CHAPTER 8

STAFF RETENTION

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1. EXAMINE RECENT TRENDS IN JOB TENURE AND TURNOVER IN THE UK
2. ASSESS THE ARGUMENTS FOR AND AGAINST INVESTING RESOURCES IN STAFF TURNOVER REDUCTION PROGRAMMES
3. OUTLINE THE MAIN REASONS FOR VOLUNTARY RESIGNATIONS
4. SET OUT HOW STAFF TURNOVER CAN BE COSTED
5. EXPLORE SOME APPROACHES WHICH IMPROVE STAFF RETENTION RATES

The last three chapters focused on the processes used to mobilise a workforce: activities which are often expensive and time consuming. It is estimated that the costs associated with recruiting and training a new employee average between half and one and a half times the annual salary for the post in question, depending on the approaches used (Thompson 2000). In this chapter we consider the most important way in which human resource managers seek to reduce the time and money spent on these activities, namely by trying to ensure that people choose not to leave an organisation voluntarily in the first place.

The extent of interest in employee retention issues varies over time as labour markets become successively tighter and looser depending on economic conditions. In recent years, as unemployment has fallen, making it harder to recruit staff with the necessary skills and attitudes, the subject has again moved up the HRM agenda. This has led to the publication of several new books and articles exploring how organisations can ensure that they have the best chance of retaining the people they employ. The authors tend to take one of two distinct perspectives on the subject. The first focuses on the organisation as a whole, tracking staff turnover rates over time, benchmarking the figures against industry or regional averages and developing organisational policy aimed at improving retention generally. The second, illustrated in recent work by Hiltrop (1999), Woodruffe (1999), Williams (2000) and Cappelli (2000), concentrates primarily on retaining high-performing key players. Each of these authors uses the expression 'the war for talent' to illustrate the significance and difficulty faced by those competing for the services of individuals who have the capacity to make a real difference to an organisation's competitive position. While the methods put forward to reduce turnover are similar in each case, the second group advocate more sophisticated retention practices aimed specifically at those whose talents are the most scarce.

ACTIVITY 8.1

Employee retention becomes an important item on the HRM agenda when organisations are faced with skills shortages. When labour is in reasonably good supply leavers can easily be replaced by new starters.

Aside from working harder at retaining staff, what alternative approaches could be adopted to help staff an organisation when the skills it requires are in short supply?

TURNOVER RATES AND TRENDS

In recent years there has been a mismatch between the rhetoric about job tenure and the reality. Much mileage continues to be made by some consultants, academics and management gurus out of the claim that 'there are no longer any jobs for life', suggesting that the length of time we spend working for organisations has fallen substantially in recent years. In fact this is a misleading claim. Detailed analyses of data from the *New Earnings Survey*, the *General Household Survey* and the *British Labour Force Survey* show that relatively little actually changed in terms of employee retention during recent decades (*see* Gregg and Wadsworth 1999). Turnover always

Table 8.1
Job tenure in the UK since 1975

Year	Male job tenure	Female job tenure	Average tenure
1975	6 years, 6 months	3 years, 7 months	4 years, 9 months
1985	7 years, 2 months	3 years, 10 months	5 years, 6 months
1990	6 years	3 years, 9 months	4 years, 4 months
1995	6 years, 10 months	4 years, 6 months	5 years, 7 months
1998	5 years, 9 months	4 years, 4 months	4 years, 10 months

Source: Table compiled from data in P. Gregg and J. Wadsworth (1999) 'Job tenure, 1975–98', in P. Gregg and J. Wadsworth (eds) *The State of Working Britain*. Manchester: Manchester University Press, p. 115.

rises when the economy is strong and jobs are plentiful because there are more opportunities available for people to change employers. Conversely, during recessions staff turnover falls because relatively few attractive permanent positions are advertised. These trends are reflected in Table 8.1 which shows how job tenure rates fluctuated for men and women between 1975 and 1998 while the overall tenure rate for the UK as a whole remained stable. What happened over this period is that male tenure rates fell as men in their fifties and early sixties took early retirement or accepted redundancy packages, while job tenure among women rose. Gregg and Wadsworth (1999, p. 116) show that the biggest increase has been among women with children. In 1975, on average, they remained in a job for 20 months; the figure in 1998 was 46 months. This reflects the greater propensity of women during this period to return to work following maternity leave and the improved career opportunities available to them.

