

Human Resource Management

Eleventh Edition

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Chapter 3

Organization/Individual Relations and Retention

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SECTION 1
Nature of
Human Resource
Management

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



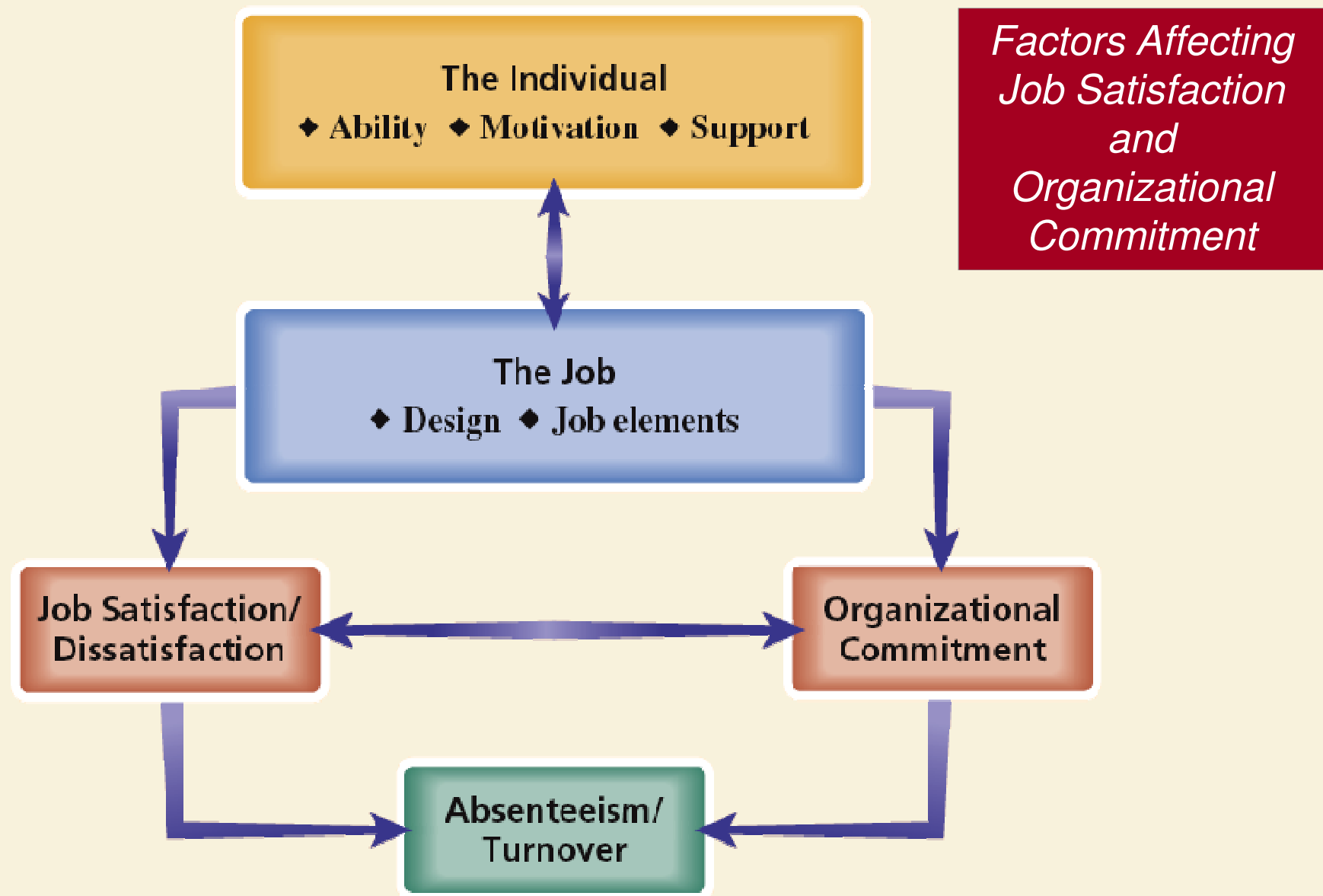
Job Satisfaction, Loyalty, and Commitment

- 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.



