

# Human Resource Management

## Chapter 7

### Managing Employee Retention and Separation

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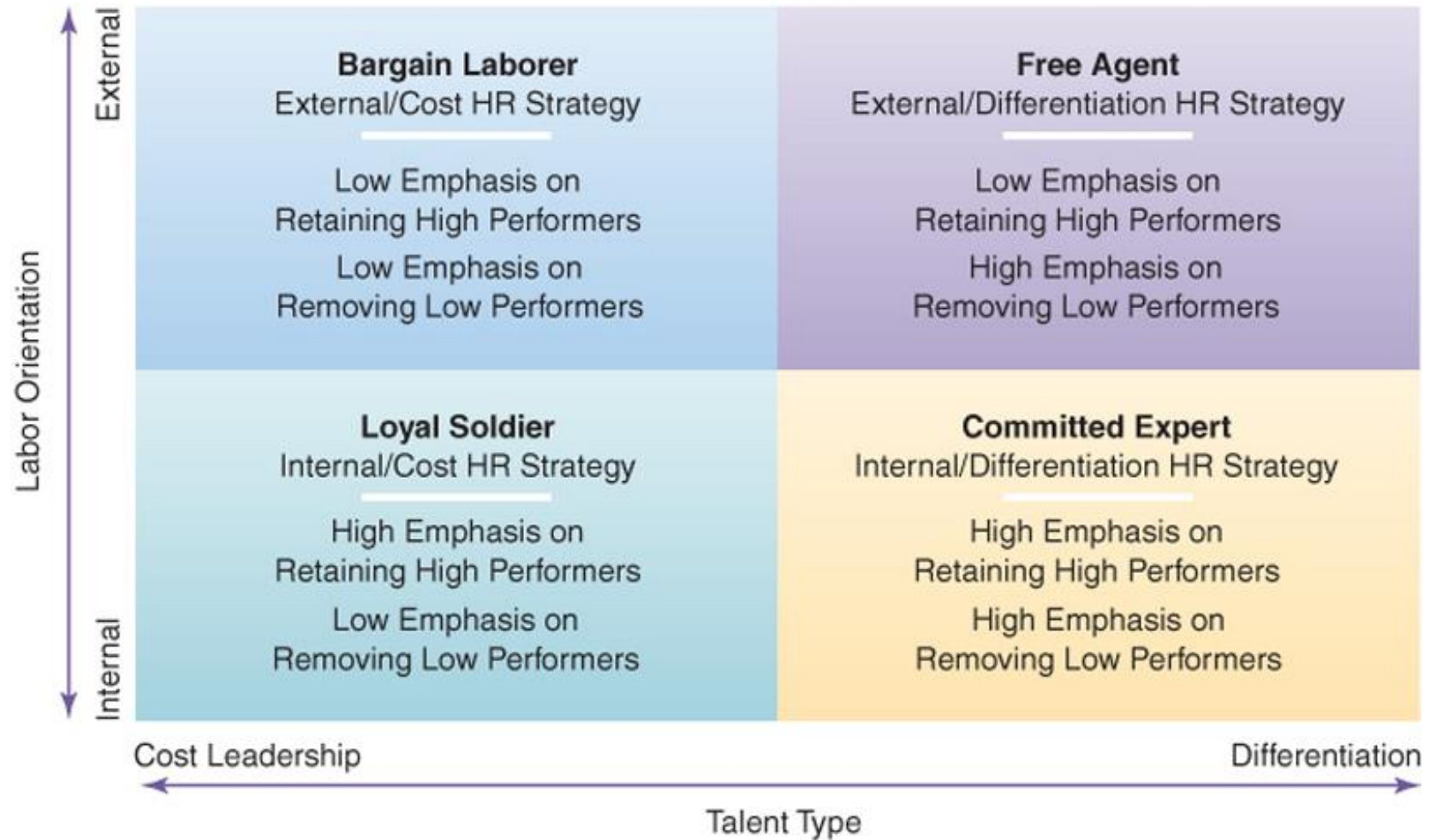
# LEARNING OBJECTIVES

- After reading this chapter you should be able to:
  - Explain how employee retention and separation align with overall HR strategy.
  - Explain the employee turnover process and describe methods that an organization can use to reduce undesirable turnover.
  - Discuss the potential benefits and problems associated with employee layoffs.
  - Describe effective methods of employee discipline, including the principles of due process and the actions of progressive discipline.
  - Describe effective methods for dismissing employees from an organization.

# STRATEGIC EMPLOYEE RETENTION AND SEPARATION

- **Employee retention** is the act of keeping employees and retaining good workers.
- **Employee separation** is the process of efficiently and fairly terminating workers.

