

Human Resources Management

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MGM 243

Lecture 03



Organization/Individual Relations and Retention

Chapter
03

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Learning Outcomes

After you have read this chapter, you should be able to:

- Identify the changing nature of the psychological contract.
- Discuss how motivation is linked to individual performance.
- List the five major drivers of retention and activities related to them.
- Describe different kinds of absenteeism and turnover.
- Explain two ways to measure absenteeism and turnover.
- Outline the steps in managing retention

INDIVIDUAL/ORGANIZATIONAL RELATIONSHIPS

- **Psychological contract** The *unwritten expectations* employees and employers have about the nature of their work relationships.
- **Expectations** about both **tangible** items (such as wages, benefits, employee productivity, and attendance) and **intangible** items (such as loyalty, fair treatment, and job security) are encompassed by unwritten psychological contracts between employers and employees.

INDIVIDUAL/ORGANIZATIONAL RELATIONSHIPS

- A psychological contract that can help achieve those ends recognizes the following components:

Employers Provide:

- Competitive compensation and benefits
- Flexibility to balance work and home life
- Career development opportunities

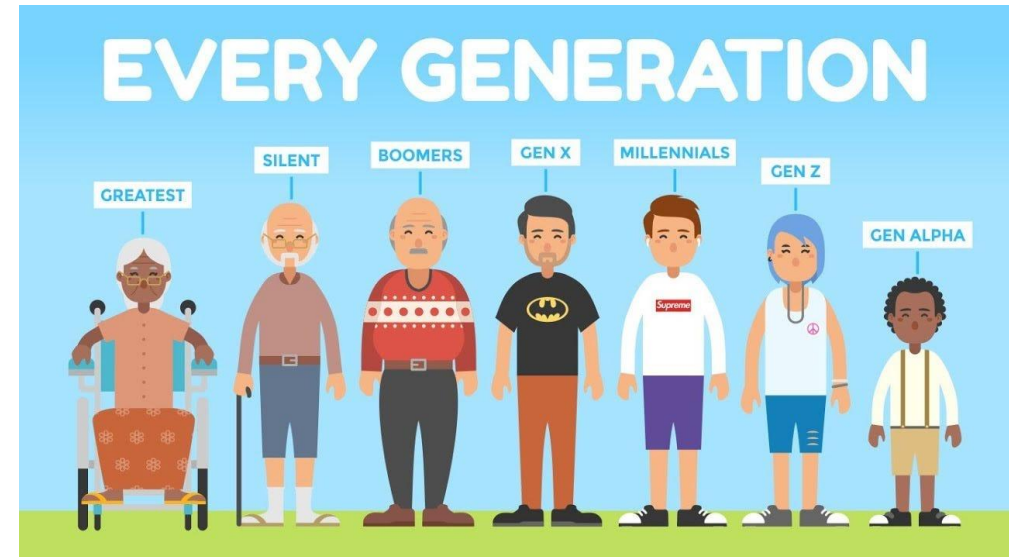
Employees Contribute:

- Continuous skill improvement and increased productivity
- Reasonable time with the organization
- Extra effort when needed

INDIVIDUAL/ORGANIZATIONAL RELATIONSHIPS

Generational Differences

- **Some common generational labels are:**
- Greatest(1901-1924)
- Matures/Silent (born 1925- 1945)
- Baby boomers (born 1946– 1965)
- Generation X (born 1966– 1980)
- Generation Y (born 1981– 1990)
- Generation Z (born 1997-2012)
- Generation Alpha (born 2013-2025)



INDIVIDUAL/ORGANIZATIONAL RELATIONSHIPS

- **For instance**, many *baby boomers* and *matures* are concerned about security and experience. However, younger generation Y & Z are often seen as the “why” generation, who expect to be rewarded quickly, are very adaptable, and tend to ask more questions about why managers and organizations make the decisions they do.

