

Human Resource Management

Eleventh Edition

ROBERT L. MATHIS
JOHN H. JACKSON

Chapter 3

Organization/Individual
Relations and Retention

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

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.

Factors Affecting Job Satisfaction and Organizational Commitment

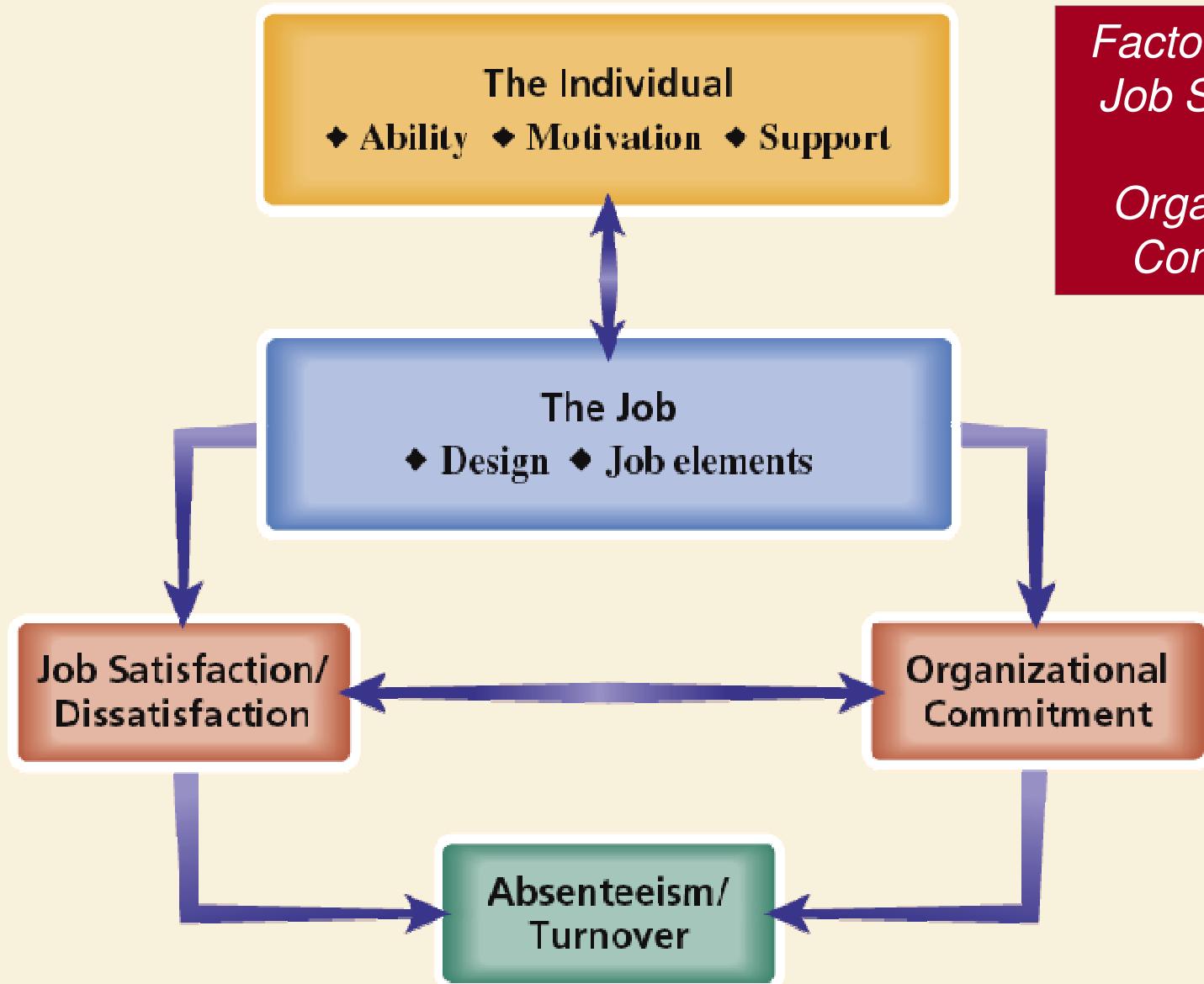


Figure 3-1
3-6

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

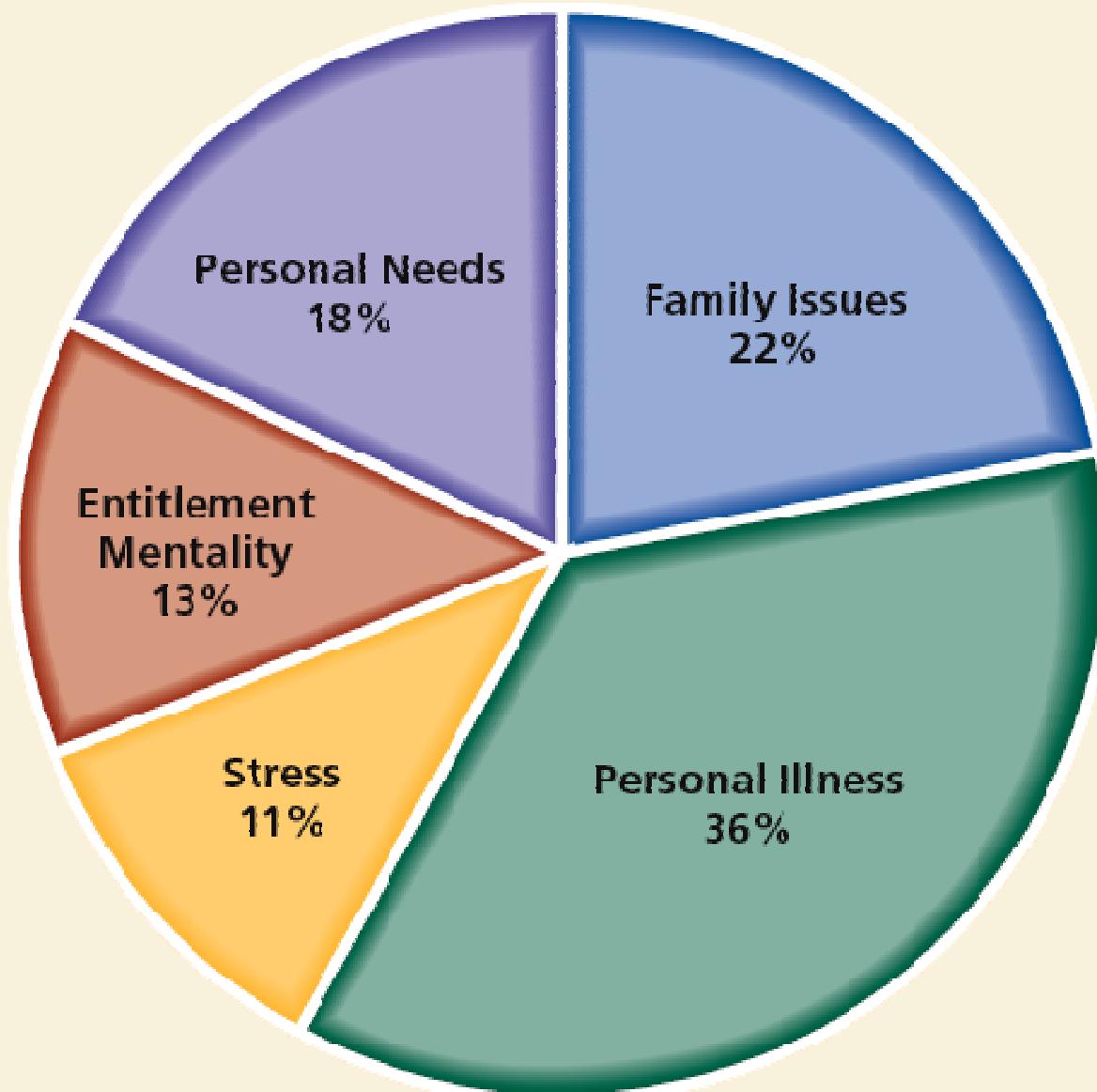
- **Absenteeism**

- 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.