# Figure 7.1 Strategic Retention and Separation of Employees.



Source: Stewart, G.L., & Brown K.G., 2<sup>nd</sup> Edition (2015). Human Resource Management Linking Strategy to Practice. pp 253

# Strategic Emphasis on Employee Retention

- Retaining good employees is essential for an internal labor orientated company.
  - The competitive advantage here comes from developing a loyal workforce that consistently excels at satisfying customer demands.
  - Combining an internal labor orientation with a cost-reduction strategy gives us the Loyal Soldier HR strategy.
  - When using this strategy, retaining employees reduces recruiting expenses and provides workers with a sense of security that persuades them to work for slightly lower wages than they might be able to earn at competing firms.

# Strategic Emphasis on Employee Retention

- When an internal labor orientation and a differentiation strategy are combined, you have a Committed Expert HR strategy.
  - Employee retention helps build a workforce with unique skills that employees of other organizations do not have.
  - These skills are critical for producing exceptional products and services that cannot be easily duplicated by competitors.

# Strategic Emphasis on Employee Separation

- What do you think about the statement employee separation can be just as important as employee retention?
  - Organizations pursuing differentiation rely on highly skilled employees who have specialized knowledge and ability.
  - An employee who is not capable of providing skilled inputs does not contribute, making termination of nonperforming employees critical for organizations that seek to produce premium goods and services.

# Strategic Emphasis on Employee Separation

- Organizations pursuing a Committed Expert HR strategy focus on terminating the employment of low performers soon after they are hired.
  - They identify individuals who do not fit the organizational culture or who appear unable to develop needed skill and motivation, reducing the cost of bad hiring decisions.
- Organizations with a Free Agent HR strategy benefit from frequently replacing employees with others who bring new skills and a fresh perspective.
  - Employee separation is a common occurrence in such organizations, and ongoing efforts are needed to ensure that disruptions from frequent turnover are minimized as much as possible.

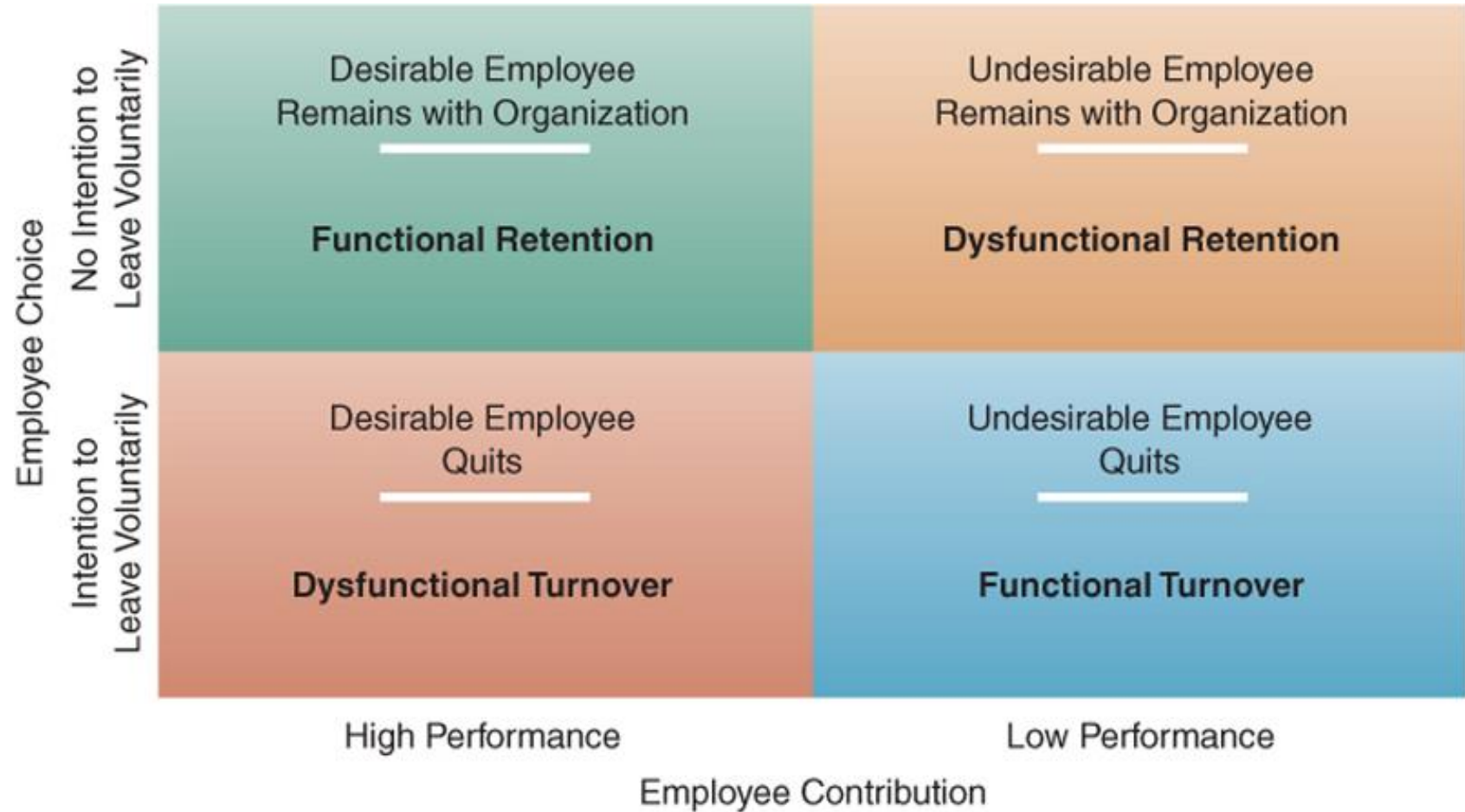
# Strategic Emphasis on Employee Separation