Job Satisfaction, Loyalty, and Commitment (cont'd)

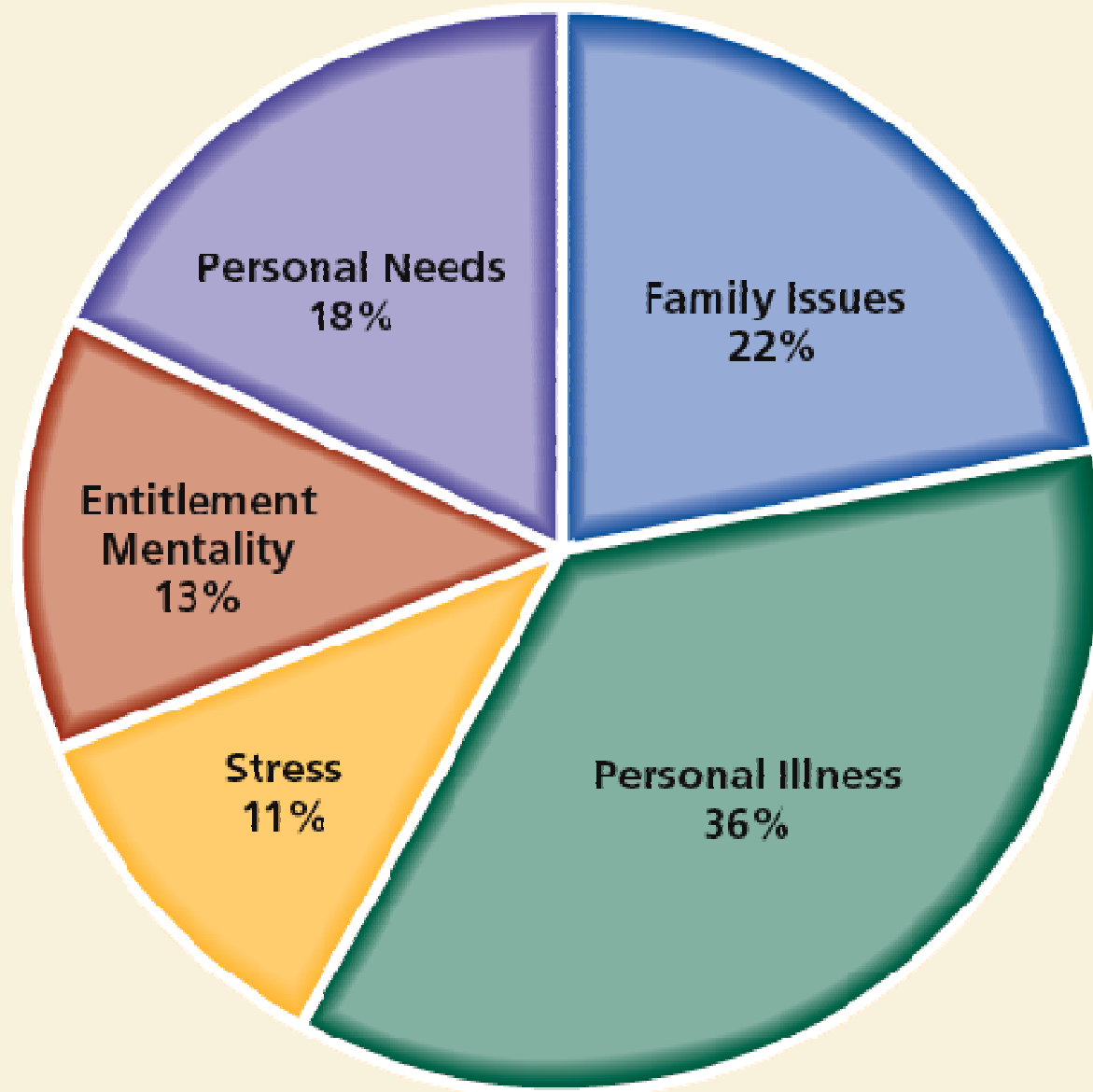
- **Absenteeism**

- 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



Source: Based on data from "CCH Absenteeism Survey," *CCH Human Resources Management*, November 4, 2003. ©2003, CCH INCORPORATED. All Rights Reserved. Reprinted with permission.

