JOB SATISFACTION AND EMPLOYEE TURNOVER IN ORGANIZATIONS

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Abstract

The growth in technological innovations and globalizations, employees have continued to acquire additional skills that have made them more sort after by employers. This has increased employees' quest for better pay, improved working conditions, and defined career growth path. The resultant effect of all these is employee turnover. While some organizations lose their employees to others, they also recruit employees who have left the employment of other organization. This makes it difficult for employees to put a permanent stop to the fight against employee turnover. Though researchers have opined that lack of job satisfaction is the major cause of employee turnover, there are a number of factors that can be used to measure job satisfaction and what stirs up satisfaction in one employee may differ from another employee. Job satisfaction is influenced by an individual's affective or emotional feeling which is controlled by personality traits but affection and cognition differ from one individual to another depending on their personality traits. This makes it difficult to ascertain the measures of job satisfaction that can universally be attributable to employee turnover. This paper seeks to examine the measures of job satisfaction that are directly responsible for employee turnover; and to pave way for future researchers to examine the universality of these measures among the generality of employees.

Keywords: Employee turnover, job satisfaction, Human Resource, Retention strategies

Introduction

Job satisfaction and employee turnover have been widely discussed in academic literatures and scholars have attributed employee turnover to job dissatisfaction experienced by employees. With the advent of technological innovations and globalizations, employees have continued to acquire additional skills that have made them more sort after by employers. This has increased employees' quest for better pay, improved working conditions, and defined career growth path. The resultant effect of all these is employee turnover (Kazi & Zadeh, 2011). Employees now believe that they have to move from one organization to another so as to fast track their quest for career growth; this is because organizations seldom promote their employees because of their strategic goal to reduce operational cost.

The fight against employee turnover has become a global one as it is not limited to a particular country or continent. It exists in the national and international business communities. HR professional bodies of Hong Kong, Malaysia and Singapore, were unanimous in their view that employee turnover had become so rampant in these Asian countries, that it had, in fact, become a culture (Khatri, Chong & Budhwar, 2001). The fight against employee turnover has become a central discussion topic amongst academic scholars and HR managers because its persistent occurrence in an organization can lead to loss of customer loyalty and public confidence in the company (Khatri, Chong & Budhwar, 2001).

With the increasing number of graduates all over the world, talents with the required skills and technical know-how to take up appointments are everywhere for organizations to select from. One would have thought that this availability of graduates everywhere will force employed individuals to stick to their jobs but the story is different as the fight against employee turnover has continued to be on the increase. HR personnel have consistently amend their policies and practices that will fill vacant positions and in doing this, they search for the best talents in the labour market, train and develop them. The issue of employee turnover has become a global challenge for HR personnel because it is not limited to a particular country, industry or sector but it cuts across all industries in the entire globe. The challenge of employee turnover is also faced by companies whose pay package is highly competitive within the industry in which they operate; a situation that has reduced organizational performance and negatively impacted on overall corporate image.

The relationship between job satisfaction and turnover is one of the most widely discussed topics in turnover literatures. Many studies report a consistent and negative relationship between job satisfaction and turnover, as dissatisfied employees are more likely to leave an organization than satisfied ones (Khatri, Chong, & Budhwar, 2001; Linz, 2003; Iqbal, 2010). Although employees who have low emotional stability may intend to quit for reasons other than dissatisfaction with their jobs or not being able to perform their jobs well (Zimmerman, 2008). As already noted above, researchers have examined the causes and consequences of employee turnover and have come to the conclusion that lack of job satisfaction is the major cause of employee turnover (Dardar, Jusoh, & Rasli, 2011). However, there are a number of factors that can be used to measure job satisfaction but what

stirs up satisfaction in one employee may differ from another employee. It follow therefore that the term job satisfaction is relative and cannot be applied universally to all employees as the major cause of employee turnover, rather the individual measures that account for job satisfaction should be treated separately as cause(s) of employee turnover. This forms the bases of this study. This paper seeks to examine the measures of job satisfaction that are directly responsible for employee turnover; and to pave way for future researchers to examine the universality of these measures among the generality of employees.

