

EMPLOYEE TURNOVER RATES- CAUSES AND EFFECTS- BANKING SECTOR

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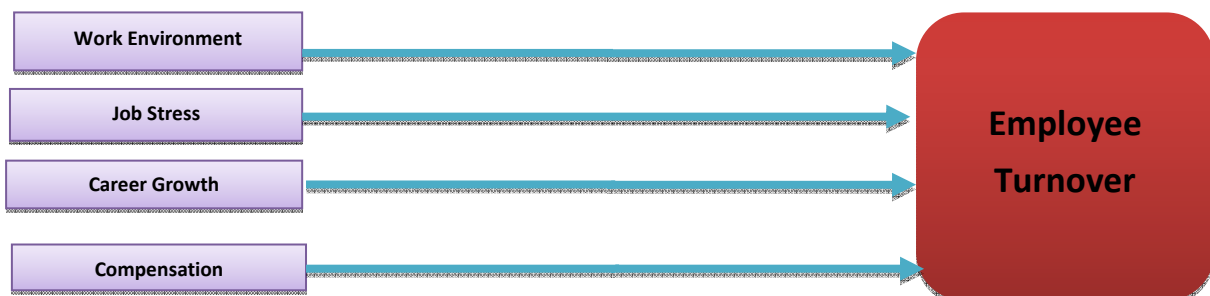
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1. INTRODUCTION : During the last few years, the private banking sector in India has seen tremendous growth and now is one of the key revenue generators in service sector. But with it the incidents of employee dissent and discontent have witnessed a huge swell too. In spite of providing hefty pay packages and comfortable working environment, the private banking sector is unable to withhold employees. The time and again failure of employer-employee relations have given rise to alarming attrition rates thereby leading to catastrophe in the Human Relations sector of Banking Industry. Employee Retention, today, pose one of the biggest challenges in front of private sector banks. The importance of humility at a leadership level cannot be overlooked as the repercussion of such a situation can result in an employee crisis. The purpose of this research paper is to understand the nature of intrinsic motivation which is now used at large to retain employees and to cut down the fast pace of employee turnover. A sample set from different hierarchy levels of private banks is used to understand the relative importance of intrinsic motivation for job satisfaction and employee retention.

2. ORGANISATIONAL MOTIVATION : Organizations spend a lot of their resources on their human power in terms of orientation training, developing and grooming while sustaining them in their organization. It is therefore particularly essential for the organisation to retain these human resources since their value to the organization is basically intangible and cannot easily be substituted with any other tangible or intangible resource. Managers should adopt appropriate motivational techniques to control employee turnover for the benefit of the organisation success. The employee turnover activity in an organisation is divided into analysing sources of employee turnover and effects of turnover. Motivation is a concept which was researched with relevance to an employee's work environment. The concept of motivation was described by differentiating this into two main types; intrinsic and extrinsic motivation. Intrinsic motivation means the inner drive of an individual which provides energy or force for an individual to work for better outcomes. The individual who is intrinsically motivated is more autonomous and work for better outcomes like creativity, performance, and involvement. An individual is said to be intrinsically motivated if the basic reward for an activity is an activity itself. It is an undeniable fact that the future of business enterprise depends upon the satisfaction level of its workforce. Dissatisfied workers cause immediate problems only to their particular businesses. However, if these problems are left inadequately attended, they have a tendency to spiral out including other businesses, industries and regions harming one of the primary requirements of a well run organization and considered an imperative by all corporate managements.

3. TURNOVER INFLUENCING FACTORS

Turnover basically arises from the unhappiness at the work place for an employee. But being unhappy in a job is not the only reason why people leave an organisation for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. That's why it is important to know and recognize the difference between employees who leave the job because they are unhappy and those who leave for other reasons. There are number of factors that contribute to employee turnover. Some of these factors in more detail are as below:



(i) The Compensation - In exit interviews, one of the most common reasons given for leaving the job is the availability of higher paying jobs. Some minimum wage workers reported for leaving one job to another that pays only 50 paise an hour more. Obviously, in a better economy the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews.

(ii) The characteristics of the job - Some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenges, danger, perceived importance and capacity to elicit a sense of accomplishment.