- An organization pursuing a Loyal Soldier HR strategy seeks to minimize employee separation.
- The primary goal is to hire young employees who stay with the organization for long careers.
- Having high performers is not as critical in these cost-focused organizations, which means that termination of employment is only necessary when a worker clearly fails to meet even minimum expectations.

# Turnover

- There are three types of turnover.
  - **voluntary turnover**, in which the employee makes the decision to leave.
  - **involuntary turnover**, in which the organization terminates the employment relationship.
  - **dysfunctional turnover** occurs when an employee whose performance is at least adequate voluntarily quits.

# Figure 7.2 Types of Employee Turnover and Retention.

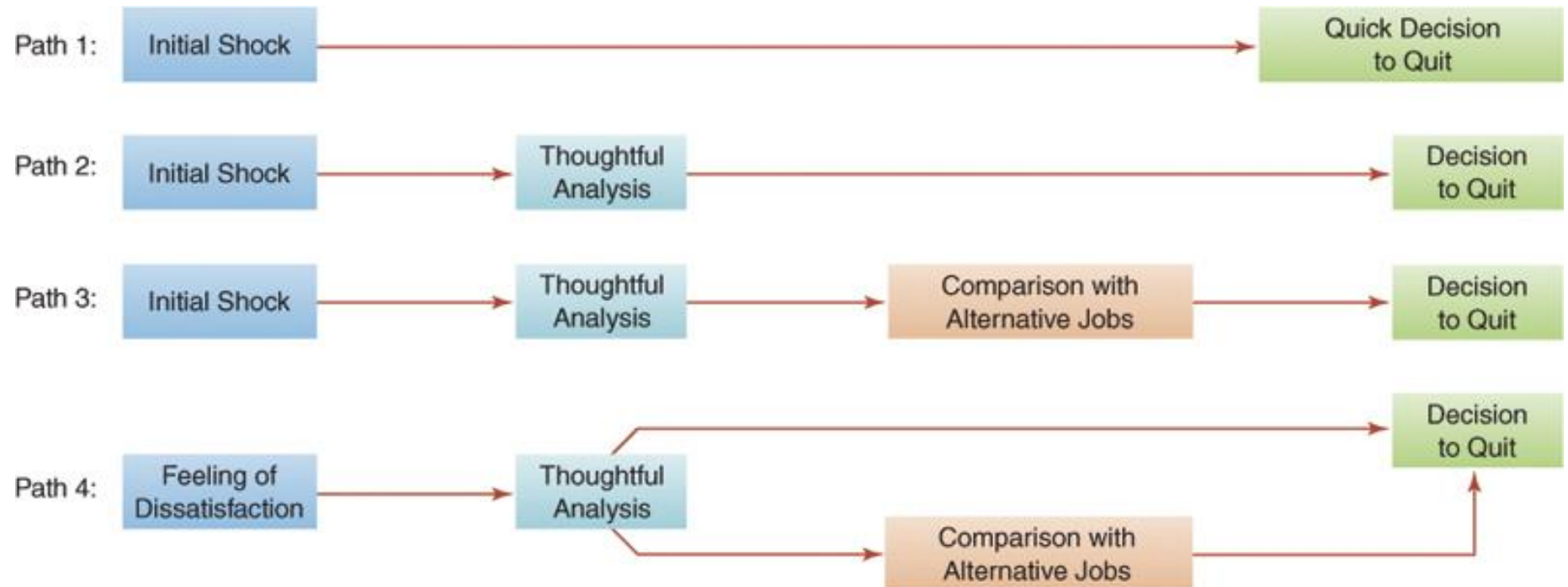


Source: Adapted from D. Dalton, W. Todor, and D. Krackhardt, "Turnover Overstated: The Functional Taxonomy," *Academy of Management Review* 7 (1982): 118. Reprinted with permission of Academy of Management.

# Recognizing Paths to Voluntary Turnover

- It starts by asking the question why do employees leave?