These trends continue today. Table 8.2 shows that long periods of job tenure remain the norm for a substantial portion of the working population. People tend to move from employer to employer early on in their careers, often staying in one employment for just a few months. But once they find a job (or an employer) that they like, the tendency is to remain for several years. 'Jobs for life' have, in truth, always been a relative rarity, but the evidence suggests that they remain a reality for many employees, despite the predictions of the management gurus. Nearly a third of workers have been in their current jobs for over ten years.

The overall figures mask substantial differences between tenure and turnover rates in different industries. Studies undertaken annually by the Chartered Institute of

Table 8.2
Job tenure in the UK

Length of service	% of the workforce
0–3 months:	6%
3–6 months:	6%
6–12 months:	10%
1–2 years:	12%
2–5 years:	21%
5–10 years:	15%
10–20 years:	19%
Over 20 years:	10%

Source: *Labour Market Trends* (2001), 'Length of time continuously employed by occupation and industry', *Labour Market Trends*, February.

Personnel and Development persistently show retailing and catering to be the sectors with the highest turnover levels, with rates averaging over 40 per cent in recent years. By contrast the most stable workforces are to be found in the public services, where reported annual turnover rates are only 10 or 11 per cent (CIPD 2003, p. 9). Rates also vary from region to region and over time, being highest when and where average pay levels are highest and unemployment is low, and between different professions. As a rule, the more highly paid a person is, the less likely they are to switch jobs, but there remain some highly paid professions such as sales where turnover is always high. It is also interesting to observe how much more inclined younger workers are to switch jobs than their older colleagues. Macaulay (2003) recently calculated what proportion of employees had completed more than a year's service with their employer. For the over-fifties the figure was 86 per cent, for the 18–24 age group it was only 51 per cent.

ACTIVITY 8.2

Why do you think staff turnover rates are so much higher in some industries than others? Make a list of the different factors you consider may account for variations.

THE IMPACT OF STAFF TURNOVER

There is some debate about the level which staff turnover rates have to reach in order to inflict measurable damage on an employer. The answer varies from organisation to organisation. In some industries it is possible to sustain highly successful businesses with turnover rates that would make it impossible to function in other sectors. Some chains of fast food restaurants, for example, are widely reported as managing with turnover rates in excess of 300 per cent. This means that the average tenure for each employee is only four months (Ritzer 1996, p. 130; Cappelli 2000, p. 106), yet the companies concerned are some of the most successful in the world. By contrast, in a professional services organisation, where the personal relationships established between employees and clients are central to ongoing success, a turnover rate in excess of 10 per cent is likely to cause damage to the business.

There are sound arguments that can be made in favour of a certain amount of staff turnover. First, it is fair to say that organisations need to be rejuvenated with 'fresh blood' from time to time if they are to avoid becoming stale and stunted. This is particularly true at senior levels, where new leadership is often required periodically to drive change forward. More generally, however, new faces bring new ideas and experiences which help make organisations more dynamic. Second, it is possible to argue that a degree of turnover helps managers to keep firmer control over labour costs than would otherwise be the case. This is particularly true of organisations which are subject to regular and unpredictable changes in business levels. When income falls it is possible to hold back from replacing leavers until such time as it begins to pick up again. In this way organisations are able to minimise staffing budgets while maintaining profit levels during leaner periods. Redundancy bills are also lower in organisations with relatively high staff turnover because they are able to use natural wastage as the main means of reducing their workforce before compulsory lay-offs are needed. Third, it can be plausibly argued that some employee turnover is 'functional' rather than 'dysfunctional' because it results in the loss of poor performers and their replacement with more effective employees.

The arguments against staff turnover are equally persuasive. First are the sheer costs associated with replacing people who have left, ranging from the cost of placing a recruitment advertisement, through the time spent administering and conducting the selection process, to expenses required in inducting and training new employees. On top of these there are less easily measurable losses sustained as a result of poorer performance on the part of less experienced employees. For larger organisations employing specialist recruiters these costs can add up to millions of pounds a year, with substantial dividends to be claimed from a reduction in staff turnover levels by a few percentage points. The second major argument in favour of improving staff retention results from a straightforward recognition that people who leave represent a lost resource in whom the organisation has invested time and money. The damage is all the greater when good people, trained and developed at the organisation's expense, subsequently choose to work for competitors. Finally, it is argued that high turnover rates are symptomatic of a poorly managed organisation. They suggest that people are dissatisfied with their jobs or with their employer and would prefer to work elsewhere. It thus sends a negative message to customers and helps create a poor image in the labour market, making it progressively harder to recruit good performers in the future.

