

Research on the Factors inside and outside Organization Influencing Employee Turnover

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Abstract: *The employee is the most important resource of an organization. An enterprise needs human resources to support its development and growth. At the present stage, because managers pay too much attention to the interests of enterprises and neglect the interests of employees, the interests of employees are not guaranteed, resulting in serious employee turnover problems. However, excessive employee turnover will lead to the loss of enterprise resources and even shake the stable development of enterprises. How to manage employee turnover and better retain talents is an important subject for human resource management of organizations. This paper uses the literature analysis method, case study method and questionnaire survey method to study the factors that influence employee turnover inside and outside the organization. It is found that the management style of managers, the compensation and welfare system of an organization, organizational culture, organizational embeddedness and employees' job satisfaction and expectations are the main factors that can affect employee turnover within an organization. The personal characteristics of employees, socio-economic situation and industrial competition are the main factors affecting employee turnover outside the organization. At the same time, this article suggests that organizations start by selecting employees who fit the organizational culture and job requirements. After the entry of employees, the organization should provide them with appropriate and fair salaries and welfare, and continue to invest in them, so that they can loyally stay in the organization for a long time, and provide greater benefits for the organization.*

Keywords: *Employee turnover, Factors, Organization*

1. Introduction

The progress and success of a company cannot be separated from the contribution of its employees. The hard work of the employees is what makes the company run smoothly. However, in most areas, it is not guaranteed that employees will only work in one workplace for their whole life. Employees will always leave a company for various reasons, such as being dissatisfied with the current work situation (work environment, salary, work atmosphere, etc.), moving to other companies and so on. Generally speaking, “the employee turnover rate acceptable to the organization should be controlled at 5%-10%, and the turnover rate at 10%-20% is called the high-risk zone of demission”^[1]. Excessive employee turnover not only reduces employee loyalty and morale, but also “leads to the loss of technology and experience in the enterprise, seriously affecting its competitiveness and production efficiency, and bringing great negative impacts to its business development”^[2]. At the same time, Denvir and Mahon^[3] point out that high employee turnover leads to lower product and service quality and lower customer loyalty. In addition, it will also affect personnel management, training quality and ultimately affect customer satisfaction. In China, “the average employee turnover rate in 2022 was 17.9%, which is lower than in 2021, but still a high employee turnover rate”^[4]. As a result, all companies, especially Chinese organizations want to understand the causes of employee departures, reduce the high rate of employee turnover and maintain operational stability.

As the carrier of employees' work, “there is no doubt that the internal aspects of an organization will have an impact on the employee turnover”^[5]. For example, employee salary, employee benefits, organizational management measures and so on. Moreover, factors outside the organization, such as the “socio-economic situation, will also have an impact on employee turnover”^[6]. Therefore, it is very important and urgent to understand factors inside and outside the organization that influence employee turnover.

2. Data and Methodology

2.1. Literature Analysis

Many scholars have studied the influencing factors of employee turnover. However, many of the research results have certain repeatability. Table 1 compares the research results of four representative scholars.

Table 1: Comparison of Previous Research Conclusions.

	Kennedy and Forfort	Hom and Griffeth	Hiltrop	Deery
Personal characteristics	Age, gender, ethnicity, marital status, the number of family members, educational background, previous transfer experience	Gender, age, family burden		
Wages and benefits	Remuneration	Material compensation, incentive measures of enterprises	Remuneration	Remuneration
Factors on job	Nature of work, term of office	Performance and promotion opportunities in job, the complexity of the work	Challenge of the work, training and promotion opportunities, working time arrangement, job responsibilities, work autonomy, job security	Corporate culture (employee turnover culture)
Views on work	Personal determination to develop career, expected future development prospects, employees' attitude towards job transfer	Satisfaction with work, job expectations,	Career development opportunities	Job expectations,
Other factors			Social and economic conditions	Lack of communication between managers and employees

In addition, Bevan^[2] argued that internal factors of a company can affect employee turnover more than external attraction. Because employees are often unhappy with the status quo to choose to leave. It may be because of low pay, lack of autonomy, poor working conditions and so on, and the organization can control these internal factors, but cannot control the external factors.