# Figure 7.3 Paths to Decisions to Quit.

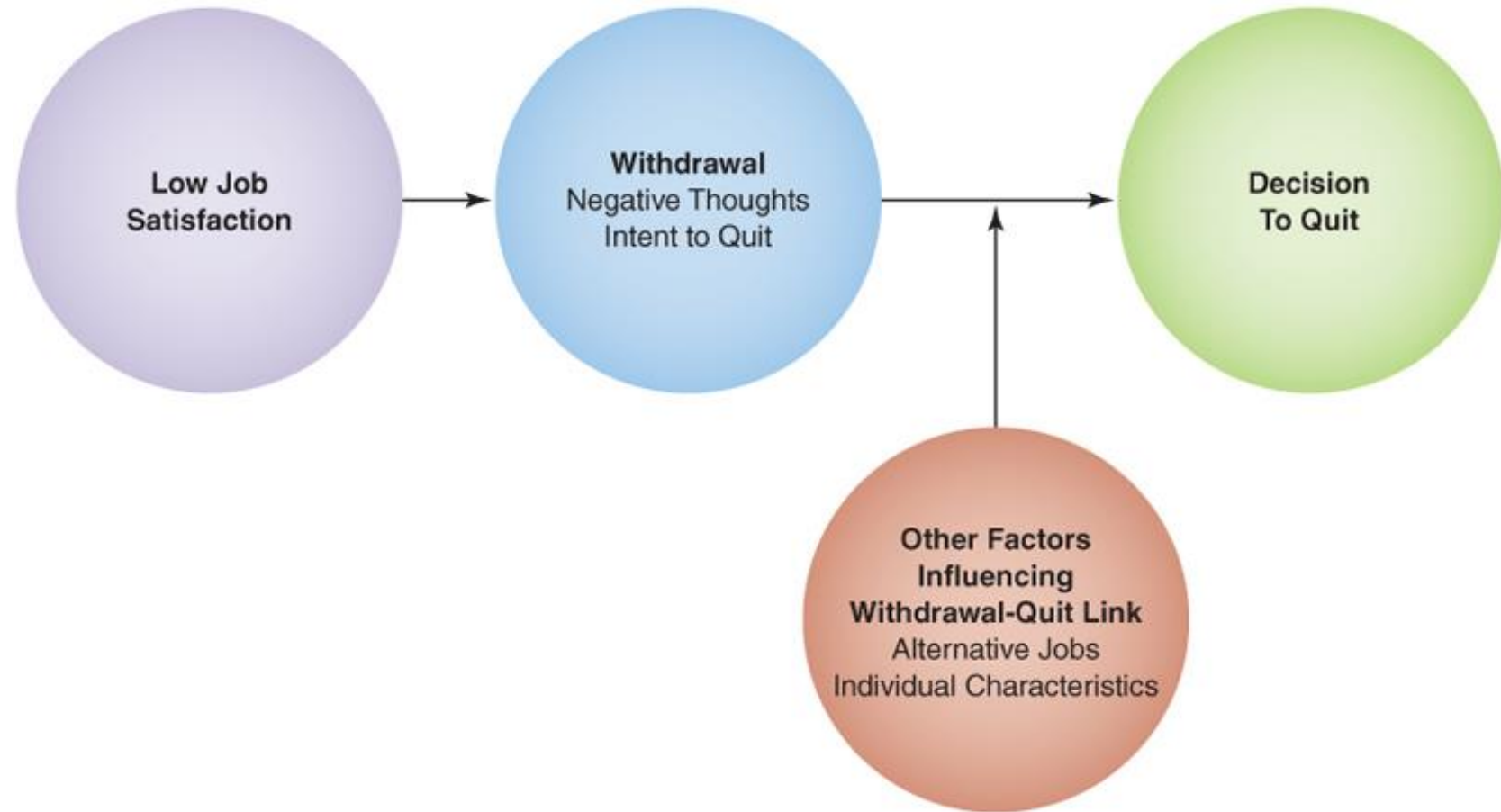


Source: Information taken from Thomas W. Lee and Terence R. Mitchell, "An Alternative Approach: The Unfolding Model of Voluntary Employee Turnover," *Academy of Management Review* 19 (1994); 51–90.

# Job Satisfaction

- The employee's decision to leave begins with a sense of low job satisfaction.
  - **Job satisfaction** represents a person's emotional feelings about his or her work. When work is consistent with employees' values and needs, job satisfaction is likely to be high.

# Figure 7.4 How Job Satisfaction Leads to Quitting.



Source: Adapted from Peter W. Hom, Fanny Caranikas-Walker, Gregory E. Prussia, and Rodger W. Griffeth, "A Meta-Analytical Structural Equations Analysis of a Model of Employee Turnover," *Journal of Applied Psychology* 77 (1992): 905. Adapted with permission.