JOB SATISFACTION, LOYALTY, AND COMMITMENT

- **Job satisfaction** A positive emotional state resulting from evaluating one's job experiences(work, pay, promotion opportunities, supervision, and co-workers.)
- **Job dissatisfaction** occurs when one's expectations are not met. For example, if an employee expects clean and safe working conditions, then the employee is likely to be dissatisfied if the workplace is dirty and dangerous

LOYALTY, AND COMMITMENT

- **“Loyal” employees** are more than just satisfied with their jobs; they are pleased with the relationships with their employers.
- **Organizational commitment** The degree to which employees believe in and accept organizational goals and desire to remain with the organization

Factors Affecting Job Satisfaction and Organizational Commitment

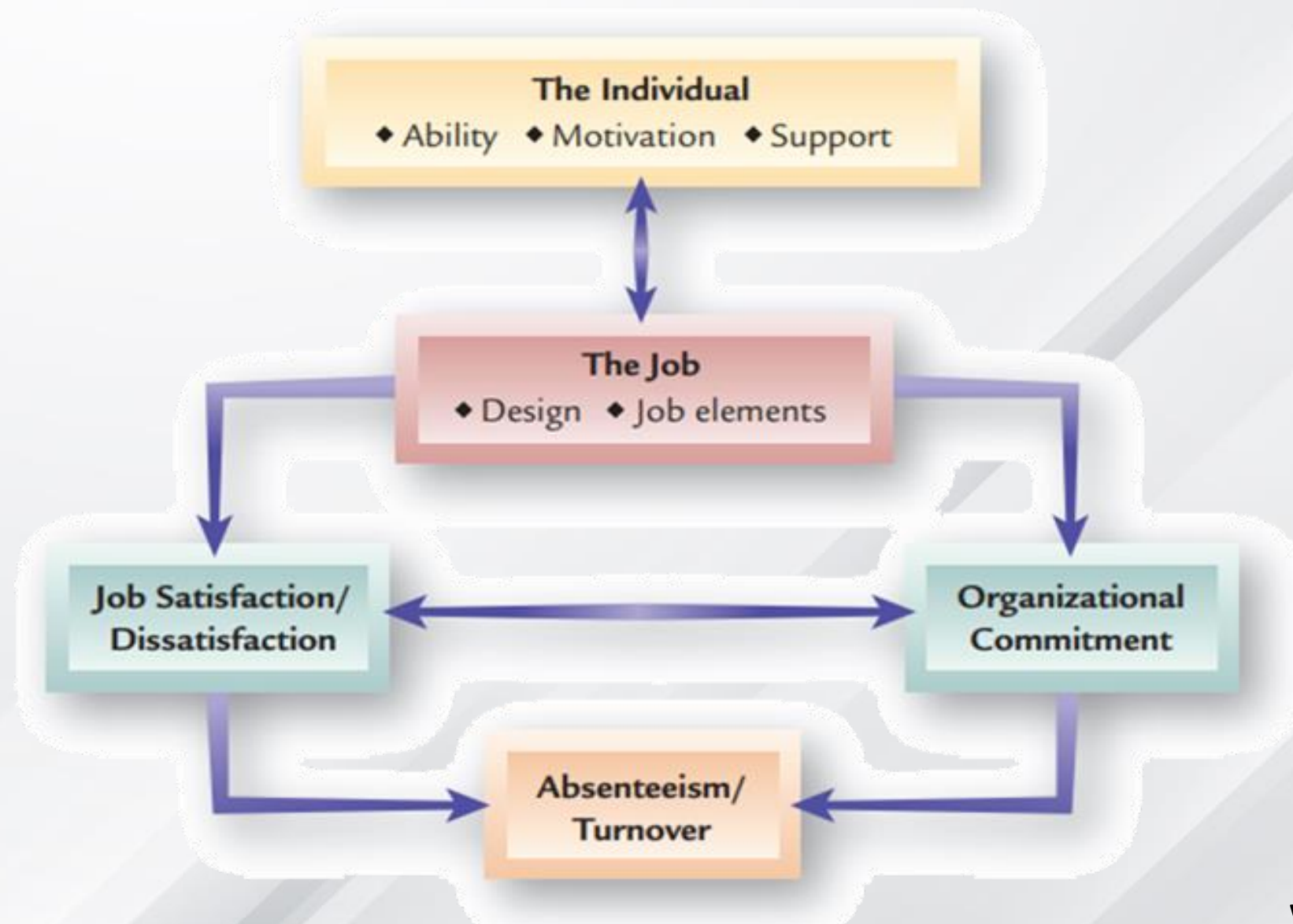


FIGURE 3-1

INDIVIDUAL EMPLOYEE PERFORMANCE

- The relationship between the individual employee and the organization helps clarify why people might leave a job, as does satisfaction, loyalty, and commitment.
- **Individual Performance Factors are:**
 1. individual ability to do the work,
 2. effort expended, and
 3. organizational support.
- The relationship of those factors is widely acknowledged in management literature as follows:
 - **Performance (P) = Ability (A) X Effort (E) X Support (S)**

