Turnover Drivers and Retention Factors Affecting Hourly Workers: What is Important?

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ABSTRACT

People are changing jobs in record numbers, resulting in the highest turnover rate in twenty years (Dobbs, 2001). Therefore, many companies are trying to determine how to retain their employees, including baby boomers with their institutional knowledge and Generation X and Y employees with their technological expertise. Previous research has identified organizational culture, supervision, compensation, and work environment coupled with pay and benefits as being related to employee turnover. An employee survey and interviews conducted at a large international wholesale bakery indicated health benefits, base pay, and life/work balance were most important to hourly workers. Suggestions on a retention strategy addressing employee's needs are given.

Keywords: Employee Retention, Retention Strategy, Turnover Drivers, Organization Culture

INTRODUCTION

Retaining employees is critical in today's business environment. Research by Ernst and Young showed that attracting and

14

retaining employees are two of the eight most important things investors use when judging the value of a company (Michlitsch, 2000). However, Abbasi and Hollman (2000) identified employee turnover as a factor often jeopardizing organizational objectives. Employee turnover results in monetary costs for employee replacement as well as many "hidden" costs and consequences.

Regarding monetary costs, Taylor (2002) identified unwanted employee turnover as one of the most costly problems that companies face. Losing employees can cost a company as much as eighteen (18) months salary for professionals and six (6) months salary for hourly employees (Thornton, 2001). Another estimate puts the cost at 25% of the employee's annual salary plus 25% of the benefits package offered (Amig & Jardine, 2001). In addition to the monetary loss incurred by employee turnover, other "hidden" costs include declining productivity, lower employee morale and disrupted customer relations (Abbasi & Hollman, 2001), plus loss of employee expertise and institutional knowledge (Mitchell, Holton, and Lee, 2001). In today's competitive business environment, it is important that companies focus on retention, gain the commitment of their employees, and manage employee turnover (Galunic and Anderson, 2000). The purpose of this research is to examine employee retention and what work factors and issues are most important in determining intent to stay or leave.

BACKGROUND

Generally, an employee's decision to resign from a company is complex because factors, called turnover drivers, create an environment that is no longer desirable to the employee (Oh, 2001).
Numerous surveys have been conducted to determine what influences employee turnover, and the results have varied among

surveys.   Some factors identified as affecting turnover include organizational culture (Sheridan, 1992), supervisory relationships (Tepper, 2000), compensation (Burgess, 1998), and work environment (Guthrie, 2001; Blum, Gilson, & Shalley, 2000; Huselid, 1995).

Organizational culture, defined as the cornerstone values, beliefs, norms, standards, and assumptions concerning work that members of an organization share in common, has a potent effect on the motivation of employees to continue working for their employers (Mainiero, 1993).   Sheridan (1992) observed that an organization's cultural values have an effect on all interactions with employees, and noted that other researchers have argued that the fit between an organization and an employee is important to retention and that individuals are attracted to certain organizations, and when they do not "fit" in an organization they will leave.   Autry (2003) also found a relationship between personal-organizational fit, job satisfaction and intent to stay.   In a time where pay and benefits are expected, an organization's culture can be the deciding factor in an employee's decision to remain with their employer.

Another factor that influences an employee's decision to stay is the relationships employees maintain with their bosses and co-workers.   Studies show that managers and supervisors can have a significant impact on employee turnover.   A Gallup Organization study found that the length of an employee's stay is determined largely by his relationship with a manager (Dobbs, 2001).   Eisenberger, Stinglhamber, Vandenberghe, Sucharski, and Rhoades (2002) found supervisor support correlated with employees' intent to stay.   Taylor (2002) notes that employees want leaders who know them, understand them, treat them fairly, and are supervisors that they can trust. Another study found subordinates whose supervisors were more abusive reported higher turnover, less favorable attitudes toward job, life, and

organization, greater conflict between work and family life, and greater psychological distress (Tepper, 2000).   Also, with many of today's organizations utilizing a more diverse workforce, supervisory relationship with employees is extremely important for retention.   According to a survey conducted by Alignment Strategies, Inc., quality supervisory relationships make the difference in bonding young (age 21-30) and culturally diverse (black, Latino/Hispanic, Asian/Pacific Islander or Native American) employees to their organizations (Dixon-Kheir, 2005).