We may thus conclude that the case for seeking to reduce staff turnover varies from organisation to organisation. Where replacement employees are in plentiful supply, where new starters can be trained quickly and where business levels are subject to regular fluctuation it is possible to manage effectively with a relatively high level of turnover. Indeed, it may make good business sense to do so if the expenditure required to increase employee retention is greater than the savings that would be gained as a result. In other situations the case for taking action on turnover rates is persuasive, particularly where substantial investment in training is required before new starters are able to operate at maximum effectiveness. Companies which achieve turnover rates below their industry average are thus likely to enjoy greater competitive advantage than those whose rates are relatively high.

TURNOVER ANALYSIS AND COSTING

There is little that an organisation can do to manage turnover unless there is an understanding of the reasons for it. Information about these reasons is notoriously difficult to collect. Most commentators recommend exit interviews (that is, interviews with leavers about their reasons for resigning), but the problem here is whether the individual will feel able to tell the truth, and this will depend on the culture of the organisation, the specific reasons for leaving and support that the individual will need from the organisation in the future in the form of references. Despite their disadvantages, exit interviews may be helpful if handled sensitively and confidentially – perhaps by the HR department rather than the line manager. In addition, analyses of turnover rates between different departments and different job groups may well shed some light on causes of turnover. Attitude surveys can also provide relevant information.

WINDOW ON PRACTICE

It is very easy for an organisation to get itself into a vicious circle of turnover if it does not act to stem a retention problem. Modest turnover rates can rapidly increase as the pressures on remaining staff become greater, leading to serious operational difficulties. As soon as more than one or two people leave an established team, more is demanded of those left to carry the burden. First, there may be a sizeable time gap between leavers resigning and new starters coming into post. Then there is the period when the new people are learning their jobs, taking more time to accomplish tasks and needing assistance from more established employees. The problem can be compounded with additional pressure being placed on managers and HR specialists faced with the need to recruit people quickly, leading to the selection of people who are not wholly suited to the jobs in question. The result is greater turnover as people respond by looking for less pressured job opportunities elsewhere.

Problems of this kind were faced by the Japanese engineering company, Makita. It addressed the issue by increasing its induction programme from half a day to four weeks and by taking a good deal more care over its recruitment and selection processes. The result was a reduction in turnover levels from 97 per cent in 1997 to 38 per cent in 1999.

Source: IDS (2000) *Improving Staff Retention*, IDS Study 692, July, pp. 14–17.

People leave jobs for a variety of different reasons, many of which are wholly outside the power of the organisation to influence. One very common reason for leaving, for example, is retirement. It can be brought forward or pushed back for a few years, but ultimately it affects everyone. In many cases people leave for a mixture of reasons, certain factors weighing more highly in their minds than others. The following is one approach to categorising the main reasons people have for voluntarily leaving a job, each requiring a different kind of response from the organisation.

Outside factors

Outside factors relate to situations in which someone leaves for reasons that are largely unrelated to their work. The most common instances involve people moving away when a spouse or partner is relocated. Others include the wish to fulfil a long-term ambition to travel, pressures associated with juggling the needs of work and family and illness. To an extent such turnover is unavoidable, although it is possible to reduce it somewhat through the provision of career breaks, forms of flexible working and/or childcare facilities.

Functional turnover

The functional turnover category includes all resignations which are welcomed by both employer and employee alike. The major examples are those which stem from an individual's poor work performance or failure to fit in comfortably with an organisational or departmental culture. While such resignations are less damaging than others from an organisation's point of view they should still be regarded as lost opportunities and as an unnecessary cost. The main solution to the reduction of functional turnover lies in improving recruitment and selection procedures so that fewer people in the category are appointed in the first place. However, some poorly engineered change management schemes are also sometimes to blame, especially where they result in new work pressures or workplace ethics.

Push factors

With push factors the problem is dissatisfaction with work or the organisation, leading to unwanted turnover. A wide range of issues can be cited to explain such resignations. Insufficient development opportunities, boredom, ineffective supervision, poor levels of employee involvement and straightforward personality clashes are the most common precipitating factors. Organisations can readily address all of these issues. The main reason that so many fail to do so is the absence of mechanisms for picking up signs of dissatisfaction. If there is no opportunity to voice concerns, employees who are unhappy will inevitably start looking elsewhere.

