

HUMAN RESOURCE MANAGEMENT – LECTURE 7

CHAPTER 7 – MANAGING EMPLOYEE RETENTION AND SEPARATION

LESSON 7
MANAGING EMPLOYEE RETENTION AND SEPARATION

Learning Objective 1 - How are employee retention and separation strategic?

Staff are a primary asset for almost all businesses, but discovering, employing, and training skilled employees may be expensive. The cost of replacing a departing employee ranges between one and two times the position's annual wage.

Most firms must focus on employee retention, a set of steps meant to keep good employees once they have been hired, due to the cost and negative repercussions of replacing staff.

Maintaining good staff is advantageous, whereas retaining poor people costs businesses money. Often, it is equally crucial to ensure that nonproductive staff do not remain with the firm as it is to keep productive individuals. In addition, alterations in economic conditions and product demand might occasionally necessitate staff reductions. Employee separation is the process of terminating employees quickly and fairly.

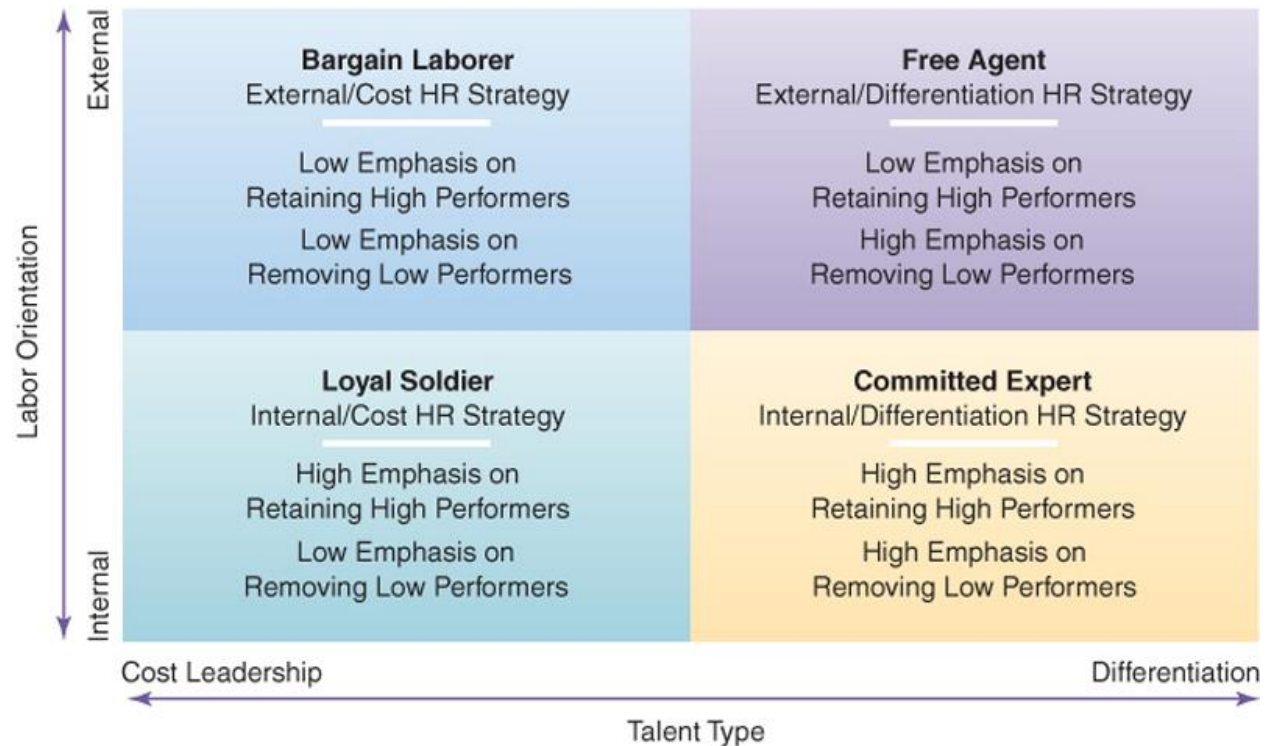
Strategic Emphasis on Employee Retention

- It is often just as critical to ensure that nonproductive employees do not remain with the business as it is to keep productive individuals.
- Changes in economic conditions and product demand may compel businesses to cut their labor size.

