Human Resource Management

Robert L. Mathis
John H. Jackson

Chapter 3
Organization/Individual Relations and Retention

Presented by:
Prof. Dr. Deden Mulyana, SE., M., Si.

http://www.deden08m.com
Learning Objectives

• After you have read this chapter, you should be able to:
  ➢ Identify the changing nature of the psychological contract.
  ➢ Describe different kinds of absenteeism and turnover.
  ➢ Explain two ways to measure absenteeism and turnover.
  ➢ Discuss how motivation is linked to individual performance.
  ➢ List the five major drivers of retention and activities related to them.
  ➢ Outline the steps in managing retention.
Individual/Organizational Relationships

• The Psychological Contract
  ➢ The unwritten expectations employees and employers have about the nature of their work relationships. Affected by age of employee and changes in economic conditions.
  ➢ Focuses on expectations about “fairness” that may not be defined clearly by employees.

• Psychological Ownership
  ➢ When individuals feel that they have some control and perceived rights in the organization, they are more likely to be committed to the organization.
Components of the Psychological Contract

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

- Employees contribute:
  - Continuous skill improvement
  - Reasonable time with the organization
  - Extra effort when needed
Job Satisfaction, Loyalty, and Commitment

- **Job Satisfaction**
  - A positive emotional state resulting from evaluating one’s job experience.

- **Organization Commitment (Loyalty)**
  - The degree to which employees believe in and accept organizational goals and desire to remain with the organization.
  - *Continuance commitment*: the likelihood that an individual will stay with rather than withdraw from the organization.
Factors Affecting Job Satisfaction and Organizational Commitment

The Individual
- Ability
- Motivation
- Support

The Job
- Design
- Job elements

Job Satisfaction/Dissatisfaction

Organizational Commitment

Absenteeism/Turnover

Figure 3–1
Job Satisfaction, Loyalty, and Commitment (cont’d)

• Absenteeism
  ➢ Any failure to report for work as scheduled or to stay at work when scheduled.
  ➢ Involuntary absenteeism
    ❖ Unavoidable with understandable cause (e.g., actual illness)
  ➢ Voluntary absenteeism
    ❖ Avoidable without justifiable cause (e.g., feigning illness)

• Measuring absenteeism:

\[
\frac{\text{Number of person-days lost through job absence during period}}{(\text{Average number of employees}) \times (\text{Number of work days})} \times 100
\]
Reasons for Unscheduled Absences

- Personal Needs: 18%
- Family Issues: 22%
- Entitlement Mentality: 13%
- Stress: 11%
- Personal Illness: 36%

Employer Absenteeism Control Actions

- Disciplinary Actions
- Illness Verification
- "No Fault" Policies
- Paid Time-Off Programs
- Unused Leave Buy Back
- Attendance Reward Programs

Figure 3–3
Employer Absenteeism Control Actions (cont’d)

- **Disciplinary approach**
  - Increasingly severe disciplinary action leading eventually to dismissal
- **Positive reinforcement**
  - Rewarding attendance with prizes and bonuses
- **Combination approach**
  - Use of both discipline and rewards to motivate employee attendance.
- **“No fault” absenteeism**
  - Reasons for absence do not matter. Absenteeism in excess of normal limits can trigger disciplinary action and lead to eventually to dismissal
- **Paid time-off programs**
  - Time-off is not categorized by type. Absences in excess of employer-paid time-off are unpaid.
Employee Turnover

- **Turnover**
  - The process in which employees leave the organization and have to be replaced.

- **Impact of Turnover**
  - Inability to achieve business goals
  - Loss of “image” to attract other individuals
  - High costs of turnover and replacement
Types of Turnover

- **Involuntary turnover**—terminations for poor performance or work rule violations.
- **Voluntary turnover**—employees leave by choice.
- **Functional turnover**—lower-performing or disruptive employees leave the organization.
- **Dysfunctional turnover**—key individuals and high performers leave at critical times.
- **Uncontrollable turnover**—employees leave for reasons outside the control of the organization.
- **Controllable turnover**—occurs due to factors that could be influenced by the employer.
HR Metrics: Measuring Absenteeism

• Measuring Absenteeism
  ➢ U.S. Department of Labor formula:

  \[
  \frac{\text{Number of person-days lost through job absence during period}}{\text{(Average number of employees)} \times \text{(Number of work days)}} \times 100
  \]

• Other Measures of Absenteeism:
  ➢ Incidence rate—the number of absences per 100 employees each day
  ➢ Inactivity rate—the percentage of time lost to absenteeism
  ➢ Severity rate—The average time lost per absent employee during a specified period of time
HR Metrics: Measuring Absenteeism (cont’d)

• Calculations of the costs of absenteeism should usually include:
  ➢ Lost wages
  ➢ Benefits
  ➢ Overtime for replacements
  ➢ Fees for temporary employees, if incurred
  ➢ Supervisor’s time
  ➢ Substandard production
  ➢ Overstaffing necessary to cover absences
HR Metrics: Measuring Turnover (cont’d)