2.2. Case Study

2.2.1. High-tech Organization^[7]

This study takes the high-tech enterprises in Zhejiang and Guangdong as the research object, and makes an in-depth analysis of the demission phenomenon of employees in high-tech enterprises. Through the interview case study and questionnaire measurement research, three main conclusions are finally obtained. They respectively that human-organization matching has a positive impact on employee retention, organizational embeddedness has a positive impact on employee retention, and human-organization matching plays an intermediary role in the relationship between organizational embeddedness and employee retention.

2.2.2. New Social Media Organization[8]

This study takes new social media companies as an example, and uses the literature reference method, theory connection method and deductive aggregate method to study the influencing factors of new media employee turnover. This study analyzed the internal environment and the external environment respectively, and concluded that the main internal influencing factors were insufficient attention to employee benefits, imperfect salary incentives, inadequate employee training and inadequate spiritual incentive. The external environmental factors affecting employee turnover are strong industry competition and serious product homogeneity, which leads to fierce competition for talents in the industry and large job-hopping spaces. At the same time, it points out that the main factors affecting the employee mobility of this company are internal salary inequity, inflexible salary modulation, lack of innovation and so on.

2.3. Questionnaire Survey Method

Based on the research of the theories of past scholars, I sent a questionnaire to the employees of N Company who have left in the past five years. 129 questionnaires were sent out and 106 responses were received. Table 2 is the integration and analysis of the results of the answered questionnaires.

Table 2: Statistics on the Reasons for the Turnover.

Reasons for leaving	Frequency of occurrence (repeatable)	Total
Wages and benefits	78 (73.6%)	106
Views on work	65 (61.3%)	
Factor on job	39 (36.8%)	
Personal characteristics	18 (17.0%)	
Other factors	12 (11.3%)	

Figure 1 shows the basic information statistics of the people who fill in the questionnaire.

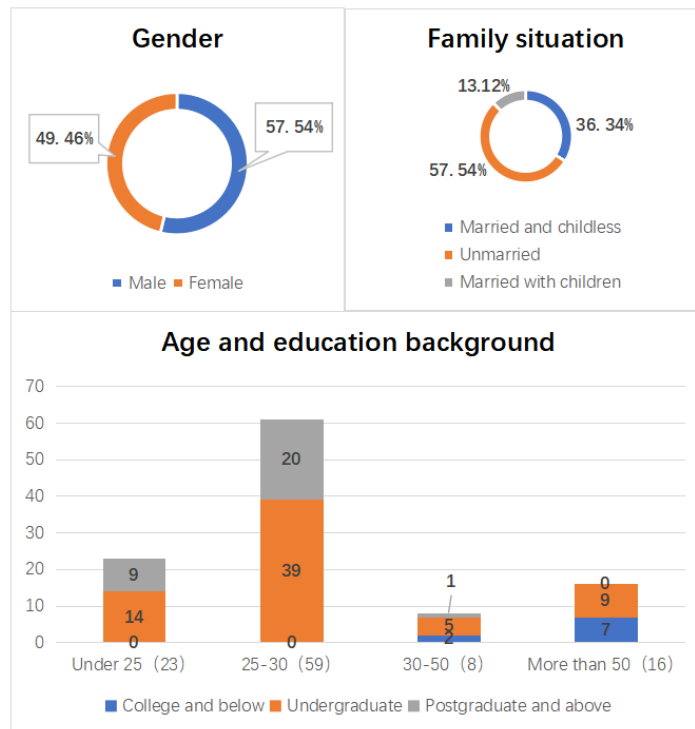


Figure 1: The basic information statistics of the people in the questionnaire.