   Poorly designed wage policies where salaries and benefits are not competitive can lead to turnover, and studies show that turnover is higher in plants with lower wages (Burgess, 1998). Traditionally, raises and promotions have been the incentives offered to workers to stem turnover.   Benefits that meet an employee's individual needs are also becoming more important to employees (Withers, 2001).   Additionally, soft benefits such as flex-time and flex-hours have helped many firms maintain employee commitment (Ulrich, 1998).

   The work environment also affects employees.   A survey of 2,200 individuals found employees with a favorable work environment have higher job satisfaction and lower intentions to leave. Factors   that enhance job satisfaction include job autonomy, challenge, control, importance, and receiving encouragement from supervisors.   On the other hand, factors that diminished job satisfaction include the existence of rigid procedures, use of surveillance, lack of resources, and restricted control over work procedures (Blum, Gilson & Shalley, 2000). Mitchell (2001) found being asked to do something against one's beliefs; observing unfair employment practices; having a major disagreement with a boss; employee discomfort with the company's culture; and a lack of feeling of belonging were correlated with intent to leave.   Also, Longenecker (2003) found intent to leave correlated with a better job opportunity, more

money, a bad boss, a lack of appreciation, and an inability to get time off from work. Additionally, over the past twenty years employees have increasingly focused on personal growth and happiness and less with how they are defined by organization affiliation.   Younger generation employees identify with their formal title and nature of work; however, they do not commit themselves to the organization, instead they commit to themselves (Jurkiewicz, 2000).   Yet, with the fastest growing segment of employee----those 55 years and older--- work issues may be different.   The Generation X and Y workforce requires managers to lead; they respond to asking, not telling.   They want a chance to showcase talents and be involved in the decision making process of the organization (Abbasi and Holman, 2000).

It is important to understand what work issues are important to employees. Research results varied in what employees identified as important for continuing their employment.   A 1999 Hay Group study of more than 500,000 employees in 300 companies found that, of 50 retention factors, pay was the least important.   The three top retention factors in this study included career growth, learning and development; exciting work and challenge; and meaningful work (Jordan-Evans & Kaye, 2001). Extensive research of hundreds of companies by the Corporate Leadership Council revealed that base pay, manager quality, and health benefits were the most important to employees (Burleigh, Eisenberg, Kilduff & Wilson, 2001). Lord (2002) found that that good supervision, family-work balance, benefits, and pay were motivation factors across all age groups.   Since the results varied among previous research, a survey was administered and interviews were conducted of hourly workers at a large any in order to determine the work issues that were important to them.

METHODS

Participants in this study are hourly workers at the second largest bread and bakery products producer in the United States. The company makes breads and operates leading fresh packaged bread and refrigerated dough businesses in the US and Europe. The plant surveyed is located in the southeastern US, is highly unionized and is represented by the Bakers, Confectioners, Tobacco, and Brand Millers' Union. The truck drivers are represented by the Teamsters' Union. The plant employed 892 people; 70 percent were male, 30 percent female and approximately 4% were minorities. Net Sales for the fiscal year were $2.6 billion. The plant manager agreed to a survey and follow-up interview of employees on the three shifts of one product line.