(iii) Demographics - Empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.

(iv) The person - In addition to the factors listed above, there are also factors specific to the individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover.

(v) Job Stress- Employees who are placed in jobs that are too difficult for them or whose skills are underutilized may become discouraged and quit the job.

(vi) Career Growth – If the job is basically a dead-end proposition, this should be explained before hiring so as not to mislead the employee. The job should be described precisely, without raising false hopes for growth and advancement in the position.

(vii) Work Environment – Since employees generally want to do a good job, it remains an unwritten rule that they crave for appreciation and acknowledgement. Even the most seasoned employee, once in a while, needs to be told that he/ she is heading in the right direction.

(viii) Inadequate or lackluster supervision and training – Employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of a training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.

4. RESEARCH METHODOLOGY : This research was conducted by interviewing total 97 people comprising, top, and middle and lower level management of organizations and the workers to find out the causes of turnover in terms of salaries, working environment, security of jobs etc. The main concern was why does an employee plan to leave a job and if not, why? Also to find out how employers plan to retain their employees through extra benefits and what maybe the other possible solutions to control employees planning to quit.

Methodology: Being descriptive study, survey method was adopted for data collection to discover the factors. Data was analysed by using Cronbach's Alpha, correlation and regression in SPSS software.

First one, for the employers, the questionnaires were related to the view of the employee turnover, causes of turnover, their plan to prevent turnover in their organizations and the second one for employees; questionnaires about the employee's personal information related to their organizations, their view about turn over and their jobs.

HYPOTHESES

H0: There is no relationship between work environment and employee turnover.

H1: There is a significant relationship between work environment and employee turnover.

H0: There is no relationship between job stress and employee turnover

H1: There is a significant relationship between job stress and employee turnover

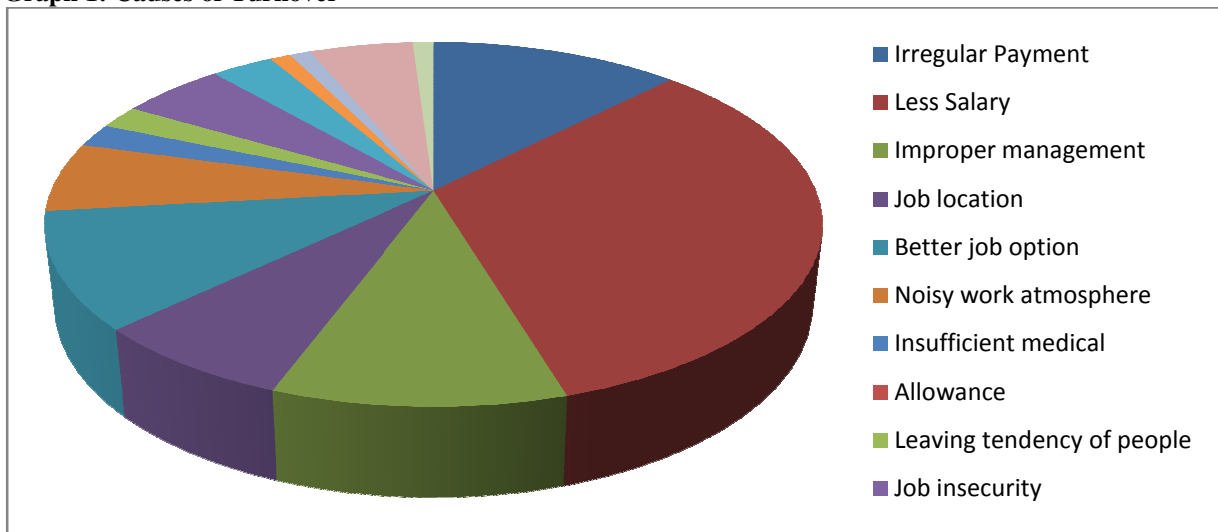
Table 1 depicted below presents an overall turnover rate among studied organizations both from private and government sectors. It indicates that turnover rate is much higher in private sectors than government sectors. On an average, research studies say that, the turnover rate in government sectors is 8.87 % whereas in private sectors it is 26.67 %. This may happen due to the security of job in government sectors is higher than private one though salary structures is higher in private sectors than government one. After collection of data, the information was analyzed to represent the results graphically. Finally all the outcomes were marked out and concluded the recommendations for further research.