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Figure 3–2

Employer Absenteeism Control Actions

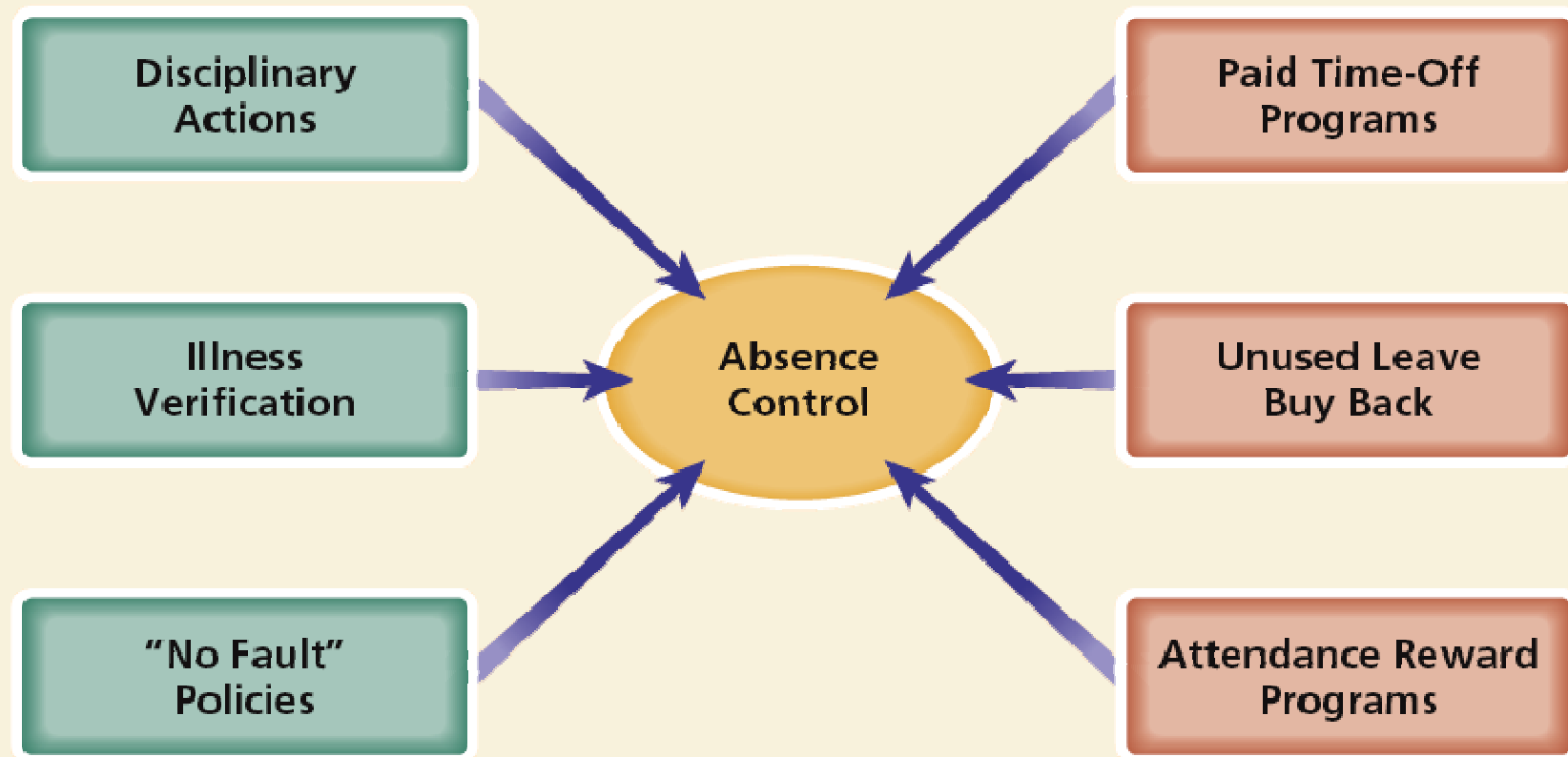


Figure 3-3

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

B. Percentage of pay for benefits multiplied by annual pay

C. Total employee annual cost (add A + B)

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

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

F. Per person turnover cost (multiply $[E \div 12] \times C \times 50\%$ *)

G. Annual turnover cost for this job (multiply F \times D)

\$20,000

40%

\$28,000

20

3

\$ 3,500

\$70,000

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

Figure 3-4

Individual Employee Performance

- Individual Performance Factors

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

$$\text{Performance (P)} = \text{Ability (A)} \times \text{Effort (E)} \times \text{Support (S)}$$