# Job Satisfaction

**Table 7.1**

*Dimensions of Job Satisfaction*

<b>Dimension</b>	<b>Examples</b>
Satisfaction with empowerment	<ul style="list-style-type: none"><li>• Involvement in decisions</li><li>• Information from management</li></ul>
Satisfaction with job fulfillment	<ul style="list-style-type: none"><li>• Sense of personal accomplishment</li><li>• Good use of skills and abilities</li></ul>
Satisfaction with pay	<ul style="list-style-type: none"><li>• Pay relative to others</li><li>• Pay for type of job</li></ul>
Satisfaction with work group	<ul style="list-style-type: none"><li>• Quality of work done by group</li><li>• Cooperation among people</li></ul>
Satisfaction with security	<ul style="list-style-type: none"><li>• Good job security</li><li>• Good total benefits program</li></ul>
Satisfaction with work facilitation	<ul style="list-style-type: none"><li>• Company efforts to make competitive changes</li><li>• Conditions for employees to be productive</li></ul>

Source: Information from Benjamin Schneider, Paul J. Hanges, D. Brent Smith, and Amy Nicole Salvaggio, "Which Comes First: Employee Attitudes or Organizational Financial and Market Performance?" *Journal of Applied Psychology* 88 (2003): 836–851.

# Organizational Practices That Reduce Turnover

- Frequently measure job satisfaction through surveys such as the Job Descriptive Index.
  - One problem with job satisfaction surveys is that the least satisfied employees are not likely to respond to the survey.
  - Because they have already started to withdraw from the organization, so they see little personal benefit in completing the survey.

# Practices That Reduce Turnover

- Another method for retaining employees is through **socialization**, this is the process of acquiring the knowledge and behaviors needed to be a member of an organization.
- Effective socialization occurs when employees are given critical information that helps them understand the organization. Example: the new employee orientation session.
- As employees acquire information during the socialization process, their feelings of fit with the organization increase, and employees who perceive that they fit are more likely to stay with an organization.

# Practices That Reduce Turnover

- Perceived organizational support is another factor that influences employee turnover.
- This is the beliefs, by the employees, that the organization values their contribution and cares about their well-being.
- Employees who perceive greater support are more committed to sticking with the organization and feel a stronger desire to help the organization succeed.

# Reducing Turnover

Table 7.2	<i>Human Resource Practices that Reduce Turnover</i>
HR Practice	Example of Effective Tactics
Staffing	<ul style="list-style-type: none"><li>• Use realistic job previews</li><li>• Provide growth and promotion opportunities</li><li>• Select employees who fit with the organization</li></ul>
Training and development	<ul style="list-style-type: none"><li>• Offer educational programs such as MBA</li><li>• Provide sabbaticals and other learning opportunities</li></ul>
Career planning	<ul style="list-style-type: none"><li>• Specify clear career paths</li></ul>
Compensation	<ul style="list-style-type: none"><li>• Maintain competitive pay</li><li>• Develop fair pay practices</li><li>• Pay for learning new skills</li></ul>
Labor relations	<ul style="list-style-type: none"><li>• Establish quick and fair grievance procedures</li><li>• Facilitate conflict resolution among employees</li></ul>

Source: Information from Thomas W. Lee and Steven D. Maurer, "The Retention of Knowledge Workers with the Unfolding Model of Voluntary Turnover," *Human Resource Management Review* 7 (1997): 247–275.