Research Questions

This study seeks to examine the measures of job satisfaction among employees as a cause of employee turnover and explore the following research questions:

1. What are the measures of job satisfaction among employees?
2. What measures of job satisfaction can be universally applied to all types of employees as a cause of employee turnover?

Literature Review

Employee Turnover

Several scholars have defined the concept of employee turnover; according to Iqbal (2010), employee turnover is the movement of employees from one organization to another in search for better job opportunities or a more conducive work environment. Kazi and Zadeh (2011) defined it as the rotation of workers around the labour market; between firms, jobs and occupations. The voluntary or involuntary exit of employees from one organization to another and the attempt by employers to fill these vacant positions with new employees can be referred to as employee turnover.

Types of Employee Turnover

Scholars have classified employee turnover under four major types which can be described under two major categories (Iqbal, 2010). These categories are voluntary and involuntary employee turnover.

Involuntary Turnover

Involuntary turnover can further be divided into discharge and downsizing types. Discharge turnover occurs when an organization squeezes to require the services of an employee due to disciplinary issues and/or job performance problems while downsizing turnover occurs when an organization embarks on restructure of its internal machinery or cost-reduction program aimed at increasing profitability and shareholders' value.

Voluntary Turnover

There are two categories of voluntary turnover. They are avoidable and unavoidable turnovers. Avoidable turnover is one that could have been averted by the company by implementing certain HR practice and policies. Unavoidable turnover is one that is beyond the control of the organization. It occurs due to unavoidable circumstances.

Kazi and Zadeh (2011) also classified employee turnover as internal and external.

Internal Turnover

Internal turnover is one that occurs within the same organization across departments. It occurs when vacancy exists in a particular department and there are competent hands within the organization to take up such positions. Such turnover could mean higher responsibility for the employee who fills the vacant position. This type of turnover is usually at the instance of the human resource department and it is done for the benefit of the organization (Kazi & Zadeh, 2011).

External Turnover

External turnover refers to the movement of employees from one organization to another due to certain personal desires. This kind of turnover is driven by the employees' desire for better working environment, improved pay package, higher grade level, and more job satisfaction.

Causes of Employee Turnover

Literatures on employee turnover have given some of the causes of employee turnover to include:

Job Satisfaction

According to Iqbal (2010), there is a positive relationship between job satisfaction and organizational commitment. The more satisfied an employee is the more committed and productive he will be; and the more unlikely for him to leave the organization. Dissatisfied employees are less productive with higher turnover rate.

Lack of Recognition

Employees appreciate when their efforts are recognized by their employers. It makes them feel valued and appreciated. Lack of job recognition can reduce an employee's productivity level and increase his/her intension to quit/exit a particular organization. When employees are involved in a company's decision making process, they give in their best in implementing such decisions and it becomes very unlikely for them to exit such organizations.

Lack of Opportunity for Career Growth

The quest for career growth and increased pay package has forced employees to exit their organizations. Organizations without a definite career path can hardly retain their employees because employees are aspiring for career growth. Companies that have competitive pay packages but no clearly defined career path are bound to experience employee turnover. Employees prefer to join companies with clear and definite opportunity for career growth. Opportunity for career growth enhances job satisfaction and organizational commitment and limits the chances of employee turnover (Iqbal, 2010).

Ineffective Communication

Effective communication is crucial in the sustainability of mutually beneficial relationship between employers and employees. Organizations need to put in place effective

communication strategy that encourages two-way communication. Two-way communication enhances feedback from stakeholders and encourages employee satisfaction and commitment in an organization. Effective communication gives the employees a sense of belonging and recognition. It serves a as morale booster that increases productivity and reduces the rate of employee turnover.