Components of Individual Performance

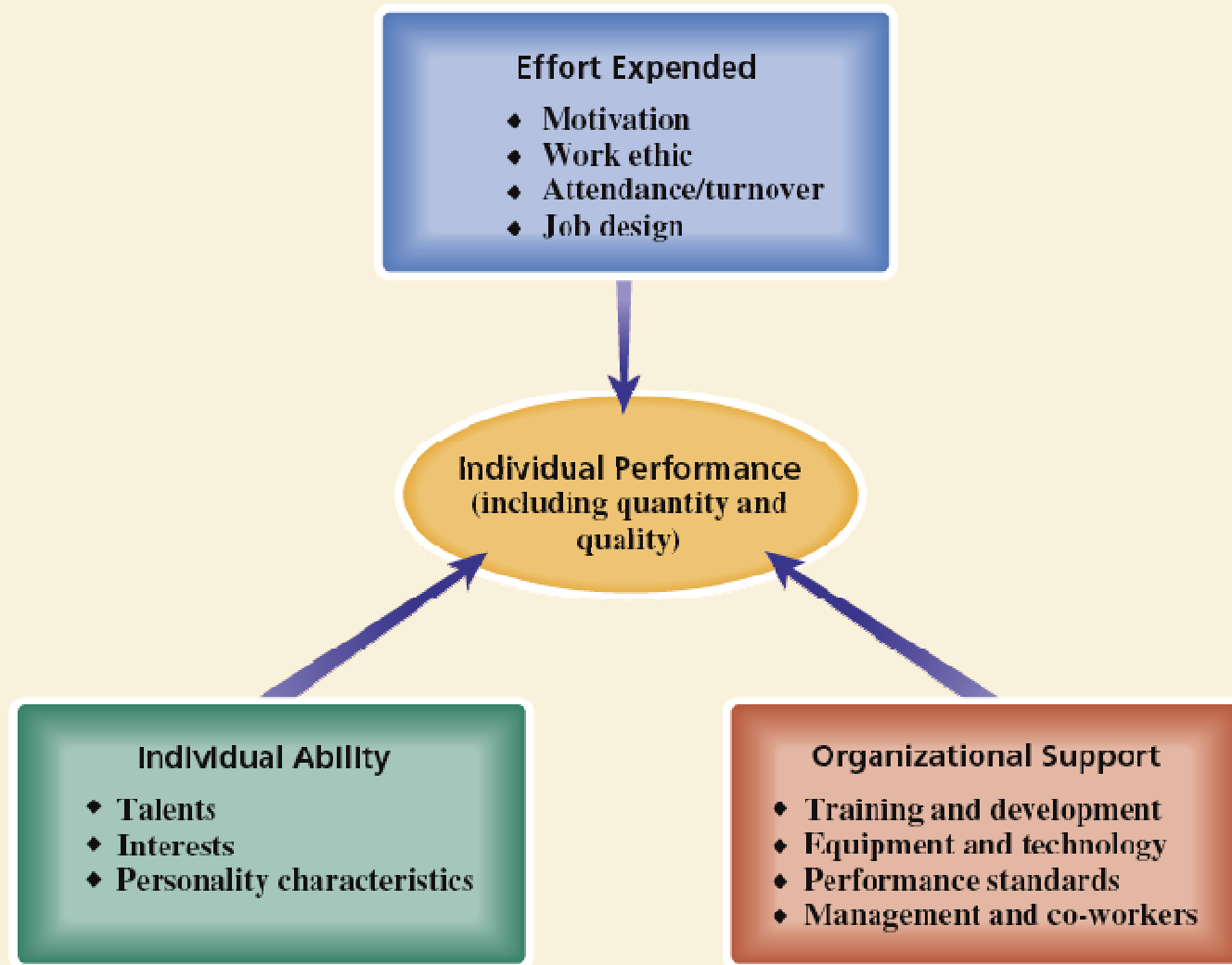


Figure 3–5