<http://www.deden08m.com>

Figure 3-2
3-8

Employer Absenteeism Control Actions

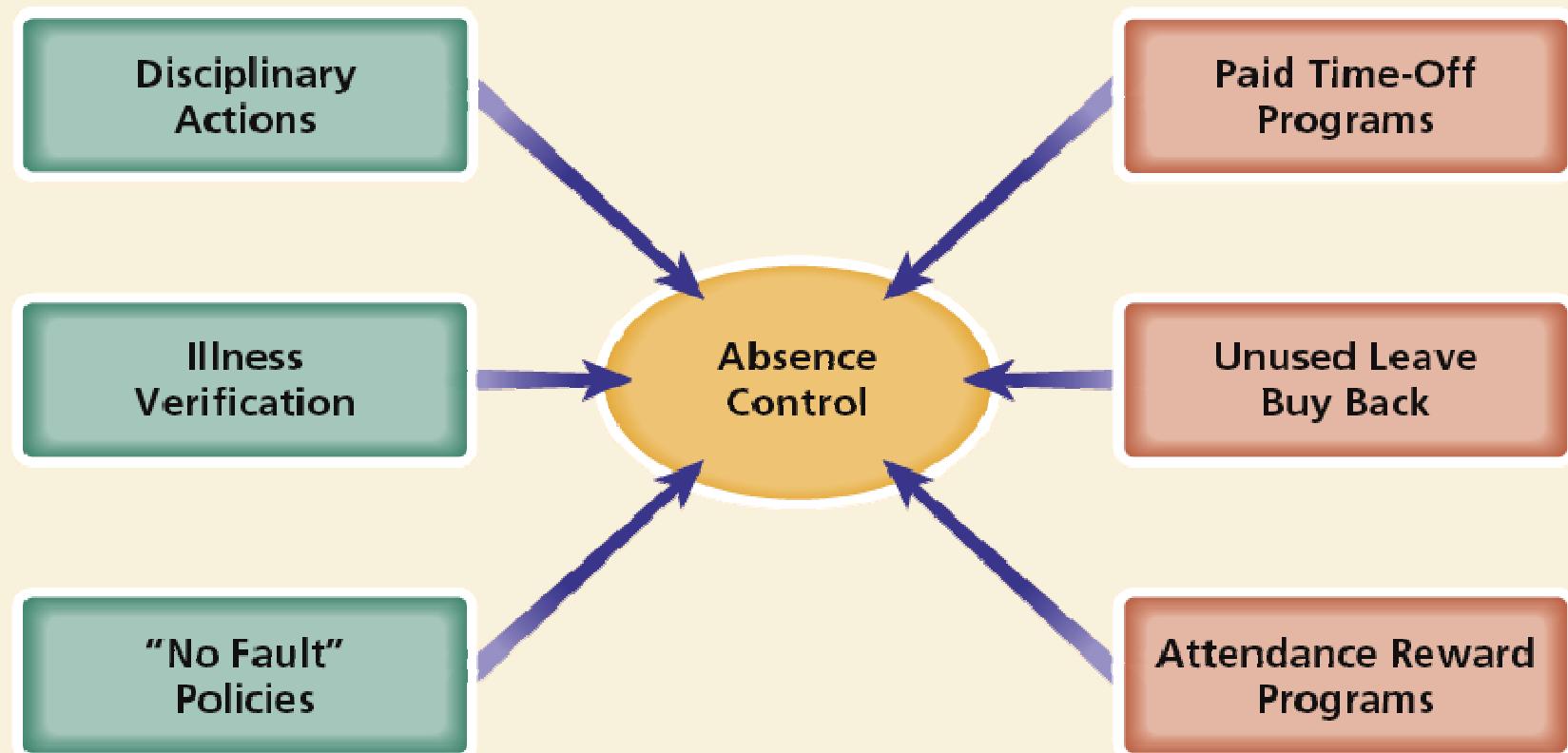


Figure 3-3
3-9

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 on 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)**

<u>\$20,000</u>
<u>40%</u>
<u>\$28,000</u>
<u>20</u>
<u>3</u>
<u>\$ 3,500</u>
<u>\$70,000</u>