Pull factors

The opposite side of the coin is the attraction of rival employers. Salary levels are often a factor here, employees leaving in order to improve their living standards. In addition there are broader notions of career development, the wish to move into new areas of work for which there are better opportunities elsewhere, the chance to work with particular people, and more practical questions such as commuting time. For the employer losing people as a result of such factors there are two main lines of attack. First, there is a need to be aware of what other employers are offering and to ensure that as far as possible this is matched – or at least that a broadly comparable package of pay and opportunities is offered. The second requirement involves trying to ensure that employees appreciate what they are currently being given. The emphasis here is on effective communication of any 'unique selling points' and of the extent to which opportunities comparable to those offered elsewhere are given.

What are the most common reasons?

Taylor and his colleagues (2002) interviewed 200 people who had recently changed employers about why they left their last jobs. They found a mix of factors at work in most cases but concluded that push factors were a great deal more prevalent than pull factors as causes of voluntary resignations. Very few people appear to leave jobs in which they are broadly happy in search of something even better. Instead the picture is overwhelmingly one in which dissatisfied employees seek alternatives because they no longer enjoy working for their current employer.

Interestingly this study found relatively few examples of people leaving for financial reasons. Indeed more of the interviewees took pay cuts in order to move from one job to another than said that a pay rise was their principal reason for switching employers. Other factors played a much bigger role:

1 Dissatisfaction with the conditions of work, especially hours
2 A perception that they were not being given sufficient career development opportunities
3 A bad relationship with their immediate supervisor

This third factor was by far the most commonly mentioned in the interviews, lending support to the often stated point that people leave their managers and not their organisations.

ACTIVITY 8.3

Think about jobs that you or members of your family have left in recent years. What were the key factors that led to the decision to leave? Was there one major factor or did several act together in combination?

Costing

When deciding what kind of measures to put in place in order to improve staff retention generally or the retention of particular individuals, organisations need to balance the costs involved against those that are incurred as a direct result of voluntary resignations. Although it is difficult to cost turnover accurately, it is possible to reach a fair estimate by taking into account the range of expenses involved in replacing one individual with another. Once a figure has been calculated for a job, it is relatively straightforward to compute the savings to be gained from a given percentage reduction in annual turnover rates. Figure 8.1 shows the approach to turnover costing recommended by Hugo Fair (1992).

STAFF RETENTION STRATEGIES

The straightforward answer to the question of how best to retain staff is to provide them with a better deal, in the broadest sense, than they perceive they could get by working for alternative employers. Terms and conditions play a significant role, but other factors are often more important. For example, there is a need to provide jobs which are satisfying, along with career development opportunities, as much autonomy as is practicable and, above all, competent line management. Indeed, at one level, most of the practices of effective human resource management described in this book can play a part in reducing turnover. Organisations which make use of them will enjoy lower rates than competitors who do not. Below we look at six measures that have been shown to have a positive effect on employee retention, focusing particularly on those practices which are not covered in any great depth elsewhere in the book.

Figure 8.1 A sample form for costing labour turnover

Enter number of employees	______ (a),
Enter average weekly wage	£ ______ (b),
Multiply (a) × (b)	£ ______ (c),
Multiply (c) × 52	£ ______ (d) =*Total paybill*
Enter current turnover rate	______% (e),
Multiply (e) × (a)	______ (f)= *Staff loss p.a.*
Enter average number of days to replace	______ (g),
Multiplier rate for overtime/temps.	______ (h),
Multiply (b) × (h)	£ ______ (i),
Multiply (f) × (g) × [(i)/5]	£ ______ (j)= Immediate cover costs
Preparation and interview time per applicant (days)	______ (k),
Shortlisted applicants per position	______ (l),
Enter average manager weekly wage	£ ______ (m),
Multiply (f) × (k) × (l) × [(m)/5]	£ ______ (n)= Interview time costs
Enter average recruitment fees	______% (o),
Multiply (d) × (e) × (o)	£ ______ (p)= Recruitment fee costs
Length of induction training (days)	______ (q),
Frequency of this training (p.a.)	______ (r),
Multiply [(b)/5] × (q) × [(f) + (r)]	£ ______ (s) = Induction training cost
Duration of learning curve (months)	______ (t),
Enter non-productive element	______% (u),
Multiply (d) × (e) × [(t)/12] × (u)	£ ______ (v)= Non-productive costs
Multiply (t) × (u) (months)	£ ______ (w),
Multiply (d) × (e) × (h) × [(w)/12]	£ ______ (x)= Continuing cover costs
Multiply (g) × [(b)/5] × (f)	£ ______ (y)= Salary savings
Add (j) + (n) + (p) + (s) + (v) + (x) − (y)	£ ______ (z)= *Turnover cost p.a.*
Potential cost saving	
Enter expected turnover reduction	______% (1),
Multiply (z) × [(1)/(e)]	£ ______ (2)= Labour turnover savings
Enter reduction in replacement time	______% (3),
Multiply (j) × (3)	£ ______ (4)= Added cover savings
Add (2) + (4)	£ ______ (5)= *Total savings p.a.*