Figure 7.1 Strategic Retention and Separation of Employees

Employee retention strategies are most effective when they align with an organization's overall plan. Figure 7.1 depicts the relationship between staff retention and separation, competitive company strategy, and HR strategy overall.

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

Retaining valuable personnel is crucial for an internal labor-oriented business.

- The competitive advantage in this case is from cultivating a devoted staff that continuously excels at meeting client needs.
- Combining an emphasis on internal labor with a cost-reduction goal yields the Loyal Soldier HR strategy.
- Retaining employees minimizes recruitment costs and provides workers with a sense of security, which encourages them to accept slightly lower compensation than they may be able to earn at rival organizations.
- Combining an internal labor focus with a differentiation approach yields a Committed Expert HR strategy. Employee retention contributes to the development of a workforce with skills not found in other firms.
- These competencies are essential for developing remarkable products and services that cannot be easily replicated by rivals.

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Organizations adhering to a Committed Expert HR strategy prioritize dismissing the employment of poor performers as soon as possible following their hiring.

By identifying employees who do not match the company culture or who look incapable of developing necessary skills and drive, these firms lower the cost of poor hiring decisions. A legal firm engages in this practice when it denies promotion to a junior attorney who is not performing at the required level to become a partner. Organizations using a Free

Agent HR strategy get the benefits of frequently changing staff with individuals who bring new talents and a new perspective.

In such businesses, employee departure is a common occurrence, and continual efforts are required to ensure that disruptions from frequent turnover are minimized as much as feasible.

An organization pursuing a Loyal Soldier HR strategy seeks to minimize employee separation. The primary objective is to hire young employees who remain with the organization for long careers. Having high performers is not as important in cost-focused organizations, so termination of employment is only required when a worker fails to meet even minimum expectations.

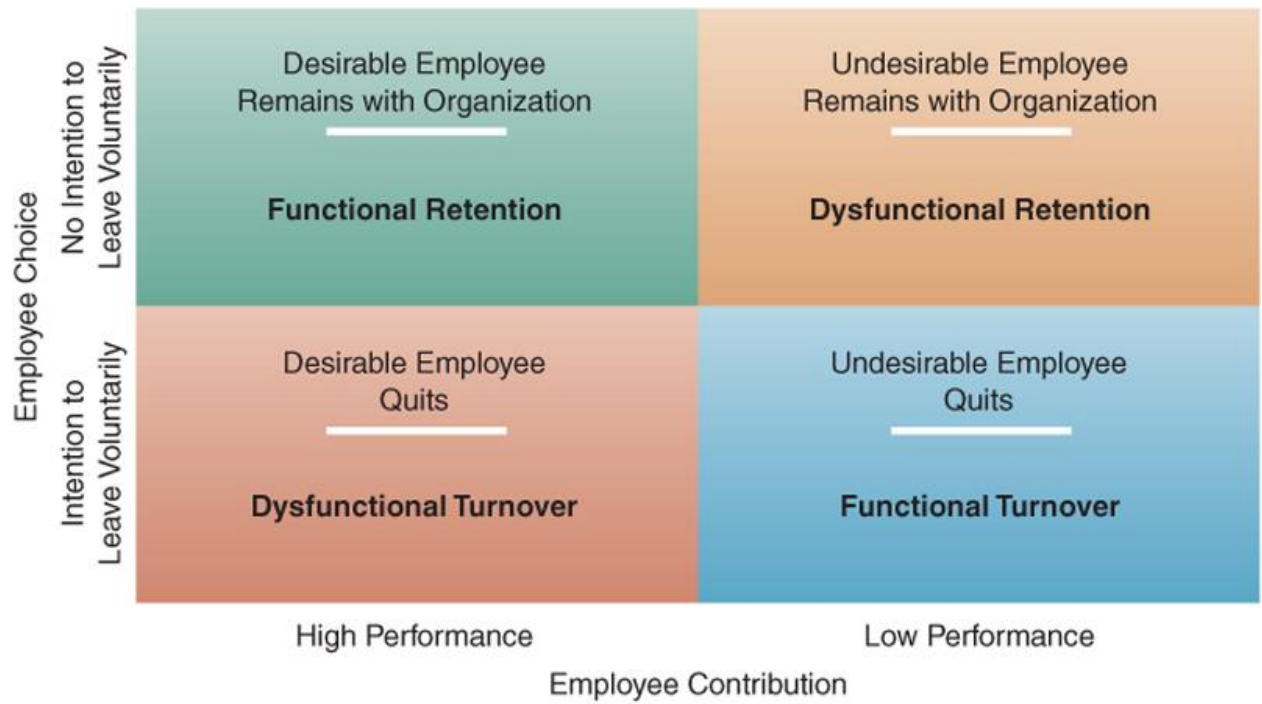
Learning Objective 2: How Can Undesirable Employee Turnover Be Reduced?