3. Results

3.1. Factors Influencing Employee Turnover Inside Organization

3.1.1. Management Philosophy

The management style of managers affects the turnover rate of employees. If the managers have an inappropriate management style, it will increase the turnover of employees. For example, if managers pay too much attention to organizational benefits and underestimate the role of employees, it will increase employee turnover. Especially in regions and industries with sufficient human resources, “managers may think that they can easily recruit new employees in the labor market even if employees leave, thus affecting the employee turnover”^[9]. Managers may continually reduce employee salaries and benefits in order to achieve higher profits and demand higher performance from employees. If employees can't do it, or they can't stand the oppression of the company, they will voluntarily resign or be fired. At this point, managers go to the labor market to find new and replaceable employees and repeat the cycle. Therefore, the management style of managers is very important, if the management style of an organization is not appropriate, then there will be constant new employee turnover.

3.1.2. Compensation and Welfare System

One of the main reasons for employee turnover is the unreasonable pay for work. Salary is always an important indicator of attraction. “When the company's salary is not competitive, and the salary is lower than that of competitors or other similar jobs in the labor market, employees often have the intention to quit”^[1]. The equity theory proposed by Adams in the 1960s further pointed out that “organizational distribution equity would increase the enthusiasm of employees”. If employees feel that the employment relationship is unfair, they will show anxiety and low organizational commitment, and thus have the intention to quit. Furthermore, if the compensation system of an organization is not linked to the work performance of employees, it will affect the enthusiasm of employees to work actively, so that employees are not satisfied with the compensation of the organization and turn to other organizations. At the same time, the insufficiently attractive incentive measures and welfare system will make employees dissatisfied with the treatment of the organization, so as to leave and look for new jobs.

3.1.3. Organization Culture

If enterprises lack their own core values and teamwork spirit, it will reduce the enthusiasm and vitality of employees, and ultimately affect the employee turnover rate. At the same time, “if the organization itself has a corporate culture of high employee turnover rate, it will also continuously affect the new employees, causing a negative cycle that is difficult to change for the organization”^[10]. In addition, a lack of training for employees can also affect employee turnover. In today's society, workers have a choice of careers and are generally better educated. Often, the greater the ambition of employees, the higher the quality of professional life and personal requirements. “If the organization does not provide continuous training to employees after entry, employees may feel that they have no opportunity to continue to develop and improve, and choose to quit”^[9].

3.1.4. Organization Embeddedness

“Organizational embeddedness has a positive effect on employee retention”^[7]. The more embedded the organization is, the more comfortable the employee is with the work and working environment, the deeper the connection with colleagues, supervisors and customers, and the less likely employee will want to leave the company. When organizations are constantly involved in the lives of their employees, employee turnover will be reduced. If the organization has low embeddedness, employee turnover will increase. The organization embedding model^[11] is shown in Figure 2.

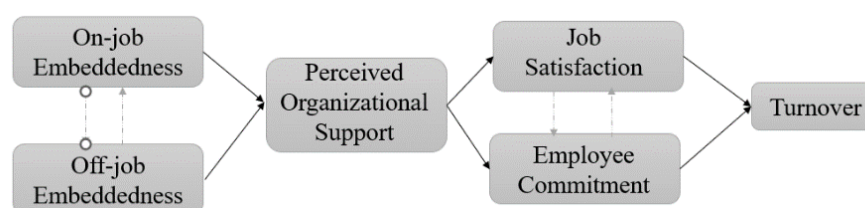


Figure 2: The organization embedding model.

3.1.5. Job Satisfaction and Expectations

Employee satisfaction with their job affects whether employees think about leaving. “If employees are happy with their jobs, then they will stick with it and work for the organization”^[12]. At the same time, the study of of Biason^[12] explains that the level of job satisfaction in the workplace is a factor influencing absenteeism, and that employee dissatisfaction with work may lead to employee turnover. At the same time, “there is a strong correlation between job expectation and job satisfaction”^[13]. If job expectations are met, employees will be more satisfied with their jobs. If employees' job expectations are not met, it will lead to dissatisfaction and even the idea of quitting. The job satisfaction model^[14] is shown in Figure 3.



Figure 3: The Job satisfaction model.