Source: H. Fair (1992) *Personnel and Profit: The pay-off from people*, p. 41. London: IPM. Used with permission of CIPD Publications.

Pay

There is some debate in the retention literature about the extent to which raising pay levels reduces staff turnover. On the one hand there is evidence to show that, on average, employers who offer the most attractive reward packages have lower attrition rates than those who pay poorly (Gomez-Mejia and Balkin 1992, pp. 292–4), an assumption which leads many organisations to use pay rates as their prime weapon in retaining staff (Cappelli 2000, pp. 105–6; IRS 2000a, p. 10; IRS 2000b, p. 9). On the other, there is questionnaire-based evidence which suggests that pay is a good deal less important than other factors in a decision to quit one's job (Bevan *et al*. 1997, p. 25; Hiltrop 1999, p. 424). The consensus among researchers specialising in retention issues is that pay has a role to play as a satisfier, but that it will not usually have an effect when other factors are pushing an individual towards quitting. Raising pay levels may thus result in greater job satisfaction where people are already happy with their work, but it will not deter unhappy employees from leaving. Sturges and Guest (1999), in their study of leaving decisions in the field of graduate employment, summed up their findings as follows:

> As far as they are concerned, while challenging work will compensate for pay, pay will never compensate for having to do boring, unstimulating work. (Sturges and Guest 1999, p. 19)

Recent research findings thus appear to confirm the views expressed by Herzberg (1966) that pay is a 'hygiene factor' rather than a motivator. This means that it can be a cause of dissatisfaction at work, but not of positive job satisfaction. People may be motivated to leave an employer who is perceived as paying badly, but once they are satisfied with their pay additional increases have little effect.

The other problem with the use of pay increases to retain staff is that it is an approach that is very easily matched by competitors. This is particularly true of 'golden handcuff' arrangements which seek to tie senior staff to an organisation for a number of years by paying substantial bonuses at a defined future date. As Cappelli (2000, p. 106) argues, in a buoyant job market, recruiters simply 'unlock the handcuffs' by offering equivalent signing-on bonuses to people they wish to employ.

It is important that employees do not perceive their employers to be treating them inequitably. Provided pay levels are not considerably lower than those paid by an organisation's labour market competitors, other factors will usually be more important contributors towards high turnover levels. Where the salaries that are paid are already broadly competitive, little purpose is served by increasing them further. The organisation may well make itself more attractive in recruitment terms, but the effect on staff retention will be limited. Moreover, of course, wage costs will increase.

There is potentially more to be gained from enhancing benefits packages, because these are less easily imitated or matched by competitors. Where particular benefits, such as staff discounts, holiday entitlements or private healthcare schemes, are appreciated by staff, they are more likely to have a positive effect on staff turnover than simply paying higher base wages. Potentially the same is true of pension schemes, which are associated with relatively high levels of staff retention. However, the research evidence suggests that except for older employees who have completed many years of service, most pension schemes are not sufficiently valued by staff to cause them to stay in a job with which they are dissatisfied (Taylor 2000). Arguably, the best way of using benefits to keep a lid on staff turnover is to move towards flexible schemes such as those discussed in Chapter 29. An employer which allows individual employees to choose how they make up their own remuneration package will generally be more attractive than one which only offers a 'one size fits all' set of benefits.

ACTIVITY 8.4

The case for arguing that pay rates have a relatively minor role to play in explaining individual resignations rests partly on the assumption that other elements of the employment relationship are more important. It is argued that people will 'trade in' high pay in order to secure other perceived benefits and that consequently low-paying employers can retain staff effectively.