Measures of Job Satisfaction

Job satisfaction

Job satisfaction is an affective response to specific aspects of a job and it has a direct relationship with turnover and an indirect relationship with organizational commitment. Researchers have noted that job satisfaction is a major determinant of turnover intentions (Thomas, Kim, & David, 2000). When an employee becomes dissatisfied with his/her job, employee turnover becomes imminent. According to Kazi and Zadeh (2011), job satisfaction is an individual's attitude and behaviour towards his own job. Personal job satisfaction is an affective or emotional response toward various facets and outcomes of one's job, it is not a unitary concept, as a person may be satisfied with one aspect of his or her job and dissatisfied with other aspects of the job. Job satisfaction can be said to be a feeling of emotional stability resulting from an employee's current job and/or job function. According to Fisher (2000), job satisfaction is an attitude. Attitudes are usually described as containing at least two components: affective and cognitive components. Affection and cognition differ from one individual to another depending upon their personality traits which make it difficult to generalize and/or ascertain the measures of job satisfaction that can universally be attributable to employee turnover.

Khatri, Chong, and Budhwar, (2001) classified job satisfaction into eight categories: supervision, company identity, kind of work, amount of work, physical working conditions, co-workers, financial rewards and career future. Kazi and Zadeh (2011) noted that job satisfaction can be measured using the following parameters:

Work Life Conflict

Work life conflict is defined as the internal level of satisfaction an individual derives when he compares the benefits of his job with his personal life. It explains the degree to which the performance of an individual's job interferes with his work life. Work life conflict also defines the connectivity between an individual's job satisfaction and his personal life satisfaction which can have an impact on individuals' job intensions. When employees perceive that their job negatively impacts on their personal life satisfaction, they put in place exit plan. Employees prefer to take up jobs that allow them time to be with their families and to embark on other recreational activities.

Compensation

Compensation refers to all forms of monetary and non-monetary benefits that organizations provide to its employees for services rendered to the organization. These benefits can be direct financial benefits or indirect financial benefits (Kazi & Zadeh, 2011).

Researchers have established that direct compensation may not necessarily stir up job satisfaction in employees and workers have been seen to leave their well paid jobs to take up appointment with companies that pay lesser (Zimmerman, 2008).

Job security

Globalization has caused increased competition among companies in the business environment thus forcing them to adopt different survival strategies that will make them remain relevant and competitive without going into extinction. Some of these strategies which include reducing overhead expenses through downsizing, cut in salaries and wages, mergers and acquisitions, organizational restructuring etc. are geared towards cost minimization and profit maximization. The downsizing option used by companies to reduce overhead cost in the quest to increase profit often creates tension among employees and generates an intension towards job turnover. Employees' feeling of job insecurity increases whenever organizations restructure and downsize, and when these strategies are ineffective, it may lead to voluntary turnover of high performing employees who are committed and loyal to the organization.

Opportunity for Career Advancement

Lack of opportunities for career advancement and/or growth has increased job turnover rate in organizations. Employees aspire to grow in their respective jobs and where the potential for growth becomes elusive, job dissatisfaction sets in and employee turnover becomes inevitable. This is even common among companies that have clearly defined career path in their staff handbook that is shown to employees during induction training but upon resumption these policies are not operational.

Work Environment

Work environment refers to the relationship between and amongst colleagues, the ambience, and other office equipments used within the office. Though personal satisfaction in terms of work environment may differ amongst employees, employees will prefer to work in an environment where they maintain cordial working relationship with colleagues and where all office equipment required for smooth and seamless execution of their operation is available. If the work environment is not conducive, it can create job dissatisfaction which can in turn lead to employee turnover. Kazi and Zadeh (2011) noted that people move from one company to another due to work environment from which they are not satisfied. If organizations pay attention to their work environment, it has the potential of increasing employees' willingness to retain their positions and this will reduce employee turnover in organizations.