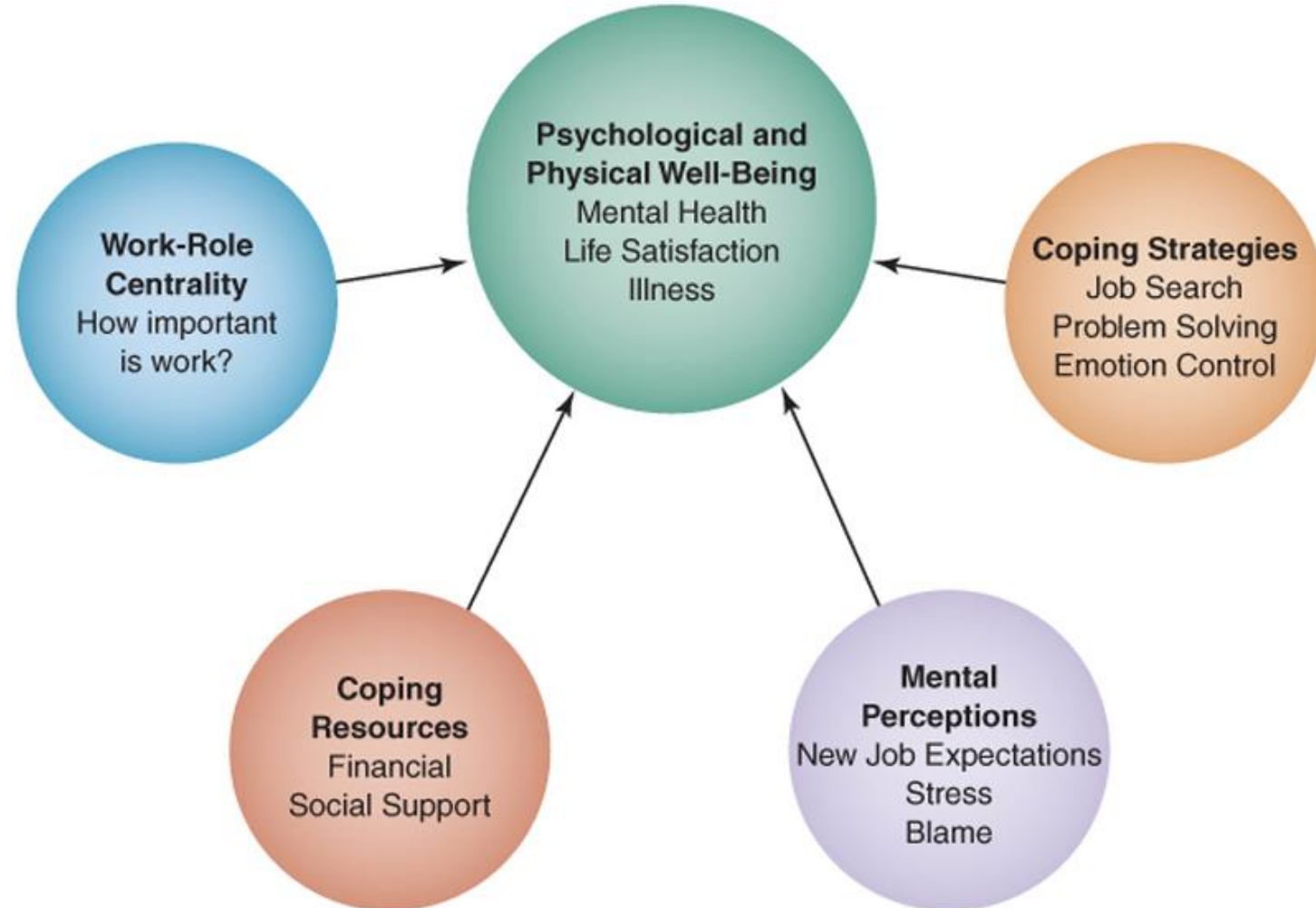
# Layoffs

- Layoffs are the large-scale terminations of employment, which are unrelated to job performance.
- When an organization engages in widespread layoffs intended to permanently reduce the size of its workforce, it is called **downsizing**.

# Impact of Layoffs.

- **Layoff victims**—the individuals who actually lose their jobs—experience a number of problems.