What other factors do you think employees consider to be more important than pay? What role can the HRM function play in helping to develop these?

Managing expectations

For some years research evidence has strongly suggested that employers benefit from ensuring that potential employees gain a 'realistic job preview' before they take up a job offer. The purpose is to make sure that new staff enter an organisation with their eyes wide open and do not find that the job fails to meet their expectations. A major cause of job dissatisfaction, and hence of high staff turnover, is the experience of having one's high hopes of new employment dashed by the realisation that it is not going to be as enjoyable or stimulating as anticipated.

Several researchers have drawn attention to the importance of these processes in reducing high turnover during the early months of employment (e.g. Wanous 1992, pp. 53–87; Hom and Griffeth 1995, pp. 193–203). The need is to strike a balance at the recruitment stage between sending out messages which are entirely positive and sending out those which are realistic. In other words, it is important not to mislead candidates about the nature of the work that they will be doing.

Realistic job previews are most important when candidates, for whatever reason, cannot know a great deal about the job for which they are applying. This may be because of limited past experience or it may because the job is relatively unusual and not based in a type of workplace with which job applicants are familiar. An example quoted by Carroll *et al*. (1999, p. 246) concerns work in nursing homes, which seems to attract people looking to undertake a caring role but who are unfamiliar with the less attractive hours, working conditions and job duties associated with the care assistant's role. The realistic job preview is highly appropriate in such a situation as a means of avoiding recruiting people who subsequently leave within a few weeks.

The importance of unmet expectations as an explanation for staff turnover is also stressed by Sturges and Guest (1999, pp. 16 and 31) in their work on the retention of newly recruited graduates. Here the problem is one of employers overselling graduate careers when competing with others to secure the services of the brightest young people:

> False impressions are given and a positive spin put on answers to questions so as to deter able applicants from taking up alternative offers. As a result, graduates start work confident in the belief that their days will be filled with interesting work, that they will be treated fairly and objectively in terms of performance assessment, that their career development will be fostered judiciously, and that their working lives will in some way be 'fun' and 'exciting'. That is fine if it really can be guaranteed. Unfortunately such is often not the case, and unsurprisingly it leads to early dissatisfaction and higher turnover rates than are desirable. (Jenner and Taylor 2000, p. 155)

A solution, aside from the introduction of more honest recruitment literature, is to provide periods of work experience for students before they graduate. A summer spent working somewhere is the best possible way of finding out exactly what a particular job or workplace is really like. The same argument can be deployed in support of work experience for young people who are about to leave school in order to enter the job market.

Induction

Another process often credited with the reduction of turnover early in the employment relationship is the presence of effective and timely induction. It is very easy to overlook in the rush to get people into key posts quickly and it is often carried out badly, but it is essential if avoidable early turnover is to be kept to a minimum. Gregg and Wadsworth (1999, p. 111) show in their analysis of 870,000 workers starting new jobs in 1992 that as many as 17 per cent had left within three months and 42 per cent within 12 months. No doubt a good number of these departures were due either to poorly managed expectations or to ineffective inductions.

Induction has a number of distinct purposes, all of which are concerned with preparing new employees to work as effectively as possible and as soon as is possible in their new jobs. First, it plays an important part in helping new starters to adjust emotionally to the new workplace. It gives an opportunity to ensure that they understand where things are, who to ask when unsure about what to do and how their role fits into the organisation generally. Second, induction provides a forum in which basic information about the organisation can be transmitted. This may include material about the organisation's purpose, its mission statement and the key issues it faces. More generally a corporate induction provides a suitable occasion to talk about health and safety regulations, fire evacuation procedures and organisational policies concerning matters like the use of telephones for private purposes. Third, induction processes can be used to convey to new starters important cultural messages about what the organisation expects and what employees can expect in return. It thus potentially forms an important stage in the establishment of the psychological contract, leaving new employees clear about what they need to do to advance their own prospects in the organisation. All these matters will be picked up by new starters anyway in their first months of employment, but incorporating them into a formal induction programme ensures that they are brought up to speed a good deal quicker, and that they are less likely to leave at an early date.