Table: 1 Causes of Turnover

| Causes of Turnover | No of people mentioned | Percent of response |
|---------------------|------------------------|---------------------|
| Irregular Payment | 12 | 12 |
| Less Salary | 32 | 33 |
| Improper management | 10 | 10 |
| Job location | 7 | 7 |
| Better job option | 10 | 10 |

| | | |
|----------------------------|---|---|
| Noisy work atmosphere | 6 | 6 |
| Insufficient medical | | |
| Allowance | 2 | 2 |
| Leaving tendency of people | 2 | 2 |
| Job insecurity | 5 | 5 |
| Job dissatisfaction | 3 | 3 |
| Working time | 1 | 1 |
| Less increment | 1 | 1 |
| Behaviour at root level | 5 | 5 |
| Delay of promotion | 1 | 1 |

Graph 1: Causes of Turnover



Graph 1 shows different causes of turnover that resulted from case studies. It indicates that less salary is the highest parameter causing turnover which is 33% whereas irregular payment, improper management and better job options are other considerations too.

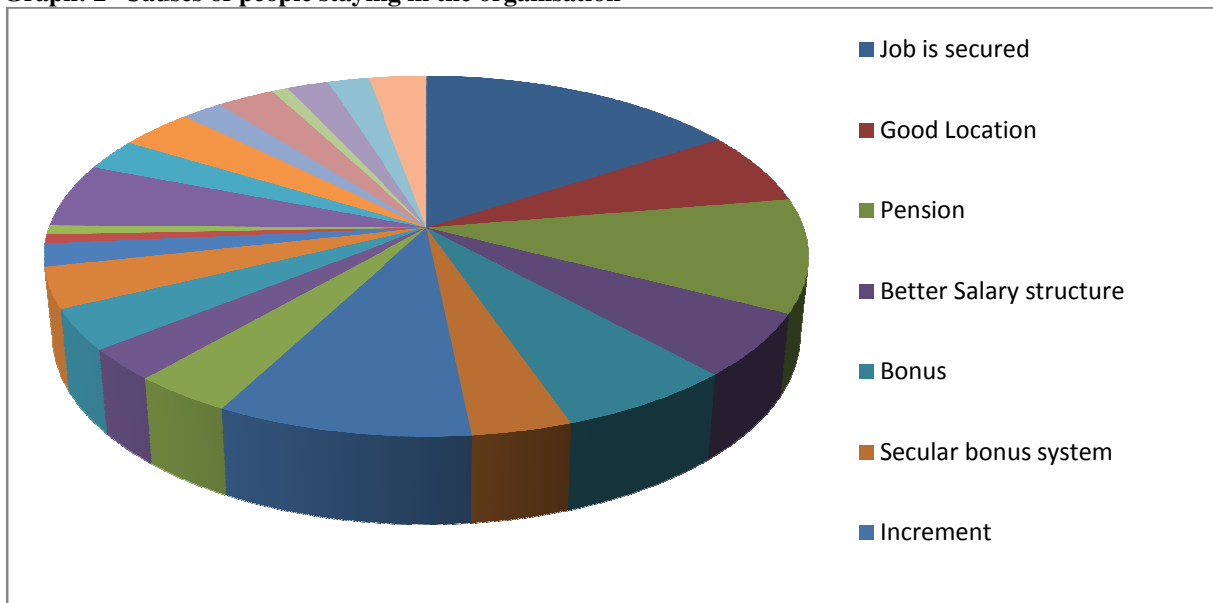
Table 2: Causes of people staying in the organisation

| Causes of Turnover | No of people mentioned | Percent of response |
|-------------------------------|------------------------|---------------------|
| Job is secured | 17 | 39 |
| Good Location | 7 | 16 |
| Pension | 11 | 25 |
| Better Salary structure | 6 | 14 |
| Bonus | 7 | 16 |
| Increment | 10 | 23 |
| Loan facility | 4 | 9 |
| Unavailability of another job | 3 | 7 |
| Gratuity & Provident Fund | 4 | 9 |
| Easy to leave/ no bond | 4 | 9 |
| Welfare | 2 | 5 |