# Figure 7.5 Coping with Job Loss and Unemployment.

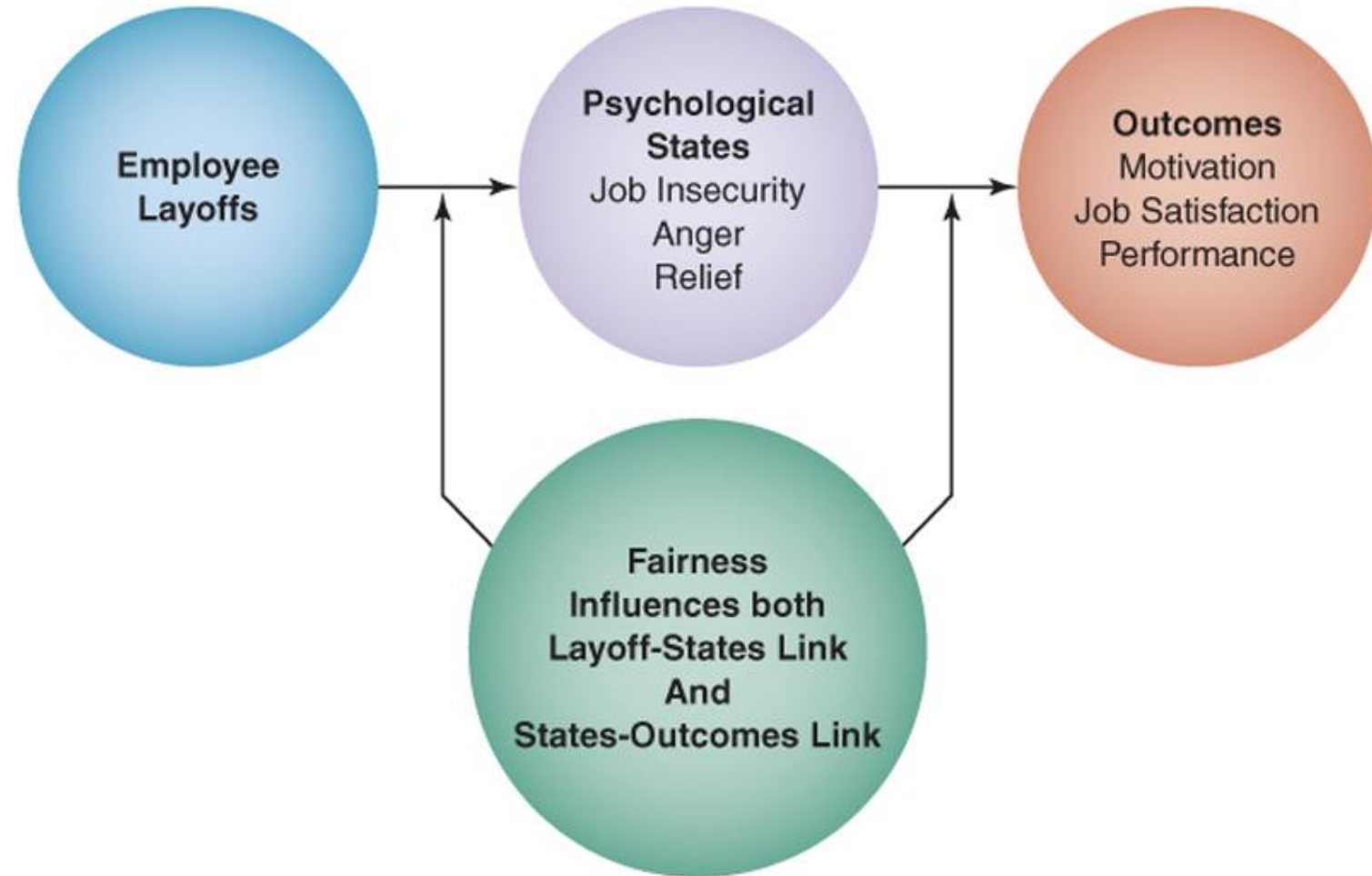


Source: Adapted from Frances M. McKee Ryan, Zhaoli Song, Connie Wanberg, and Angelo J. Kinicki, "Psychological and Physical Well-Being During Unemployment: A Meta-Analytic Study," *Journal of Applied Psychology* 90 (2005): 56. Adapted with permission.

# Layoffs

- **Layoff survivors** are employees who continue to work for the downsizing organization.

# Figure 7.6 Responses of Layoff Survivors.



Source: Adapted from Joel Brockner, "The Effects of Work Layoffs on Survivors: Research, Theory, and Practice," *Research in Organizational Behavior* 10 (1988): 221. © Copyright Elsevier 1988.

# Alternatives to Layoffs

**Table 7.3**

*Alternatives to Layoffs*

<b>Alternative</b>	<b>Description</b>
Human resource planning	Long-term strategic planning to determine the number of workers that will be needed at various points in the future
Hiring freezes	Not replacing workers who quit or retire
Voluntary early retirement	Using financial incentives to induce employees near retirement age to retire early
Reduction of overtime	Eliminating the opportunity for workers to work more than the hours in a normal work week
Job sharing	Having employees share jobs so that neither works a full work week
Retention of contracted work	Having employees do work tasks that might have been outsourced to other firms

Source: Information from Peter Allan, "Minimizing Employee Layoffs While Downsizing: Employer Practices That Work," *International Journal of Manpower* 18 (1997): 576.

# Minimizing Negative Effects

<b>Table 7.4</b>	<i>Minimizing the Negative Effects of Layoffs</i>
<b>Action</b>	<b>Description</b>
Develop a strategy	Plan the process for communicating information
Appraise level of controversy	Assess how employees are likely to react
Evaluate legal issues	Incorporate legal advice into plans for announcing layoffs
Evaluate organizational history	Determine how culture, climate, and rumors will affect the timing and content of the announcement
Recognize the grapevine	Understand rumors and seek to control informal information
Consider multiple announcements	Make different announcements to employees and outside interests such as the media and investors
Choose the right person to announce	Assess whether supervisors and managers can effectively make the announcement
Announce to employees first	Preserve trust and credibility by telling employees before the media
Choose an appropriate channel	Face-to-face communication is better when issues are complex and controversial
Evaluate message content	Share the information that is available but don't speculate

Source: Information from Larry R. Smeltzer and Marie F. Zener, "Minimizing the Negative Effects of Employee Layoffs Through Effective Announcements," *Employee Counseling Today* 6, no. 4 (1994): 3–9.