There is no 'right' length for an induction programme. In some jobs it can be accomplished effectively in a few days, for others there is a need for some form of input over a number of weeks. What is important is that individuals are properly introduced both to the organisation and to their particular role within it. These introductons are usually best handled by different people. Organisational induction, because it is given to all new starters, is normally handled centrally by the HR department and takes place in a single place over one or two days. Job-based induction takes longer, will be overseen by the individual's own line manager and will usually involve shadowing colleagues. The former largely takes the form of a presentation, while the latter involves the use of a wider variety of training methods. IRS (2000c, pp. 10–12) draws attention to the recent development of web-based training packages which allow new employees to learn about their organisations and their jobs at their own pace, when they get the opportunity.

Family-friendly HR practices

Labour Force Survey statistics show that between 5 per cent and 10 per cent of employees leave their jobs for 'family or personal reasons' (IRS 1999, p. 6), while Hom and Griffeth (1995, p. 252) quote American research indicating that 33 per cent of women quit jobs to devote more time to their families – a response given by

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IRS (2000c, p. 11) describes an original approach taken to the induction of staff at a large Novotel Hotel in London. Unusually for the hotel industry the induction programme here lasts for three weeks. It includes some job shadowing of experienced staff, but also consists of several days spent in a training room learning about the hotel's main services and learning how to deal with difficult customers. A variety of training techniques are used including quizzes, games, discussion forums and role play exercises. The management saw their retention rates increase by 12 per cent after the introduction of the new programme.

only one per cent of men. To these figures can be added those quoted by Gregg and Wadsworth (1999, p. 116) which show average job tenure among women with children in the UK to be over a year shorter than that of women without children and almost two years shorter than that of men. These statistics suggest that one of the more significant reasons for voluntary resignations from jobs is the inability to juggle the demands of a job with those of the family. They indicate that there is a good business case, particularly where staff retention is high on the agenda, for considering ways in which employment can be made more family friendly.

As a result of legislation under the Working Time Regulations 1998, the Employment Relations Act 1999 and the Employment Act 2002, UK employers are now obliged by law to provide the following as a minimum floor of rights:

- 26 weeks' maternity leave for all employees with more than six months' service paid according to a formula set out in the Act;
- an additional 26 weeks' unpaid maternity leave for employees with over a year's service;
- reasonable paid time off for pregnant employees to attend ante-natal clinics;
- specific health and safety measures for workers who are pregnant or have recently given birth;
- four weeks' paid holiday each year;
- a total of three months' unpaid parental leave for mothers and fathers on the birth or adoption of a child;
- reasonable unpaid time off for employees to deal with family emergencies such as the sickness of a child or dependent relative;
- consideration of reasonable requests by parents of young children to work flexibly;
- two weeks' paid paternity leave for new fathers.

Many employers, however, have decided to go a good deal further down this road than is required by law. The most common example is the provision of more paid maternity leave and the right, where possible, for mothers to return to work on a part-time or job-share basis if they so wish. Crèche provision is common in larger workplaces, while others offer childcare vouchers instead. Career breaks are offered by many public sector employers, allowing people to take a few months off without pay and subsequently to return to a similar job with the same organisation. Flexitime systems such as those described in Chapter 4 are also useful to people with families and may thus serve as a retention tool in some cases. In the USA the literature indicates growing interest in 'elder care' arrangements (Lambert 2000) aimed specifically at providing assistance to those seeking to combine work with responsibility for the care of elderly relatives. An example in the UK is the 'granny crèche' established by Peugeot for employees at its plant in Coventry. You can read much more about these and other work-life-balance initiatives in Chapter 32.

Training and development

There are two widely expressed, but wholly opposed, perspectives on the link between training interventions and employee turnover. On the one hand is the argument that training opportunities enhance commitment to an employer on the part of individual employees, making them less likely to leave voluntarily than they would if no training were offered. The alternative view holds that training makes people more employable and hence more likely to leave in order to develop their careers elsewhere. The view is thus put that money spent on training is money wasted because it ultimately benefits other employers.

Green *et al*. (2000, pp. 267–72) report research on perceptions of 1,539 employees on different kinds of training. They found that the overall effect is neutral, 19 per cent of employees saying that training was 'more likely to make them actively look for another job' and 18 per cent saying it was less likely to do so. However, they also found the type of training and the source of sponsorship to be a significant variable. Training which is paid for by the employer is a good deal less likely to raise job mobility than that paid for by the employee or the government. Firm-specific training is also shown in the study to be associated with lower turnover than training which leads to the acquisition of transferable skills. The point is made, however, that whatever the form of training an employer can develop a workforce which is both 'capable and committed' by combining training interventions with other forms of retention initiative.