| | | |
|------------------------|---|----|
| Insurance | 1 | 2 |
| Training Programs | 1 | 2 |
| Good work environment | 6 | 14 |
| Timely payment | 4 | 9 |
| Living cost is lower | 2 | 5 |
| Timely promotion | 1 | 2 |
| Reward for performance | 2 | 5 |
| Disciplined management | 2 | 5 |
| Less Working hours | 3 | 7 |

Graph.2 indicates the basic reasons why employees stay in an organization

Graph: 2- Causes of people staying in the organisation



From the table it is clear that employee prefers job security in the topmost position which is 39% in total. Pension, increment and job location also occupy a considerable amount of choice among employees.

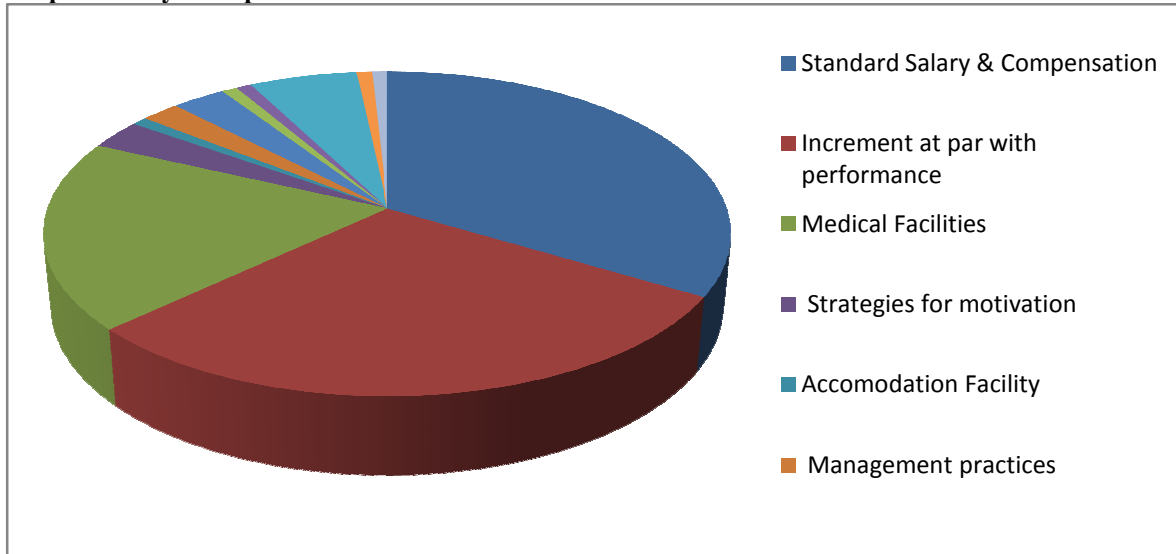
Table: 3 Probable solutions

| Causes of Turnover | No of people mentioned | Percent of response |
|-----------------------------------|------------------------|---------------------|
| Standard Salary & Compensation | 35 | 36 |
| Increment at par with performance | 31 | 32 |
| Medical Facilities | 20 | 21 |
| Strategies for motivation | 3 | 3 |
| Accommodation Facility | 1 | 1 |
| Management practices | 2 | 2 |
| Relations at work | 3 | 3 |
| Emergency Funds for employees | 1 | 1 |
| Better work environment | 1 | 1 |

It is therefore, very much essential for the management of any organization to provide job security for their employees to reduce turnover rate. It should be kept in mind that replacing a new employee with an old one normally decreases the production rate. At the same time if the newly recruited workers are better than the old

ones, it will benefit the company. Turnover at times, are hence considered tradeoffs among organizations. Some recommendations to minimize or reduce turnover rates could be seen in Table 3.

Graph3: Analyses of probable solutions



According to graph 3, it is seen that standard salary structure is the highest among other choices though standard increment and medical facilities also attract more employees.