3.2. Factors Influencing Employee Turnover Outside Organization

3.2.1. Personal Characteristics

People’s basic attributes influence how people feel about leaving their jobs. Women who quit their jobs because they are pregnant, and older people who retire because they are older, regardless of gender, age, or race, all affect employee turnover. Employee education also affects employee turnover. Organizations that do not require employees to have higher levels of education, such as restaurants, have higher employee turnover. However, this does not mean that highly educated workers tend to be more secure. People with higher education will continue to seek better pay, which will also affect employee mobility. In addition, the family burden is also an important factor affecting employees' demission intention. If the employee’s family pressure is very heavy, he will probably not choose to quit, because he needs a stable salary to support his family.

3.2.2. Socio-Economic Situation

The overall economic situation of society also affects employee turnover. When economic development is relatively stable, the employee turnover rate will be relatively low, and no matter whether the rapid development of the economy or the battered economy, will have an impact on the employee turnover rate. For example, during the COVID-19 pandemic, employees did not want to lose their jobs due to the economic downturn, but many companies closed down or laid off employees due to force majeure. Even though employees were reluctant to do so, they became a circulating labor force, affecting the employee turnover rate of organizations.

3.2.3. Industry Competition

When competition in the industry is fierce, the demand for talent will become strong, and competitors in the same industry will try their best to wage a war for talent and attract talent from rival companies to move on. At the same time, employees will have more options for demission. When employees are not satisfied with their work in the company, they will more easily choose to go to other organizations without worrying about the problem of being unable to continue their development.

4. Recommendations

4.1. Scientific and Reasonable Selection and Employment

Organizations should select the most suitable people according to corporate culture and post needs, so as to achieve the matching of personnel and posts and reduce the turnover rate. It is believed that the best way to prevent employee turnover is to select excellent employees who are willing to stay in the company for a long time from the beginning of recruitment. Specifically, “the values and personal

qualities of employees should match the culture and values of the company"^[1]. At the same time, the ability of employees should match the requirements of the post, and the organization should make appropriate recruitment plans according to the needs of the post. In the recruitment process, employees should be provided with true and comprehensive information about the organization, so as to avoid the psychological gap after the employees enter the organization and choose to quit. If new employees feel a strong sense of belonging when they first enter the company, it will effectively reduce their turnover. In addition, the allocation of human resources should maintain a dynamic balance. After training and experience accumulation, the organization can set the position and salary level for employees according to their ability and performance.

4.2. Protect the Legitimate Rights and Interests of Employees, Formulate A Reasonable Compensation and Welfare System

The compensation policy of an organization should first consider external fairness. External equity means that the company's pay level should not be too low compared with the prevailing market wage. To retain employees, companies must offer externally competitive compensation. Offering competitive compensation leads to higher satisfaction, which is associated with lower turnover. Moreover, internal equity and self-equity should be fully considered in the salary setting. Generally, an effective compensation incentive system linked with performance is adopted.

4.3. Strengthen Investment in Human Resources

Organizations should change the wrong concept of human resources investment, treat employee training correctly, strengthen and pay attention to employee career development, in order to retain appropriate talents fundamentally. Generally speaking, the greater the investment in human resources and the deeper the training, the higher the stability of employees. In addition, organizations can also use training expenses reimbursement, salary adjustment, give promotion opportunities and other ways to effectively reduce employee turnover. Internal and self-equity refer to the compensation received by each employee that matches the contributions made by the personnel in the position. That is to say, employees with higher performance should receive corresponding higher salaries and benefits.

5. Conclusions

Employee turnover can keep the vitality and innovation of the organizations, but too high a turnover rate will reduce the loyalty and morale of the employees, and bring adverse effects to the development of the enterprise. It is of great significance to determine and control a reasonable employee turnover rate through scientific and reasonable methods for the sustainable, healthy and stable development of the organization. The management style of managers, the compensation and welfare system of an organization, organizational culture, organizational embeddedness and employees' job satisfaction and expectations are the main factors that can affect employee turnover within an organization. The personal characteristics of employees, socio-economic situation and industrial competition are the main factors affecting employee turnover outside the organization. I suggest that organizations start by selecting employees who fit the organizational culture and job requirements. After the entry of employees, the organization should provide them with appropriate and fair salaries and welfare, and continue to invest in them, so that they can loyally stay in the organization for a long time, and provide greater benefits for the organization.

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