COMPONENTS OF INDIVIDUAL PERFORMANCE



FIGURE 3-2

INDIVIDUAL MOTIVATION



- **Motivation:** The desire within a person causing that person to act.
- Understanding motivation is important because performance, reaction to compensation, turnover, and other HR concerns are affected by and influence motivation

Employees stay longer when:



- Motivation is complex and individualized, and managerial strategies and tactics must be broad based to address the motivation concerns of individuals.
- Many organizations spend considerable money to “motivate” their employees, using a wide range of tactics



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**Management Implications for
Motivating Individual
Performance**

US company rewards its employees with \$ 100,000 per person
And a Chinese company rewards its employees by traveling to Switzerland
Another Company rewards them with a 5-star trip to the Maldives



RETENTION OF HUMAN RESOURCES

- **Retention of human resources** must be viewed as a strategic business issue.
- Until a few years ago, the opposite of retention, turnover, was a routine HR matter requiring records and reports, but top management did not get involved.



MYTHS ABOUT RETENTION

- ***Money is the main reason people leave.*** But if they are paid a competitive wage or salary, other parts of the job are more important.
- ***Hiring has nothing to do with retention.*** This is not true. Recruiting and selecting the people who fit the jobs and who are less likely to leave in the first place, and then orienting them to the company, can greatly increase retention. Select for retention!
- ***If you train people, you are only training them for another employer.*** Developing skills in employees may make them more marketable, but it also tends to improve retention, job satisfaction increase and employees are more likely to stay.

MYTHS ABOUT RETENTION

- ***Do not be concerned about retention during a merger.*** That is exactly the time to worry about retention. During a merger, all employees are concerned about job security, and if they do not feel a part of the new organization early on, many will leave.
- ***If solid performers want to leave, the company cannot hold them.*** Employees are best viewed as free agents. They can indeed leave when they want. The key to keeping solidly performing employees is to create an environment in which they want to stay and grow

DRIVERS OF RETENTION

Why People Stay or Leave ?