Questionnaires were given to all 110 hourly employees. Respondents were told that their help was needed in determining what is important to employees in the area of continued employment. The hourly workers rated eleven work issues on an importance scale of 0 to 7, with 0 having no importance and 7 being the most important. The work issues included base pay, challenging work, health benefits, hours, job fit, life/work balance, opportunity for advancement, recognition, supervisor quality, union representation, and work environment. In addition, they were asked about satisfaction with work at the plant and perceptions of pay, benefits, communication, respect and flexibility. Of the employees surveyed, 59% were men and 32% were women. The ages of the respondents were: 14% were 19-29 years old; 24.5% were 30-39; 41% were 40-49 years old; 17% were 50-59; and 3% were 60-69.   Thirty-six percent of the employees surveyed have been employed with the company for 5 years or less; 16% for 6-10 years; 5.5% for 11-15 years; 4.5% for 16-20 years; 20% for 21-25 years; and 14.5% for 26-30 years.   The data was not analyzed

by race due to the limited number of minorities responding to the survey.

RESULTS

As table 1 indicates, individual scores from the survey were compiled and averaged for each work issue. Overall health benefits topped the list with an average score of 6.8 (out of a possible 7.0), making it the most important retention factor. Base pay and life/work balance rated high with scores of 6.4, whereas hours and work environment were rated somewhat high with 6.3 and 6.2 respectively.   Supervisor quality had a 5.7 score, with recognition and challenging work rating the lowest with scores of 5.2 and 4.7 respectively.

   Results on job satisfaction reveal that different employees share similar opinions. In our sample, health benefits and pay rated as top priorities. Also, employees regard work-home balance as a top priority. The individual analysis based on gender was not significant as far as pay and health benefits. The only significant difference was in recognition and job fit with females placing a higher importance on these two work issues. Recognition scored 5.8 for females versus 5.1 for males and job fit scored 6.1 versus 5.5 for males.   Females wanted more recognition for a job well done. This recognition could come as bonuses, merit pay, or even communication of a job well done. Women seemed to desire respect from their employer more than men.   This plant was 70% male and located in a small southern town. Some residue of antiquated ways of dealing with females could have been present. In addition, females were interested in being in a job that fit with their knowledge, skills, and interests.

Table 1. Individual Scores

Retention Factors	Score
Health Benefits	6.8
Base Pay	6.4
Life/Work Balance	6.4
Hours	6.3
Work Environment	6.2
Supervisor Quality	5.7
Job Fit	5.6
Opportunity for Advance	5.4
Union Representation	5.4
Recognition	5.2
Challenging Work	4.7

In the survey, the results varied among age groups within the organization. The survey results agreed with previous studies confirming the importance of the supervisor relationship to the Generation X employees (Dixon-Kheir, 2005). The analysis based on age categories revealed that health benefits ranked most important in every age division. The 19-29 year age division placed significantly more importance on supervisor quality, opportunity for advancement, and recognition than the older age divisions.

The results from the exit interviews conducted at the company are in line with the results reported from the survey. Analysis of the exit interviews revealed that the employees' decision to leave was mainly due to better job opportunities and family circumstances. Salary and benefits were considered to be strengths of this particular company while opportunity for advancement, policies and procedures, and work environment

were scored as weaknesses.   The employees did not believe that the company offered career advancement opportunities.   The policies were considered to be bureaucratic with little room for compromise. The work environment was considered to be rigid and controlled by production quotas.   In the area of satisfaction, employees were most dissatisfied with their work schedules. Supervisory relationships were rated as an important factor when deciding to stay with the company.   The follow-up interviews revealed the following influencing dissatisfaction and intent to leave: perception of little supervisory support, not feeling appreciated by the organization, poor performance appraisal feedback, and feeling as if the supervisor does not appreciate them. Other comments were "my supervisor never listens to me," and "I feel overworked and stressed out." However, when asked what they liked least about their job, 48% of the comments were related to the call-in system and hours worked.

DISCUSSION

Retaining Generation X and Y workers is important for businesses today. These workers bring critical technology skills with them. In addition, the younger workers have shown a propensity to turnover for small increment gains in pay or due to perceived poor treatment by a supervisor.

