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RESEARCH ARTICLE

THE EFFECT OF EMPLOYEE TURNOVER ON THE PERFORMANCE OF AN ORGANISATION

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ABSTRACT

Human resource is the important fragment of a business that is commended with finding, screening, recruiting, staffing and training job applicants as well as administering employee benefit program. Employee satisfaction is of utmost importance for employees to remain happy and also deliver their level best. Satisfied employees are the ones who are extremely loyal towards their organisation and wedged to it even in their worst scenario. The employeesthose who are not satisfied in their work place just quit and will look out for better opportunities which negatively affect the performance of the organisation. The objective of this study is to find out the reasons for employee turnover and the effect of the employee turnover on the organisation.

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INTRODUCTION

The advent of globalization has made it a key issue to deal with employee turnover for any organisation. Employee turnover is a serious issue, in the area of human resource management. Every business desires to increase the productivity and lessen the turnover there by proving to be profitable. Controlling high employee turnover is the order of the day as the attainment of organisational goals are evident on the performance of the employees and if notcontrolled may it may bring devastation to the organisation in the form of both direct and indirect costs. Direct cost refers to the cost of replacement (finding, screening, recruiting, staffing and training job applicants as well as administering employee benefit program), Indirect expenses includes the loss of production, reduced performance, educational expenses etc., hence employee retention is also one of the important responsibility of the department of Human Resource Management.

Statement of the problem

- To analyze major factors that leads to employees' turnover in an organisation.
- To identify the effect of employees' turnover on performance of the organisation.

Data Collection: Primary data was collected from the employees working in different organisations. The respondents were provided with the questionnaire containing 05 questions and were asked to share their honest opinions. The filled in questionnaires were collected andthe data was used for further study to fulfill the objectives of the research.

Analysis: from the above table and chart it is derived that 72% of the respondents are not happy with their pay-scale, 80% of the respondents agree that they have job security, 80% of the respondents agree that they are happy with their work, 90% of the respondents feel that there is a good communication system in their organisation and 70% of the respondents feel that they are respected in the organisation.

Interpretation: from the above statistical data it reveals that employees are not happy with the salary as majority of the respondents have responded with a negative thought about their satisfaction of salary, it depicts that if respondents are leaving the organisation the only main reason could be the pay-scale alone. Hence pay-scale alone can be a major employee retention strategy.

Reasons for Employee Turnover

- **Poor compensation**: compensation and benefits are a major reason for am employee to quit the organisation, especially for younger workers. Higher base pay has a strong impact on retention for a few reasons. First, paying people well is a tangible way to show you valuetheir contributions. And, it makes it less likely that a competitor looking to poach top performers can lure them away with purely financial incentives. The key employees are considered as assets of the organisation and remarkable financial benefits are one of the methods to retain them
- **Being overworked:** Fatigue happens when employees are asked to perform tasks without being given the resources to succeed, when they feel a lack of control or when they consistently face more daily stress than is manageable. Burnout combines emotional and physical exhaustion with a sense of hopelessness and self-blame and can manifest in behavioral and physical issues.
- **Bad managers:** Good managers see themselves as vocation developers, Great managers know and value the distinctive abilities and even the eccentricities of their employees, and they learn how best to integrate them into a coordinated way to achieve organisational goals.
- **Little to no feedback or recognition:** Many employees report not getting the right kind of manager feedback. Feedback doesn’t always need to be compliment, but aim to frame remarks in a positive light. Managers should start with victories, focus on specifics, pair reassurance with constructive advice on how to improve weaknesses and have frequent discussions and check-ins.
- **Poor work/life balance:** Companies with strong workforce management capabilities use technology to optimize scheduling, automate time-off requests and manage absences and often see improvements in employee work/life balance scores.
- **Boredom:** The manager plays a huge role here, managers should encourage their teams to meet existing goals but also assign challenging projects. Push employees out of their comfort zones, and foster a “growth mindset” in team members that values skills development and encourages taking calculated risks. A culture that can accept failure is a key part of this process.
- **No opportunity for growth or development:** .A culture of employee development is a key part of talent management. Go beyond skills-based training to offer continuing education and tuition reimbursement, career development services and coaching, mentoring and leadership development programs. Think outside the box on what training looks like as well.
- **Bad hiring procedures:** it is recommended to be honest in the hiring process about the company’s culture. The reality about the organisation must be presented to the candidates before hiring them.