The most expensive types of training intervention involve long-term courses of study such as an MBA, CIPD or accountancy qualification. In financing such courses, employers are sending a very clear signal to the employees concerned that their contribution is valued and that they can look forward to substantial career advancement if they opt to stay. The fact that leaving will also mean an end to the funding for the course provides a more direct incentive to remain with the sponsoring employer.

Improving the quality of line management

If it is the case that many, if not most, voluntary resignations are explained by dissatisfaction on the part of employees with their supervisors, it follows that the most effective means of reducing staff turnover in organisations is to improve the performance of line managers. Too often, it appears, people are promoted into supervisory positions without adequate experience or training. Organisations seem to assume that their managers are capable supervisors, without recognising that the role is difficult and does not usually come naturally to people. Hence it is common to find managers who are 'quick to critise but slow to praise', who are too tied up in their own work to show an interest in their subordinates and who prefer to impose their own solutions without first taking account of their staff's views. The solution is to take action on various fronts to improve the effectiveness of supervisors:

- select people for line management roles following an assessment of their supervisory capabilities;
- ensure that all newly appointed line managers are trained in the art of effective supervision;
- regularly appraise line managers on their supervisory skills.

This really amounts to little more than common sense, but such approaches are the exception to the rule in most UK organisations.

WINDOW ON PRACTICE

An interesting approach to improving retention is reported by Cappelli (2000, p. 108) as being used at a computer company in the USA. It is believed to have played a major role in keeping turnover rates among software engineers to seven per cent – unusually low for computer workers.

The aim has been to work hard at creating a sense of community among employees so that 'leaving the company means leaving your social network of company-sponsored activities'. Strong social ties are fostered by organising all manner of out-of-work activities including sports teams and investment clubs. In addition to this, the company tries to place employees in closely knit teams when they are at work. Because team members rely so much on one another, it makes people think twice about resigning and abandoning their team-mates.

SUMMARY PROPOSITIONS

8.1 Staff turnover tends to decrease in recessions and increase during economic booms.

8.2 Contrary to much popular perception, average job tenure has not reduced substantially over the past thirty years.

8.3 Retention rates vary very considerably between industries and between different regions.

8.4 While there are arguments that can be deployed in favour of modest staff turnover, it is generally agreed that too great a rate is damaging for an organisation.

8.5 In planning retention initiatives it is important both to analyse the causes of turnover and to calculate the current costs associated with each voluntary resignation.

8.6 Specific programmes which lead to improved retention include flexible benefits, better induction, the effective management of expectations, family-friendly initiatives, training opportunities and the improvement of line management in organisations.

GENERAL DISCUSSION TOPICS

1 What are the main reasons for the trends in job tenure illustrated in Table 8.1?

2 Staff turnover is generally low during recessions, but it increases substantially in firms which get into financial difficulty. What factors account for this phenomenon?

3 Think about your own experiences at work or those of close friends and family. What were the key factors that affected decisions to leave a particular job? What, if anything, could the employer have done to ensure that no resignation took place?

FURTHER READING

Chartered Institute of Personnel and Development (annual) *Labour Turnover Survey*. London: CIPD

Confederation of British Industry (annual) *Absence and Labour Turnover Survey*. London: CBI
Each year the CIPD and the CBI carry out major surveys looking at staff turnover across the UK. They report the labour turnover rates among different groups as well as estimates of turnover costs. Many smaller surveys covering specific employee groups (like graduates) or particular industries are also published annually. *IRS Employment Review* always carries a number of 'benchmarking turnover' articles towards the end of the year which report the key findings from all these surveys.

Hom, P. and Griffeth, R. (1995) *Employee Turnover*. Cincinnati, Ohio: South Western College Publishing
This is by far the best source of information about academic research on turnover and staff retention issues. It is now out of print, but the same authors' more recent book, Griffeth, R. and Hom P. (2001) *Retaining Valued Employees*, Thousand Oaks, Cal.: Sage, is widely available.

Taylor S. (2002) *The Employee Retention Handbook*. London: CIPD
This is a useful source of information about UK research on the topic. It contains chapters focusing on measuring and costing turnover, identifying the causes of turnover and several looking at different strategies for improving retention rates.

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IRS (2000b) 'Retention 2 – effective methods', *Employee Development Bulletin*, No. 129, pp. 6–16, September.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at **www.pearsoned.co.uk/torrington**.