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.

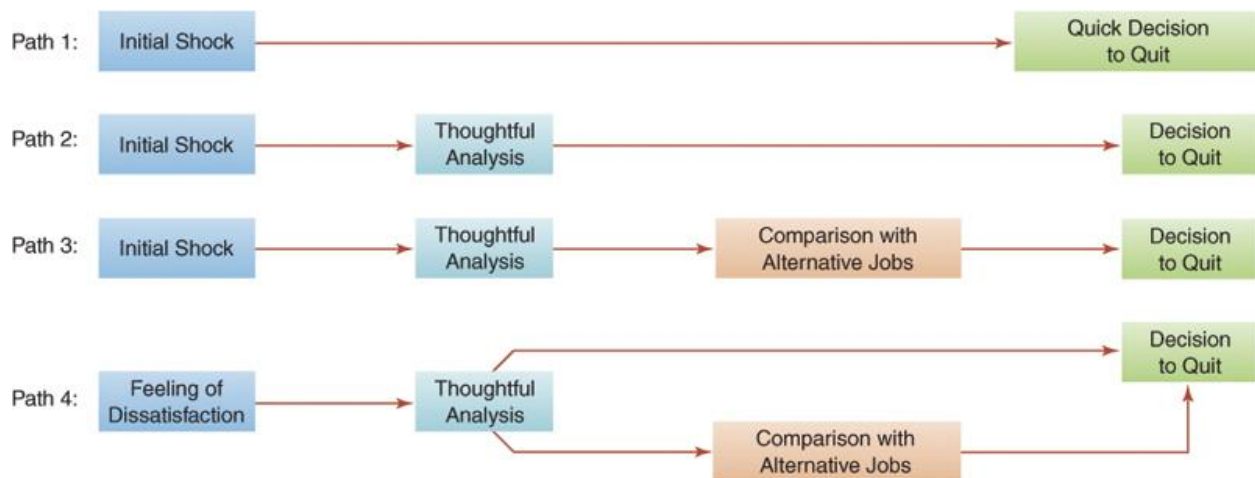
Figure 7.2 combines two dimensions—the employee’s performance level and the employee’s choice to either leave the organization or stay—to arrive at four conditions:

- Functional retention, which occurs when high-performing employees remain employed, can benefit both the individual and the organization.
- Functional turnover, which occurs when low-performing employees voluntarily quit, can also benefit both parties.
- Dysfunctional retention occurs when low-performing employees remain with the organization. Later in the chapter, we deal with situations in which the organization must terminate low performers who do not leave voluntarily.
- Dysfunctional turnover occurs when an employee whose performance is at least adequate voluntarily quits. We focus on this situation in the remainder of this section.

When a valuable employee decides to leave, the firm must typically locate and hire a replacement. This procedure may be extremely disruptive. Consider a basketball team with a high player turnover rate. Frequent staff changes impede team members' ability to coordinate their activities. A significant amount of time and effort is invested in recruiting new players and teaching them the essential abilities. All of this effort and time would be wasted if the players left the team just as they were becoming integrated. Likewise, this is true for work organizations. Frequent employee replacement wastes a significant amount of resources and makes it difficult for businesses to develop a competitive advantage. In general, organizations are consequently more effective when they have plans and processes that proactively limit employee turnover.

Recognizing Paths to Voluntary Turnover

It starts by asking the question why do employees leave?



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.

- The first path shown in Figure 7.3 is a quick decision to leave the organization. This path begins with some external event that causes an employee to rethink the

employment relationship. The employee might be asked to engage in unethical behavior, for example, or might be denied a promotion.