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



Figure 3-6

Some Characteristics of People and Jobs

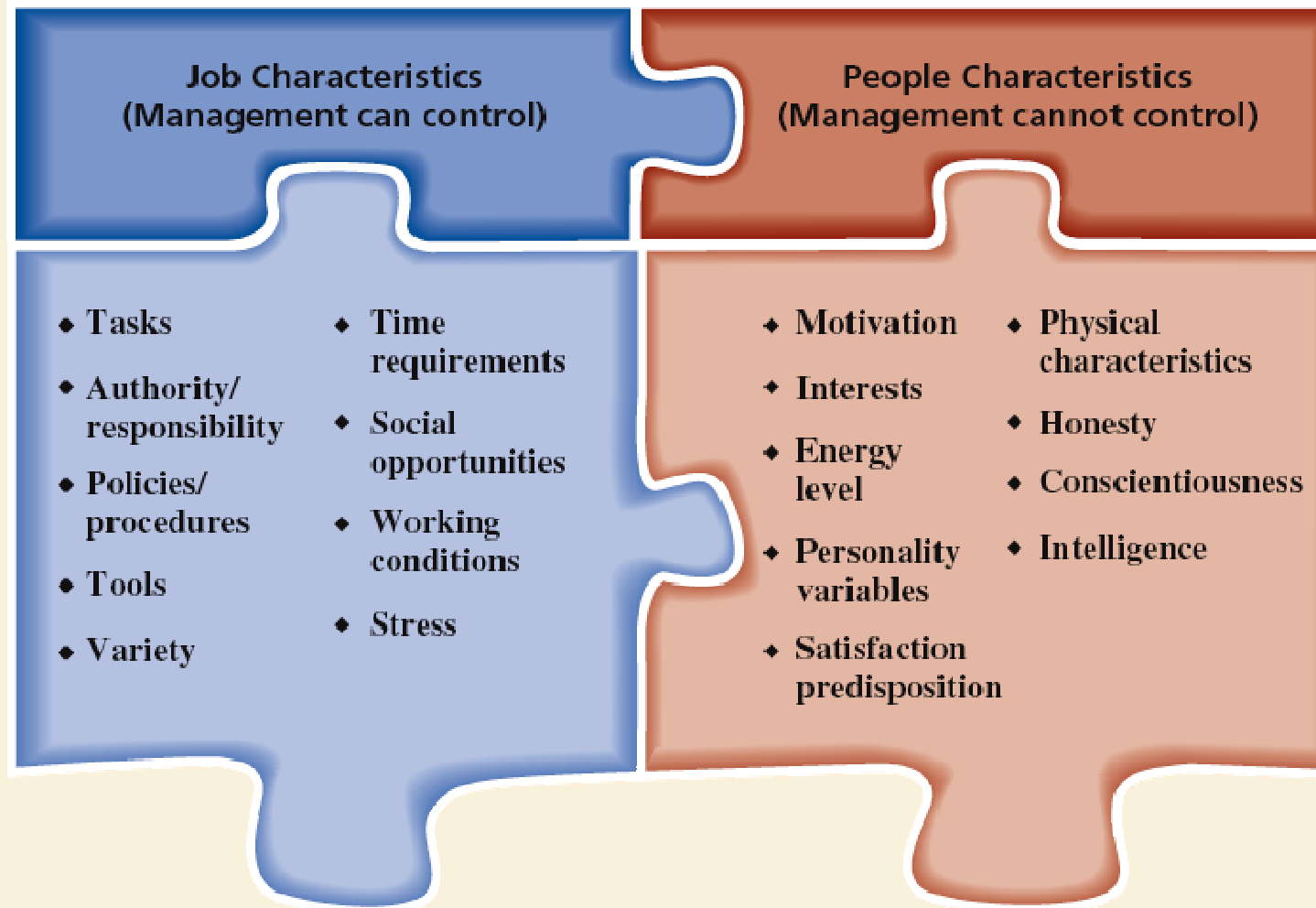