Effects of employee turnover

Question/statement	Strongly disagree	Disagree	Agree	Strongly Agree
You are satisfied with your pay scale	72%		28%	
There is job security with this company		15%	80%	5%
I am happy with the work I do	15%		80%	5%
Communication is encouraged in this company		10%	90%	
Employees are treated with respect	5%	10%	70%	15%

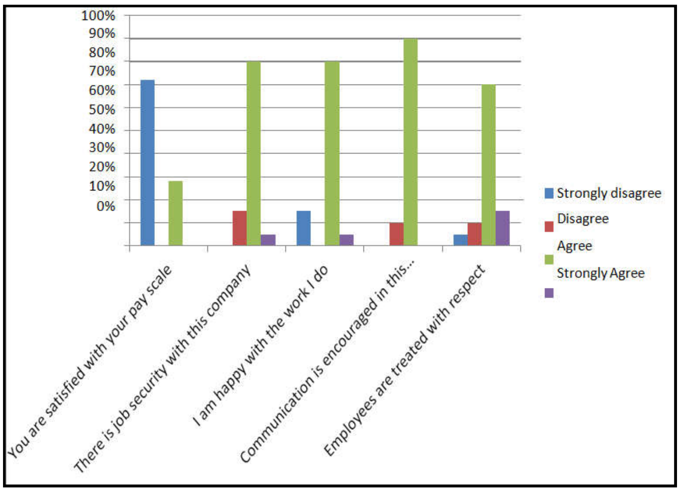

Chart 1.graphical representation of the employees opinion on the above mentionedquestions

- **Impact of Turnover on Revenue**: Employee turnover has a direct impact on company revenue and profitability. Aspects contributing to this include hiring expenses, training the new entrant, lost sales and productivity. Obviously, the revenue impact can be much higher depending on the industry, employee’s position and wage. Management also incurs costs in placing classified ads, reviewing applications, interviewing and training. Although some companies utilize a job-placement service, this is still an expense. Additional expenses result from lost productivity or a lost customer base.
- **Low Workplace Morale**: A high turnover rate can result in low employee morale. This may stem from overworked employees who have had increased workloads and responsibilities due to a lack of an active or trained workforce. New employees are not immune. They too may suffer from low morale as they struggle learning new job duties and procedures. Continuation of this type of work environment can result in the company havinga more difficult time attracting and keeping high-quality talent.
- **Deteriorating Product or Service Quality:** Lower productivity and sub-par quality of work can result from a disruption in daily operations due to an overall low number of employees or inexperienced employees without complete training. This is especially true in industries where repetition and comfort level play a larger role than innovation. Although a seemingly small issue, there could be a sizable impact on customer satisfaction.
- **Reduction in Marketing Return on Investment**: Even if marketing expenses remain consistent in efforts to attract new customers, the return on investment is

lowered if the company is losing return customers and customer referrals due to inexperienced staff or lower-quality products. This increases the cost of a one-time customer, lowering marketing return on investment.

- **The cost of high staff turnover:** Replacing staff is an expensive process for businesses. According to an Oxford Economics study from 2014, replacing an employee costs an average of £30,614 per employee. This includes costs such as recruitment and hiring, training, and waiting for new starters to be up to maximum productivity. From this perspective, lowering staff turnover can save you quite a bit of money.

CONCLUSION

The objective of the study was to investigate the reasons and the effects of turnover by conducting a survey. It is noted that the staff turnover can have major negative impact on the organisation and may result in questioning the very existence of the organisation, as the key employees of the organisation play a very important role in the functioning of the organisation. Hence keeping the employees satisfies but upholding their motivation is one of the major functions of the human resource department or else the top/ key employees will be poached by the competitor firms by attracting them towards the better financial returns. Therefore selecting and retaining the right employee is the responsibility of the organisation to reap the fruits of success in future.

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