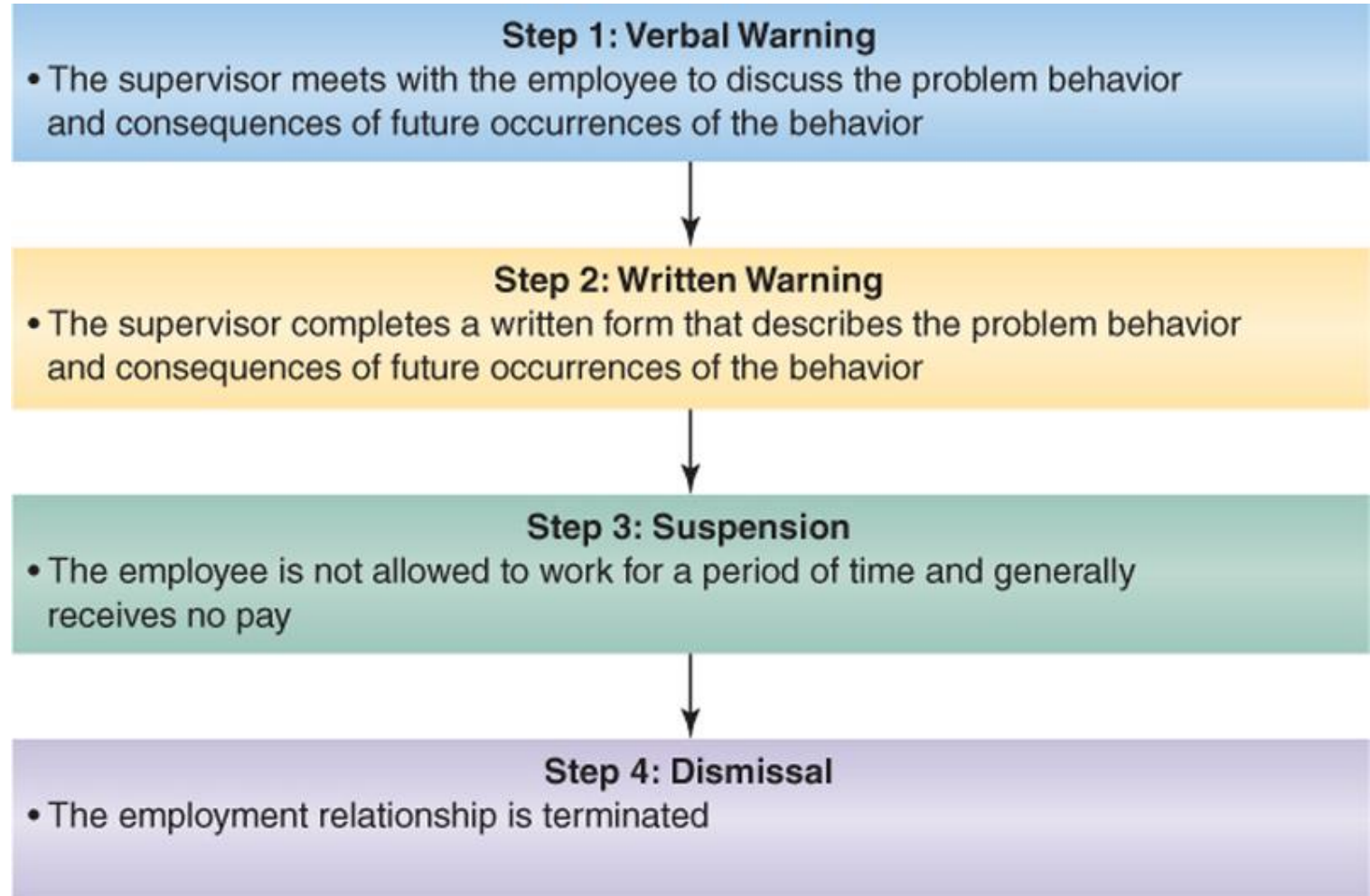
# DISCIPLINE

- **Discipline** is the process whereby management takes steps to help an employee overcome unacceptable behavior problems in the workplace.
- **Due process** is a set of procedures carried out in accordance with established rules and principles to ensure all employees are treated fairly.
  - Due Process Principles.
    1. Employees have a right to know what is expected of them and what will happen if they fail to meet expectations.
    2. Discipline must be based on facts.
    3. Employees should also have a right to present their side of the story.
    4. Any punishment should be consistent with the nature of the offense

# Progressive Discipline

- **Progressive discipline** is a process, that provides successively more severe consequences for employees who continue to engage in undesirable behavior.

# Figure 7.7 Steps for Progressive Discipline.



# Dismissing an Employee

- Dismissing employees is one of the most difficult tasks that a manager faces.
- Many organizations offer outplacement to the employees laid off.
  - **Outplacement services** provide employees who have been dismissed from an organization with assistance in finding new jobs. Examples: resume writing, practice interviewing and support groups.

# The Dismissal Meeting

- A few guiding principles
  1. Tell the employee directly that she is being dismissed.
  2. Make the meeting brief.
  3. Listen to the employee who is being dismissed. This is an emotional moment, and some individuals will simply need to talk.
  4. Summarize the meeting in writing, particularly severance compensation, benefits and services that will be provide to the employee.
  5. Have security personnel close at hand just in case the person being terminated vents their frustration in an violent manner.

Thank You