   At this plant, once employees are hired, they are considered call-in employees and work as needed by the plant.   They may work less than 20 hours one week and more than 50 hours the next week, and on different jobs.   Since the plant runs to order, its needs change from week to week and even day to day, making it hard for call-in employees to plan their work life and their personal life.

   With numerous lines and numerous varieties on each line, the staffing requirements can be difficult to manage.   Each line is

staffed with a base crew that is typical of their production needs. However, some of the more complex varieties require more people, and this creates fluctuations in the staffing needs from day to day. For example, on the Hearth line, the staffing needs double when Parmesan Garlic Bread is produced.   Employees from the call-in list are called upon to fill these requirements.   Flexibility is definitely required for call-in employees since their job requirements can change from day to day.

RECOMMENDATIONS

Since the most potential for turnover is within an employee's first three years with a company (Burleigh, Eisenberg, Kilduff & Wilson, 2001), conducting feedback sessions and communicating individually with new employees every 4 months during their first 2 or 3 years could be a powerful tool for reducing turnover. This communication would help provide valuable insight to any issues that, if addressed, might prevent the employee from leaving the organization.

   Exiting employees stated in the survey that the call-in system was one area where they were most dissatisfied. Improving the call-in system for new employees could lead to a significant reduction in turnover. Since this is a complex issue that could have a large financial impact on the plant, a team approach to help improve the call-in system could be productive. Representatives from management and hourly employees would be best suited to address this issue.

   Supervisors must also be attentive to the life/work balance of their employees. It has direct bottom-line implications that are driven by retention, productivity and on-the-job-performance. Clearly, this survey showed employees regard the ability to balance their personal and work lives as a priority, with work/life balance ranked high in importance to workers—behind only

benefits and base pay. The first step in addressing the work/life balance issue is to evaluate the company's policies to see if they are supportive of a work/life balance. If not, steps should be taken to change the policies or make them more flexible to accommodate the needs of the workforce. Managers and supervisors should then be held accountable to be in tune with their employees' needs and accommodate them whenever possible. It is some times difficult for managers to support work/life programs especially while trying to balance the demands of their responsibilities, therefore programs and training in the area of work/life balance clearly reflect commitment of an organization to these issues. One way to reduce work-family disconnect would be the use of a temporary workforce to fill staffing situations; however; the union has strongly opposed using temporary employees.

   Once an employee is hired, quality relationships with their manager or supervisor can be important to the employee's decision to stay with the organization. With the tremendous cost associated with employee turnover, it is imperative that organizations identify and address the issues that lead to employee turnover. The supervisory relationship not only influences job performance, career development, recognition and rewards, it also extends to such matters as teamwork, communication, organizational resources, and relationships with co-workers, customers, and other managers. The workplace, the ways of conducting business and the nature of work are shifting, and organizations and managers must adapt to keep up. The changing demographics of the workplace and the global nature of work mean that supervisors need the skills to develop and sustain quality relationships with employees of diverse cultures, races, religions, and languages. The old models of "top-down" and "team-based" communication in one language with a monolithic group of subordinates already oriented to U.S. culture are obsolete. Focusing on the supervisory relationship is important with all

workers, but especially with the Generation X workers. A good supervisor relationship is also important to retaining employees in their twenties.

FUTURE RESEARCH

There seems to be distinct and unique differences between what influences employee retention for hourly workers and managerial workers. In the Hay Group studies of managerial workers, pay was the least important and career growth, learning and development; exciting work and challenge; and meaningful work were the top retention factors. In our study of hourly workers, health benefits, base pay, life/work balance, and hours worked were work issues that were important. This study was limited by the number of differentiating work issues investigated. Future studies may want to investigate other variables as well as the influence of union membership on choices made. Comparing the differences in perceptions between the three shifts would have made this research stronger. Finally, this study was limited to one large company. Broader-based samples will need to be the norm in future studies in order to rule out variables attributing to the differences other than those under investigation.

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