*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

Performance (P) = Ability (A) x Effort (E) x Support (S)

Components of Individual Performance



Figure 3-5
3-19

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

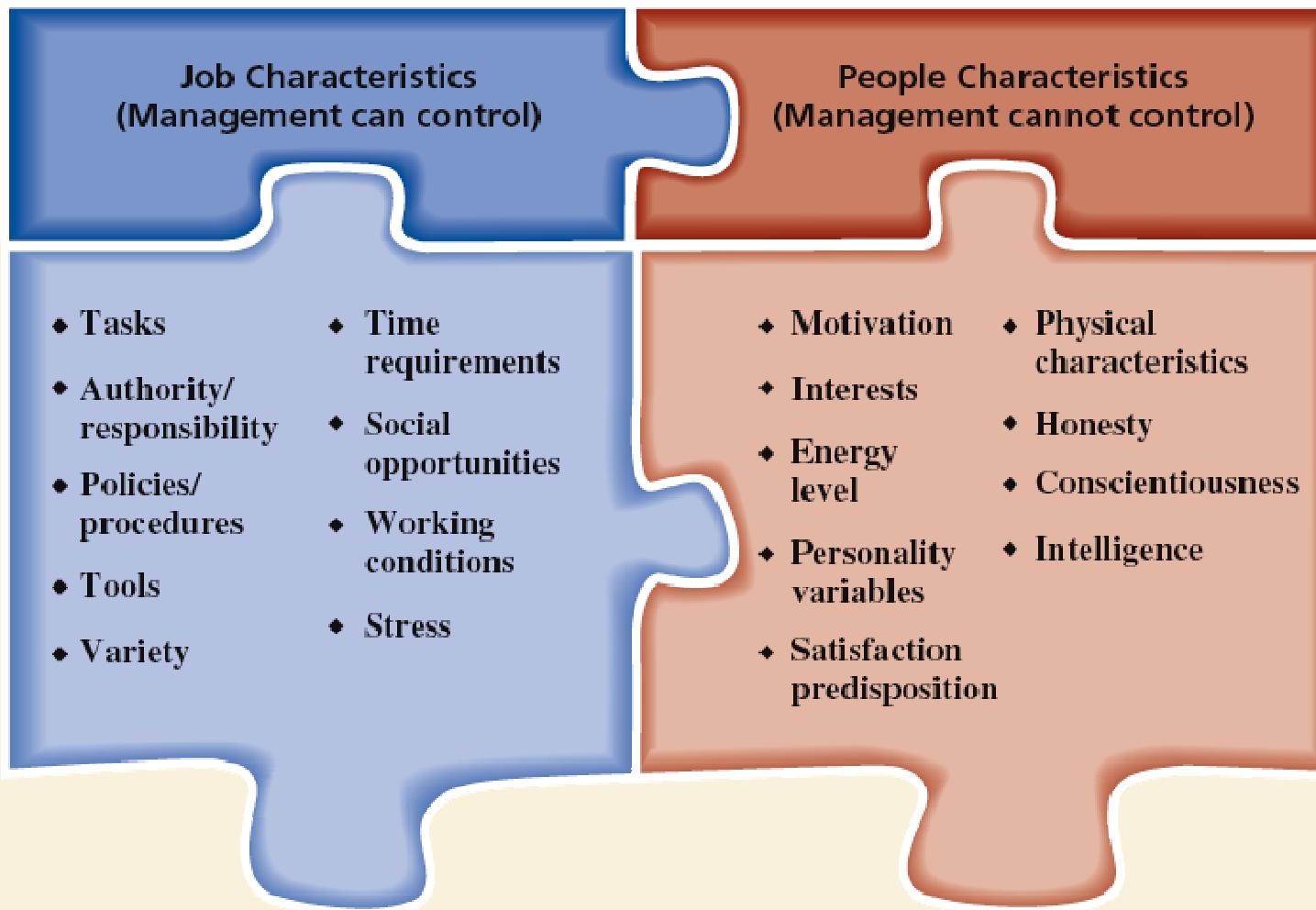


Figure 3-7



*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