RESEARCH INSTRUMENT & DATA ANALYSIS

The instrument used for data collection was questionnaire on a 5-point Likert scale from strongly agree to strongly disagree, where point-1 indicate strongly agree, 2 agree, 3 neutral, 4 disagree and 5 strongly disagree. Data was entered, edited and analyzed by using software SPSS version 16 and Microsoft excel by applying the following techniques; Cronbach's alpha, Correlation and Regression.

CRONBACH'S ALPHA

Table: 4 Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha based on standardized items | No of items |
|------------------|--|-------------|
| 0.853 | 0.851 | 25 |

To check the internal reliability of the instrument, Cronbach's alpha was run. The value of Cronbach's Alpha comes to 0.853 which is above the standard value proposed by (Nunnally, 1978) of 0.60 this shows that our instrument is reliable and we can confidently apply different statistical tests and interpret the results with confidence.

Table 5: CORRELATION ANALYSIS

| | Employee turnover(DV) | Work environment (IV1) | Career growth (IV2) | Compensation (IV3) | Job stress (IV4) |
|-----------------------|-----------------------|------------------------|---------------------|--------------------|------------------|
| Employee turnover(DV) | 1 | .555 | .454 | .2865 | .5471 |

Pearson correlation was run to check the relationship of variables with each other and whether any observed variable has perfect covariance with any other variables, which are observed in the study. From the table, it is observed that all relationships were found significant. The correlation value of work environment is .555 which shows that work environment has large impact on employee turnover. There is weak relationship between compensation and employee turnover with the correlation value 0.2865 which is below 0.5, thus showing that compensation has lower impact on employee turnover. It means there is a weak relationship between the compensation and employee turnover. Then job stress having the correlation value 0.5471 which shows that relationship exist between job stress and employee turnover. Job stress has a large impact on employee turnover.

Career growth has correlation value 0.454. This means that there must be an impact on turnover but there is less influence of career growth on employee turnover.

5. THE PREVAILING SCENARIO

One in four employees in the organized sector in India is set to switch jobs, the highest attrition rate globally, according to a study. The series of fresh investments planned across sectors could raise demand for talent even as economic conditions remain lackadaisical, raising concerns on employee commitment and retention.

The new generation private banks include the likes of ICICI Bank and HDFC Bank. Their branches have a relatively large proportion of their staff dedicated to sales. These include those involved in cross selling products of group companies such as mutual fund and insurance. Banks are able to survive the attrition since the primary function of the high turnover staff is sales and they are not involved in operations. "However, the employees interacting with customers during the sales process do not have a long term stake in the business. This creates a challenge in ensuring that proper promises are made to customers while soliciting business and that customers are handled well at the time of sale" the report said.

Nearly 55% of Indian employees expressed concerns about the fairness of their compensation and the extent to which benefits meet their needs (48%). One in every three employees expressed concern over a lack of confidence in being able to achieve their career objectives with their current employers (37%) as a result; they are concerned about opportunities for learning and development (39%) and supervisory coaching for their development (36%).

6. CONCLUSION- THE WAY AHEAD

Turnover is a burning issue for any organization. For the steady productivity of an organization it is essential to maintain its skilled workforce. But most of the times it is very difficult to control the turnover rate within organizations. There are so many factors that affect turnover. A satisfactory salary structure helps to reduce turnover though job security also is an important issue. But it is not the only and always the solution for the authority. A person does not stay in an organization only for salary but he/she may stay for many other reasons such as, rearranging employees, better working environment, preferable job location etc. Productivity of an organization depends on the skills or expertise of its workforce. A skilled worker may be an asset for any organization. If a skilled person leaves an organization the effects will be very high where as in case of a semiskilled or un-skilled person the effect will be less. It is therefore, crucial to maintain a constant workforce particularly for the skilled ones in an organization to reduce turnover for the betterment of the organization. Most of the work of this paper is obviously theoretical but a complete mathematical model to measure this turnover rate can be done in future. If the skill of the employee is expressed in terms of weight or in percentage, a mathematical model then could be possible to measure the direct relationships of turnover and productivity. To integrate all these factors in a model could show a new way to control turnover for the managerial concern.

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