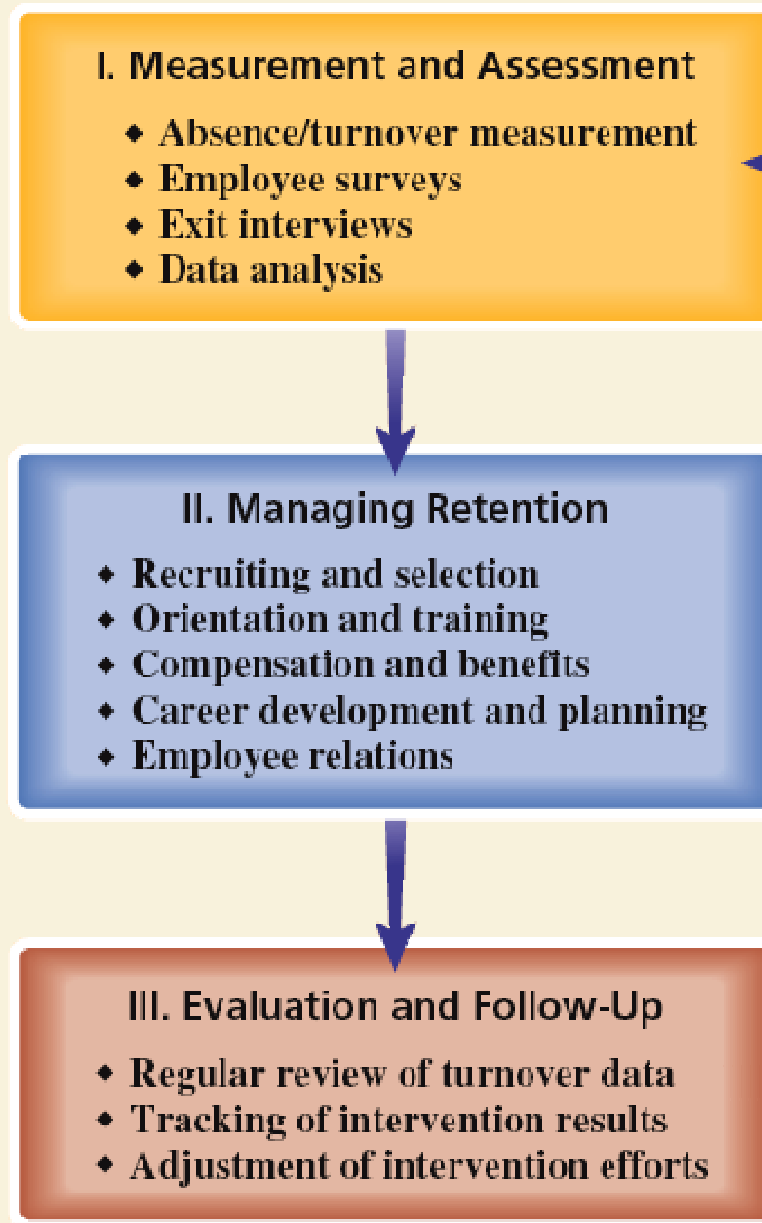


Figure 3-7



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