- The second path shown in the figure begins with an event that causes an individual to begin thinking about leaving the organization. Here, however, the individual does not make a quick decision. Alternatives are weighed, and the benefits of staying are compared with the benefits of leaving.
- The third path in the figure involves a comparison between the current job and other alternatives. Once again, some external event initiates thoughts about leaving the organization. That event could be a job offer from another firm. Once the event has occurred, the employee begins to look at alternative opportunities. The benefits of jobs with other organizations are carefully compared with the benefits of the current job. A decision to leave becomes a conscious choice between the present job and specific alternatives. This path appears to be the most common course that leads an employee to leave an organization.
- Final path shown in Figure 7.3, the employee develops a general sense of dissatisfaction with the job over time. This sense of dissatisfaction leads to either a calculated decision to leave or a search and comparison with other job opportunities. This path is different from the other paths in that no specific event can be identified as causing the employee to begin thinking about quitting.

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

Organizational Practices That Reduce Turnover

- Organizations wanting to reduce employee turnover routinely assess the job happiness of their staff. Such evaluations are conducted through surveys that inquire about many parts of employees' job experiences.

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- Employees can typically complete surveys anonymously. The Job Descriptive Index is a standard survey that measures satisfaction with work tasks, compensation, promotions, coworkers, and supervision.
- The least satisfied employees are unlikely to participate in job satisfaction surveys.
- These employees have already begun to leave the company, so they see little personal gain in participating in the poll.
- They no longer care about the work environment of the organization they intend to depart because they see the situation to be beyond repair.
- Organizational leaders would do well to keep in mind that job satisfaction results will likely make things appear more favorable than they are.

Practices That Reduce Turnover

- Socialization, which is the process of gaining the information and behaviors required to be a member of an organization, is another way for keeping personnel.
- Effective socializing occurs when employees are provided with crucial information that aids in their comprehension of the company. Example: the orientation session for new employees.
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- As employees acquire information during the socializing process, their perceptions of organizational compatibility rise, and employees who sense that they are a good fit are more likely to remain with an organization.
- Another element that affects employee turnover is the perception of organizational support.
- These are the employees' beliefs that the organization values their contribution and is concerned about their welfare. 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

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Source: Human Resource Management Linking Strategy to Practice 2nd Edition

Author: Greg Stewart & Kenneth Brown

Learning Objective 3 – How do Layoffs affect Individuals and Organizations?

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. Job loss begins a chain of negative feelings and events, including worry, uncertainty, and financial difficulties.
 - Layoff victims are likely to suffer declines in mental health and psychological well-being, as well as physical health.
 - They also experience less satisfaction with other aspects of life, such as marriage and family life
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- Individuals with high work-role centrality, which is the extent to which work is a central aspect of life, derive much of their life satisfaction from having a good job. These individuals suffer more from job loss than do individuals for whom work is less important.
 - Individuals who have more resources cope better. Common resources include financial savings and support from close friends and family members.

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- Strategies for coping with the job loss can also affect individual wellbeing. People who focus their efforts on solving problems and who deal constructively with their emotions have fewer health problems. People who feel that they can control the situation and obtain a new job are less harmed than those who perceive that they have little personal control. Setting goals, proactively managing emotions, and being committed to getting back to work also facilitate reemployment
- Mental perceptions are also critical. Individuals who have positive perceptions of their abilities to obtain a new job, and who perceive that the job loss did not result from something they did wrong, cope better than others.

Layoff survivors are employees who continue to work for the downsizing organization. It seems better to be a survivor than a victim. However, even those whose jobs are not eliminated often react negatively to downsizing.

Learning Objective 4 - What are common steps in Disciplining employees?

Discipline

- A. **Discipline** is the process whereby management takes steps to help an employee overcome unacceptable behavior problems in the workplace.
- B. **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.