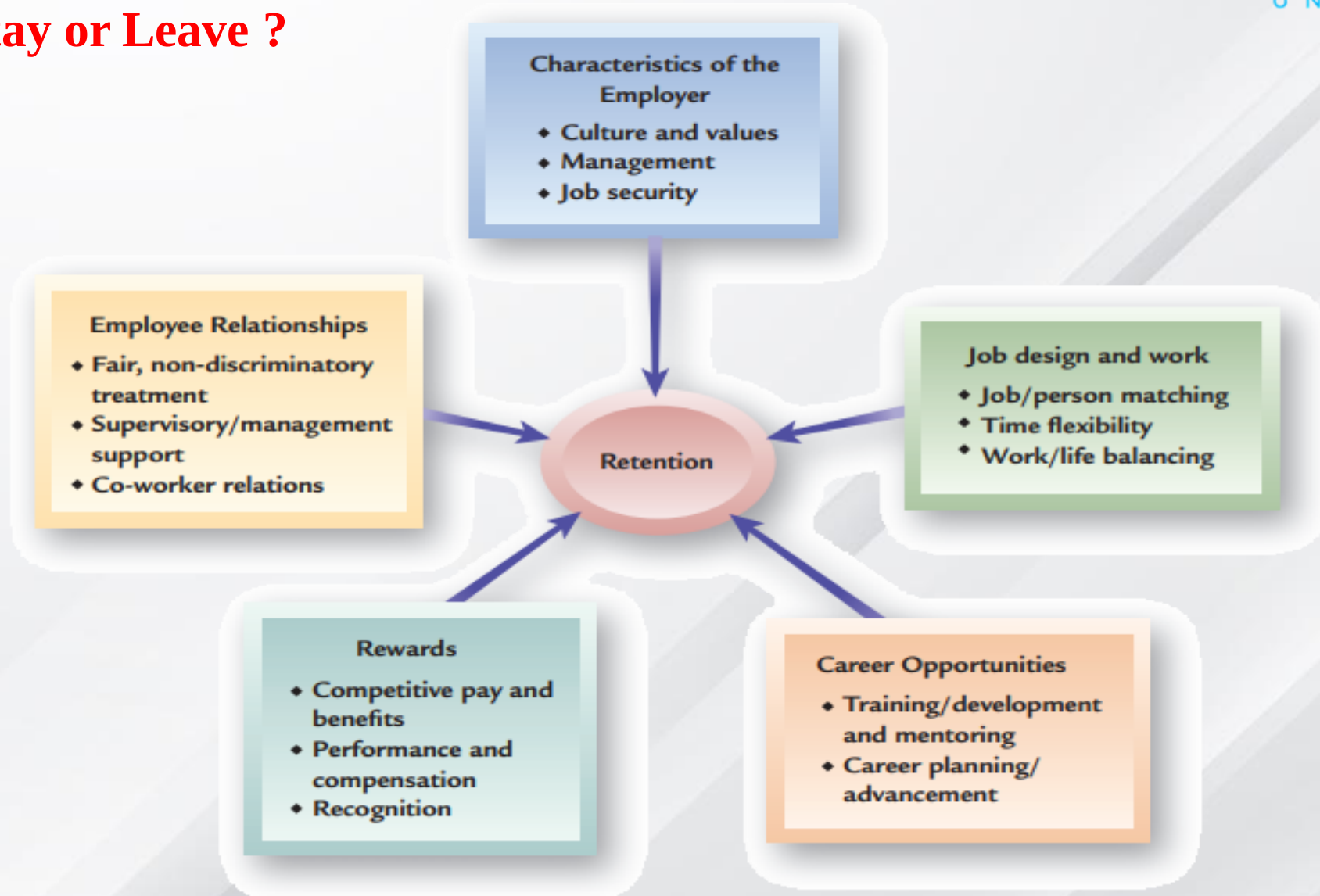


FIGURE 3-3

DRIVERS OF RETENTION

1. Characteristics of the Employer

Organizations experience **less turnover** when they have positive and distinctive **cultures, effective management**, and **recognizable job security**.

2. Job Design/Work:

1. **job/Person Match** :Matching people with jobs they like and fit can be a challenge.
2. **Time Flexibility** in work schedules has grown in importance.
3. **Work Flexibility**: Balancing the demands of work with the responsibilities of life, including family and personal responsibilities, is a challenge.

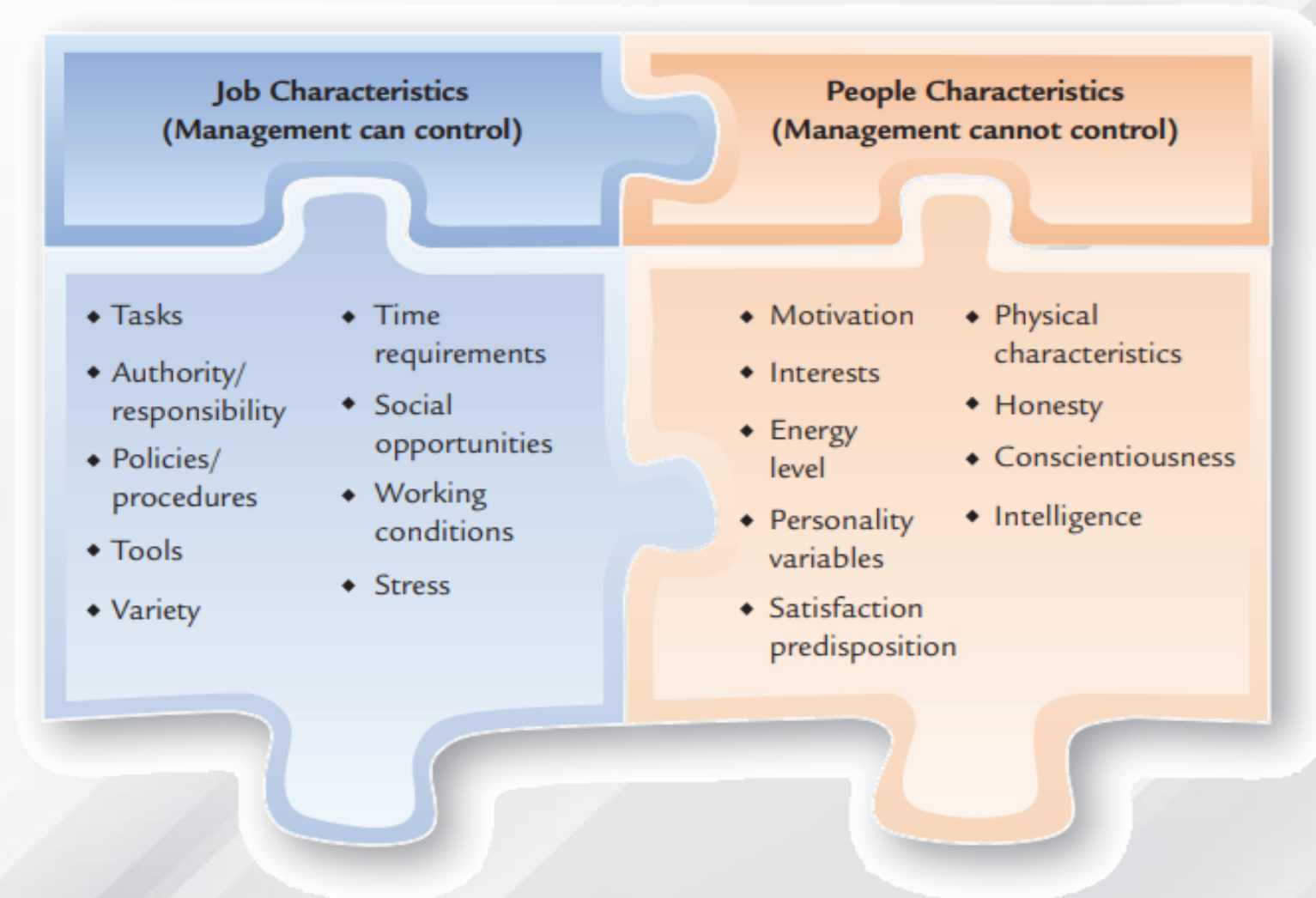
Work/life balancing programs commonly used include:

- Different work arrangements
- Leave for children's school functions
- Compressed workweek
- Job sharing
- On-site child/adult care
- Telecommuting
- Employee assistance plans
- On-site health services
- Wellness programs
- Fitness facility



FIGURE 3-4

Some Characteristics of People and Jobs



DRIVERS OF RETENTION

3. Career Opportunities:

surveys have found that opportunities for personal growth lead the list of reasons why individuals took their current jobs and why they stay there.

1. **Training/Development and Mentoring** Organizations address training and development in a number of ways. Tuition aid programs, typically offered as a benefit by many employers, allow employees to pursue additional educational and training opportunities.
2. **Career Planning/Advancement** Organizations also increase employee retention through formal career planning efforts. Employees discuss with their managers career opportunities within the organization and career development activities that will help the employees grow.

DRIVERS OF RETENTION

4. Rewards

The tangible rewards that people receive for working come in the form of pay, incentives, and benefits. Numerous surveys and experiences of HR professionals reveal that one key to retention is having competitive compensation practices

1. Competitive Pay and Benefits :they must be competitive, which means they must be close to what other employers are providing and what individuals believe to be consistent with their capabilities, experience, and performance.

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2. Performance and Compensation

Many individuals expect their rewards to be differentiated from those of others based on performance.

3. Recognition Employee recognition as a form of reward can be either tangible or intangible.



DRIVERS OF RETENTION

5. Employee Relationships:

A final set of factors found to affect retention is based on the relationships that employees have in organizations.

- Fair and non-discriminatory treatment of employees, regardless of gender, age, and other characteristics, particularly important.
- A supervisor or manager builds positive relationships and aids retention by being fair and non-discriminatory,
- Many individuals build close relationships with co-workers. Such friendships do not appear on employee records, but research suggests that they can be an important signal that a workplace is positive.

EMPLOYEE ABSENTEEISM

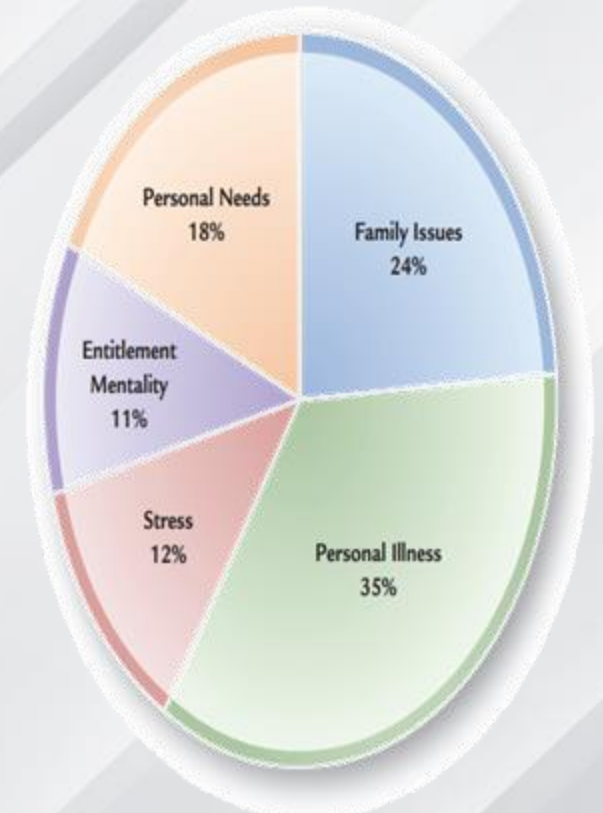
- Absenteeism is any failure to report for work as scheduled or to stay at work when scheduled.
- The cause does not matter when counting someone absent.
- Absenteeism is expensive, and can cost the company a lot of money.