Consequences of Employee Turnover

The consequences of employee turnover on an organization can be financial and non-financial, negative or position depending on the type of turnover as discussed above. However, financial or negative consequences have negative effect on the organization's profit or overall corporate image. When there are no succession plan in place and a talent gap is

created as a result of employee turnover, such consequences can be grievous (Kochanski & Sorensen, 2008). Every organization aims at maximizing productivity and profit through training and development of employees and when these employees leave the organization, the monetary effect on the organization is usually severe. The financial and material resources spent on exited staff depletes the profit of these organizations as the exited staff are no longer available to contribute to the organization's productivity level. The knowledge and skills lost if quantified monetarily will also mean so much financial loss to the organizations. Researchers have suggested that job satisfaction is a major contributor to this trend in organizations but they have failed to ascertain the measures of job satisfaction that can be applied to the generality of employees because these job satisfaction measures are linked to an individual's cognition, emotion, and feelings which differ from one individual to another.

The strategic goal of most organizations is to minimize cost and maximize profit; in a bid to actualize this, they avoid promoting their employees or they put in place policies that make it difficult for employees to be promoted. Overtime, loyal employees find themselves been bossed by new hirers who possess lesser experience, skills, and training. Employees frown at this reoccurring action from employers and it stimulates employee dissatisfaction which invariably result to high employee turnover in organizations. It is important therefore that employers put in place policies to tackle the issue of job dissatisfaction as a strategy for minimizing employee turnover.

Employee turnover affects an organization's productivity and profitability through increased recruitment, selection, and training costs. Other cost components that negatively impacts on an organization's bottom line are moral impact, workload impact and team performance disruption, cost of people's time, cost of materials and equipment, cash outlays, and productivity losses (Iqbal, 2010). Griffin and Moorhead (2012, p.79) noted that turnover is more costly when productive people are involved.

Positive consequences of employee turnover include: creating a platform for organizations to hire new employees with more current training, higher quality, less expensive replacements, displacement of poor performers, innovation, flexibility, adaptability, and offer opportunities to promote talented employees.

Strategies for Reducing Employee Turnover

In a bid to curb employee turnover, employers need to adopt strategies that will not only retain employees but will retain the right employees at the right price. An ineffective employee retention strategy can disrupt the whole organizational productivity and employee morale. Employers should create opportunity for career growth, conducive work environment, competitive pay package, and effective communication system (B. Stanfast, personal communication, July 15, 2012). Researchers have noted that the best way to manage employee turnover is to increase the level of job satisfaction among employees as satisfied employees contribute positively to the organization and stay longer with the organization (Griffin & Moorhead, 2012, p.74). The challenge however is that different measures

stimulate job satisfaction in different employees. Organizations should therefore focus their retention strategy on addressing the emotional needs of employees so as to ascertain what drives their individual satisfaction level. As noted earlier in this paper, employers need to put in place effective HR policies and practices that are geared towards addressing these measures of job satisfaction and consequently minimize if not eradicate employee dissatisfaction, disloyalty, and turnover. Employers should through their exit interview programs determine the reasons why employees exit the organization. This will help them improve their retention strategy even though exit interviews most times do not reveal the exact reasons why employees leave organizations (Kochanski & Sorensen, 2008).

Conclusion

Most organizations in their retention strategies do not consider job satisfaction as an avenue for curbing employee turnover. They pay little or no attention to drivers of job satisfaction such as opportunity for career growth, conducive work environment with strong value-driven management, competitive pay package, effective communication system, and recognition of top performers. Though these measures of job satisfaction may differ between and amongst employees, it is important that HR personnel through strategic human resource management (SHRM) put in place HR policies and practices that will address the peculiarity of each individual employee.

Recommendations

Since job satisfaction is driven basically by employee attitude and emotions, organizations need to understand the personality trait of their employees so as to address their emotional and psychological needs. The practice of employers hiring new employees without proper development plan and conducive work environment should be stopped as this has contributed to employee dissatisfaction which has also resulted in high employee turnover in organizations. It is imperative that companies should put in place retention strategies that will help minimize employee turnover which will in turn minimize both financial and non-financial losses. Employers in the formulation of HR policies and practices should focus on creating definite career path for employees, improved work environment, and improved communication process and networks. HR through strategic human resource management should put in place retention strategies and/or HR practices that will curb and/or minimize this menace before the global market faces a major crisis. Future researchers should also examine the universality of these measures of job satisfaction among the generality of employees.

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