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Source: Human Resource Management Linking Strategy to Practice 2nd Edition
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4. Any punishment should be consistent with the nature of the offense

Progressive Discipline

- The **progressive discipline** process, management provides successively more severe consequences for employees who continue to engage in undesirable behavior.
- A supervisor meets and discusses company policy with an employee the first time an unacceptable behavior occurs.
- No further action is taken if the misbehavior is not repeated.
- The employee is punished if the misbehavior is repeated.
- Subsequent instances of the misbehavior are met with more harsh punishment that eventually results in termination of employment
- Formal Step in a Progressive Discipline Policy

The first step is a **verbal warning**. The supervisor clearly communicates what the employee did wrong and informs the employee of what will happen if the behavior occurs again.

If the behavior is repeated, the employee receives a **written warning**. This warning is usually placed in the employee's personnel file for a period of time.

A repeat of the behavior after the written warning leads to **suspension**. The employee cannot come to work for a period of time and in most cases will not be paid. A suspension is usually accompanied by a final written warning that clearly states the employee will be dismissed if the behavior occurs again.

The final step is **discharge** from the organization.

Figure 7.7 Steps for Progressive Discipline. The concept of progressive discipline thus emphasizes the need for organizations to allow employees an opportunity to correct inappropriate behavior. This is a time when human resource professionals can help mediate potential conflicts if the employee does not respond to the manager's requests for changes in behavior.

Figure 7.7 presents the four basic steps.

Learning Objective 5 – How should Employee Dismissals be Carried out?

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.

In many cases, outplacement services are provided by outside firms.

- An outside firm is often in a better position to work with dismissed employees, since these employees may feel some resentment toward the organization that dismissed them.
- Displaced workers who receive outplacement assistance from an outside source generally experience more positive reactions and are more likely to find a position that is comparable to the job that was lost.

The Dismissal Meeting

Outplacement services can help alleviate some of the anxiety associated with job loss. Nevertheless, the actual event in which a person is told that his or her employment is being terminated is highly stressful. Managing this event in the right way is critical if the organization is to show respect for employees and maintain a good reputation.

A few guiding principles

1. Tell the employee directly that she is being dismissed.
2. Make the meeting brief.

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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 a violent manner.

The dismissal meeting should include a discussion of severance compensation if it is being offered. Severance compensation provides money to help cover living expenses during the upcoming period of unemployment. In many cases, severance compensation is given only if the dismissed worker agrees in a contract not to pursue legal action against the company for discrimination or other reasons.

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SELF EVALUATION TESTS/QUIZZES

Section A (20points)

Identification

1. The act of keeping employees and retaining good workers.
2. The process of efficiently and fairly terminating workers.
3. A type of turnover in which the employee makes the decision to leave.
4. It 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.
5. This is the process of acquiring the knowledge and behaviors needed to be a member of an organization.
6. When an organization engages in widespread layoffs intended to permanently reduce the size of its workforce.
7. The large-scale terminations of employment, which are unrelated to job performance.
8. The individuals who actually lose their jobs—experience a number of problems.
9. The process whereby management takes steps to help an employee overcome unacceptable behavior problems in the workplace.
10. A process, that provides successively more severe consequences for employees who continue to engage in undesirable behavior.

Answers

- 1. Employee Retention**
- 2. Employee separation**
- 3. Voluntary turnover**
- 4. Job satisfaction**
- 5. Socialization**
- 6. Downsizing**
- 7. Layoffs**
- 8. Layoff victims**
- 9. Discipline**
- 10. Progressive Discipline**

Progress Check

B. Discussion of Employee Retention and Strategic Separation

- a. Discuss retaining good employees and the most critical area based on HR strategies
- b. Explain HR strategies that might encourage some employee separation

C. Explain how can undesirable employee turnover be reduced

- a. Discuss the four common paths to voluntary employee turnover
- b. Explain the perceptions and choices of process whereby low job satisfaction translates into a specific action of quitting
- c. Discuss what can an organization do to reduce voluntary employee turnover

D. Elaborate how do layoffs affect individuals and organization

- a. Explain how does downsizing affect organization in short term and long term
- b. Discuss the common reactions of downsizing victims
- c. Discuss how do employees react when they see their coworkers being laid off by the organization

E. Discuss the common steps in disciplining employees

- a. Explain the four principles of due process
- b. Discuss the steps for progressive discipline

F. Explain how should employee dismissals be carried out

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- a. Discuss how can an outplacement firm help organization in managing employee dismissals
- b. Explain what should a manager do and say when an employee is being fired.