Types of Absenteeism

- Employees can be absent from work for several reasons.
- Clearly, some absenteeism is inevitable because **illness, death in the family, and other personal reasons.**
- Such absences are unavoidable and understandable.
- Many employers have sick leave policies that allow employees a certain number of paid days each year for those types of involuntary absences.

FIGURE 3-5

Reasons for Unscheduled Absences



Source: Based on data from "2006 CCH Unscheduled Absence Survey," CCH, Inc., October 26, 2006, www.cch.com/press/news/2006. All Rights Reserved. Reprinted with permission.

Controlling Absenteeism

- Voluntary absenteeism is better controlled if managers understand its causes clearly.
- Once they do, they can use a variety of approaches to reduce it.
- Organizational policies on absenteeism should be stated clearly in an employee handbook and stressed by supervisors and managers.

FIGURE 3-6

Employee Absenteeism Control Actions



EMPLOYEE TURNOVER

- **Turnover** :The process in which employees leave an organization and have to be replaced.
- Many organizations have found that turnover is a costly problem.
- In many service industries, the turnover rates and costs are frequently very high.



TYPES OF EMPLOYEE TURNOVER

- **Turnover is classified in a number of ways.**

Involuntary Turnover

- Employees are terminated for poor performance or work rule violations

Voluntary Turnover

- Employees leave by choice

TYPES OF EMPLOYEE TURNOVER

- **Turnover is classified in a number of ways.**

Functional Turnover

- Lower-performing or disruptive employees leave

Dysfunctional Turnover

- Key individuals and high performers leave at critical times

TYPES OF EMPLOYEE TURNOVER

- **Turnover is classified in a number of ways.**

Uncontrollable Turnover

- Employees leave for reasons outside the control of the employer

Controllable Turnover

- Employees leave for reasons that could be influenced by the employer

TURNOVER AND “CHURN”

- ***Churn is hiring new workers while laying off others.***

This practice raises a paradox in which employers complain about not being able to find skilled workers while they are laying people off.

- **For example, Hewlett Packard** laid off 30% of its workforce worldwide over four years, but did not change the total number of employees significantly because it hired other individuals at the same time

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MANAGING RETENTION

- **Retention** is critical because turnover (and absenteeism) can cause poor performance in otherwise productive units.
- Now the focus turns toward what a manager can do about retention issues. Figure 3-8 shows the keys to managing retention.



FIGURE 3-8

Managing Retention

Measurement and Assessment

- ◆ Absence/turnover measurement
- ◆ Employee surveys
- ◆ Exit interviews
- ◆ Analyze the data

Management Interventions

- ◆ Selection
- ◆ Orientation
- ◆ Compensation
- ◆ Talent management
- ◆ Employee relations

Evaluation and Follow-Up

- ◆ Regular review
- ◆ Track intervention results
- ◆ Adjust as needed

Retention Measurement and Assessment

- To ensure that appropriate actions are taken to enhance retention, management decisions require data and analyses rather than subjective impressions.
- Having several absence and turnover measurements to analyze is important.
- Two other sources of information might be useful before analysis is done: employee surveys and exit interviews.

Retention Measurement and Assessment

- **Exit interview** An interview in which individuals are asked to give their reasons for leaving the organization
- **Employee Surveys** Employee surveys can be used to diagnose specific problem areas, identify employee needs or preferences, and reveal areas in which HR activities are well received or are viewed negatively.

SUMMARY

- Individual/Organizational Relationships
- Job Satisfaction, Loyalty, And Commitment
- Factors Affecting Job Satisfaction And Organizational Commitment
- Individual Employee Performance
- Individual Motivation
- Retention Of Human Resources
- Myths About Retention

SUMMARY

- Drivers Of Retention
- Employee Absenteeism
- Controlling Absenteeism
- Employee Turnover
- Types Of Employee Turnover
- Managing Retention
- Retention Measurement and Assessment



Thank You