaction. [68] state that an individual's emotional state
Predicts satisfaction level over time and across different circumstances. An emotionally mal-adjusted employee is more likely to be dissatisfied in all situations. Since this discovery there has been much interest in the link between job satisfaction and individual dispositions. Industrial psychologists did not see the usefulness of character measures in predicting job satisfaction [69]. It appears that personality does indeed have an impact on job satisfaction.

**Perceived Alternative Employment Opportunity:** Perceived alternative employment opportunity, also known as perceived ease of movement, is the perception of the availability of job alternatives [70]. This perception is an uncontrollable factor because it is closely associated with the external environment, such as availability of job vacancies and unemployment rate. In an early study of [71], they revealed the significant relationship between availability of jobs and voluntary turnover. Numerous studies acknowledged that the perception triggers the turnover intention [72]. In addition to the market condition, educational background may affect the perception too. [73] investigated that workforce with higher educational background perceived more employment opportunities. Higher educated workforce may consider their qualification as a competitive advantage over less educated workforce by having more choices of alternative positions.

**Unionization:** [74] looked at the effect of unions on labor turnover and found clear evidence that unionism is associated with lower turnover. He suggested that lower turnover is a result of the ability of unions to secure better working conditions thus increasing the attractiveness for workers of staying in their current job. According to Martin, the relationship between lower turnover and unionization has been well established by researchers using both industry-level and individual data.

**Influence of Co-Workers:** In 2002, a study was conducted by [75] of 477 employees in 15 firms examined employees’ job destination choices as part of the turnover process. One of their main findings was that co-workers’ intentions have a major significant impact on all destination options - the more positive the perception of their co-workers desire to leave, the more employees themselves wanted to leave. The researchers suggest that a feeling about co-workers’ intentions to change jobs or workplace acts as a form of social pressure or justification on the employee to make a move.

**Strategies to Minimize Employee Turnover:** It is always important to keep key people in an organization. The best organizations design, implement and leverage systems that detect warning signals projected by dissatisfied employees and therefore, managers and organizations should try by all means to be ahead of their competitors in retaining their employees by learning how to focus on key employee satisfiers and dissatisfiers [76]. Around the world, dissatisfaction with income is one of the major causes of employees leaving an organization. Therefore, it is imperative for an organization to develop retention plans, including relationship building with the key staff.

**Recruit Suitable Employees:** According to [77], recruitment is aimed at providing a pool of potential employees from which the organization can select the required number in accordance with job requirements. Therefore, if the organization wants to reduce employee turnover, it has to ensure that the right people for the job are recruited. [78] refer to recruitment as the process of attracting people who might make a contribution to the particular organization. [78] refer to attraction as the favorable interaction between potential applicants and the images, values and information about an organization. It appears that attracting employees and motivating them to remain in an organization require workable strategies. The ability to recruit and retain employees with expertise may be influential on other workers in terms of arriving at a decision to stay and in the process help them to positively identify themselves with the organization as a result of the kind of support that they will get from the competent employees. According to [79], failure to recruit workers with appropriate competence will doom the firm to failure or, at the very least, to stunted growth.

**Retain Valuable Employees:** The best companies make a point that they are attracting and recruiting employees who will make a meaningful contribution. Companies striving to hire the best employees have a competitive edge over others. There should be a thorough scrutiny of employees and only the most suitable applicants should be hired. According to [80], “The quality of an organization’s people is always an essential ingredient of successful strategy execution – knowledgeable, engaged employees are a company’s best source of creative ideas for the nuts-and-bolts operating improvements that lead to operating excellence”. Companies may employ spouses of employees as a strategy for attracting and retaining top talent as this may limit one of the reasons (family) for employees to leave the organization, particularly in technical occupations.
Organizational Factors Including Culture: Constructs such as organizational culture and climate, as well as organizational structure and technology have been well developed in terms of theory, measurement and empirical linkages to organizational effectiveness, employee work attitudes and productivity, as well as staff turnover [81]. The practices of the organization are another factor that influences the employees to stay. If employees are not satisfied, they may leave. Therefore, the culture of the organization may affect attraction, retention or turnover in the organization.