- Ways to Measure Turnover:
  - Job and job levels
  - Department, units, and location
  - Reason for leaving
  - Length of service
  - Demographic characteristics
  - Education and training
  - Knowledge, skills and abilities
  - Performance ratings/levels.
HR Metrics: Measuring Turnover (cont’d)

• Computing the Turnover Rate:

\[
\frac{\text{Number of employee separations during the month}}{\text{Total number of employees at midmonth}} \times 100
\]

• Costs of Turnover
  ➢ Separation costs
  ➢ Replacement costs
  ➢ Training costs
  ➢ Hidden costs
Simplified Turnover Costing Model

**Job Title:** ________________

A. Typical annual pay for this job  
   $20,000

B. Percentage of pay for benefits multiplied by annual pay  
   40%

C. Total employee annual cost (add A + B)  
   $28,000

D. Number of employees who voluntarily quit the job in the past 12 months  
   20

E. Number of months it takes for 1 employee to become fully productive  
   3

F. Per person turnover cost (multiply [E ÷ 12] × C × 50% *)  
   $3,500

G. Annual turnover cost for this job (multiply F × D)  
   $70,000

*Assumes 50% productivity throughout the learning period (E).
Individual Employee Performance

- Individual Performance Factors
  - Individual ability to do the work
  - Effort level expended
  - Organizational support

**Performance** \( (P) = \text{Ability} \ (A) \times \text{Effort} \ (E) \times \text{Support} \ (S) \)
Components of Individual Performance

- Effort Expended
  - Motivation
  - Work ethic
  - Attendance/turnover
  - Job design

- Individual Performance (including quantity and quality)

- Individual Ability
  - Talents
  - Interests
  - Personality characteristics

- Organizational Support
  - Training and development
  - Equipment and technology
  - Performance standards
  - Management and co-workers

Figure 3–5
http://www.deden08m.com
Individual Motivation

• Motivation
  ➢ The desire within a person causing that person to act to reach a goal.

• Management Implications for Motivating Individual Performance
  ➢ Broad-based strategies and tactics to address individual employee concerns about:
    ❖ Inconsistency in organizational rewards
    ❖ Organizational support for employee efforts
    ❖ Accurate measurement of employee performance
    ❖ Desirability of organizational rewards by employees
Retention of Human Resources

• Why People Stay or Leave—Links, Fit, and Sacrifice
  ➢ Culture and Values
    ➢ Positive, distinctive company that is well-managed, and offers exciting challenges.
  ➢ Attractive Job
    ➢ Freedom and autonomy, exciting challenges, and career advancement and growth
  ➢ Compensation and lifestyle
    ➢ Differentiated pay package, high total compensation, geographic location, and respect for lifestyle
Drivers of Retention

Job design and work
- Job/person matching
- Time flexibility
- Work/life balancing

Characteristics of the Employer
- Culture and values
- Management
- Job security

Career Opportunities
- Training/development and mentoring
- Career planning/advancement

Employee Relationships
- Fair, non-discriminatory treatment
- Supervisory/management support
- Co-worker relations

Rewards
- Competitive pay and benefits
- Performance and compensation
- Recognition
Some Characteristics of People and Jobs

Job Characteristics (Management can control)
- Tasks
- Authority/responsibility
- Policies/procedures
- Tools
- Variety
- Time requirements
- Social opportunities
- Working conditions
- Stress

People Characteristics (Management cannot control)
- Motivation
- Interests
- Energy level
- Personality variables
- Satisfaction predisposition
- Physical characteristics
- Honesty
- Conscientiousness
- Intelligence

Figure 3–7
I. Measurement and Assessment
- Absence/turnover measurement
- Employee surveys
- Exit interviews
- Data analysis

II. Managing Retention
- Recruiting and selection
- Orientation and training
- Compensation and benefits
- Career development and planning
- Employee relations

III. Evaluation and Follow-Up
- Regular review of turnover data
- Tracking of intervention results
- Adjustment of intervention efforts

Keys to Managing Retention

Figure 3–8
Managing Retention

• Retention Measurement and Assessment
  ➢ Employee Surveys
    ◆ Attitude survey—focuses on employees’ feelings and beliefs about their jobs and the organization.
  ➢ Exit Interviews
    ◆ An interview in which individuals are asked to identify reasons for leaving the organization.

• Retention Evaluation and Follow-Up
  ➢ Regular review of turnover data
  ➢ Tracking of intervention results and adjustment of intervention efforts
Suggestions for Improving Retention

• Retention Interventions
  ➢ Provide realistic job previews during the recruiting process
  ➢ Improve the selection process so that there is a better person-job fit for new hires
  ➢ Conduct effective job orientation and initial training
  ➢ Offer competitive, fair, and equitable compensation
  ➢ Provide an adequate benefits package
  ➢ Offer career development and training
  ➢ Engage in fair and nondiscriminatory employee relations