Economic Factors: Economic theoretical explanations of turnover are based on the premise that employees respond with rational actions to various economic and organizational conditions [82]. Ford’s car plants were experiencing significant employee turnover often reaching levels as high as 300 to 400 percent per year and after realizing the problem a decision was taken to double the basic wages from 2.50 dollars to 5.00 dollars per day and the turnover was drastically minimized [83].

Effective Leadership: Lack of support, particularly from supervisors, decreases workers' ability to cope with their stressful jobs and increases the likelihood that they will leave their jobs [84]. According to [85] management researchers have blamed bad supervision as a prime culprit of turnover. Therefore, it is crucial for an organization to develop its managers in order to improve their leadership skills. Research on the effects of attachment in high stress jobs (such as firefighters, Israeli soldiers) indicates that a supervisor can serve as a secure base, buffering their employees from the trauma of the work they are engaged in [86]. It appears that having a supportive supervisor who is believed to be competent is a significant factor in staying on the job.

Training and Development: It is vital for an organization to create an environment in which important information is freely communicated and in which employees are knowledgeable and perceptive of opportunities for further self-development, various forms of training will logically also be key to an organization’s array of business practices [87]. Training and development has an impact on staff turnover.

Clear Job Expectations: When an individual’s expectations of the job are not met, the employee may experience job dissatisfaction which could make it difficult for an organization to retain staff. Employees are joining the organizations for different reasons. When some of the expectations by newly recruited staff are not fulfilled, those employees exit the organization. Some employees may not be in a position to tolerate certain managers or supervisors and decide to quit, with some of them exiting in the first few months after they have joined the organization. Some of the employees seem to have been confronted by situations that they were not prepared to encounter. According to [88], these employees could feel somewhat abandoned after the first few days at work and rather than suffer through all this, they decide that the job isn’t for them and they leave.

Job Satisfaction: The content of the work itself is a major source of satisfaction and research related to the job characteristics approach to job design, shows that feedback from the job itself and autonomy are two of the major job-related motivational factors [89]. Once employees realize that they are given authority to participate in the decision-making process when it comes to their field of work, they could be motivated and a desire to continue working for the organization may improve. [90] also state that turnover studies primarily have established that satisfaction with supervision promotes job retention without necessarily identifying specific behaviors by supervisors that commit employees to the company”. However, there are other issues that may keep people satisfied at work, such as pay, colleagues, working conditions and the like. According to [92] research studies have identified certain factors that influence job satisfaction, such as compensation, recognition, relationships with other organizational members (especially peers and direct supervisors), opportunities for training and challenge.

Balancing Work and Family Life: Organization should find ways to help employees successfully manage their commitments at home and at work and by doing so many retention problems can be avoided [93]. It is imperative for parents to share responsibility when it comes to the caring for the family, for example, parents may take turns to fetch children from school. The research has shown that flexible work-schedules lead to greater work-life balance and can offset work stress [94]. Therefore, organizations should be in a position to provide their employees with the opportunity to work flexible hours.

CONCLUSION

It is important for managers to have an understanding of why people would leave the organization and it is equally important to identify those factors that attract
people to organizations [95]. Job satisfaction has the largest direct effect on turnover intent [96-99]. Therefore, if the above strategies are taken into account the business would be able to survive in a dynamic environment by treating their employees as one of their assets which needs a lot of attention. Employees are the backbone of any organization, they need to be motivated and maintained in an organization at all cost to aid the organization to be globally competitive in terms of providing quality products and services to the society. We need to emphasize the importance of employee retention and that the impact on the organization. Therefore the intention of the study in examining these factors and relating them to the study is to provide a general view of what the management need to know and expect and what are the various avenues available for future consideration to address acute issues pertaining to employee turnover.

REFERENCES


