Relating Employee Satisfaction and Voluntary Turnover

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Abstract

Voluntary turnover has been an enduring topic in organizational management theory and a subject of numerous empirical studies due to its great influence on organizations' efficiency. Currently the goal was to investigate which employee satisfaction issues relate to turnover intentions and do they relate to actual voluntary turnover. The empirical study was conducted in Estonian government office: questionnaire describing employee satisfaction and turnover intentions was carried out twice and the qualitative input was received from the interviews with all resigning employees.. It appeared that employees less satisfied with items having more direct influence on their daily job and communication, were more eager to leave the organization. Employees less satisfied with distant matters concerning their job, were less willing to leave. Subsequently the results indicated that whether the employees think about leaving and their approximate estimation on further length of service, can be associated with actual turnover. The examination of the departure interviews showed that the relations detected by the analyses of the survey results, were quite accurately put into practice.

Keywords: *employee satisfaction, job satisfaction, voluntary turnover, turnover intentions*

JEL classification: M12, M54

Introduction

Voluntary turnover is a phenomenon under great investigation because of its influence on organizations' effectiveness (Trevor, Gerhart and Boudreau, 1997). Where replacement costs are low and average performance of replacements is expected to be high, organizations can benefit form turnover of poor performers. In contrast, turnover of high performers is more likely to be dysfunctional for the organization (Schwab, 1991). On the other hand, voluntary turnover is believed to become more common and general activity in the future and is not seen as a negative event – people seeking for better suiting jobs for themselves - a career-centred view (Honda-Howard and Homma, 2001). However, in current paper the voluntary turnover has been handled as a negative outcome, as the organization under investigation – Estonian government office - is knowledge-based organization, which's core competence lies in the qualification of its' staff. As the domain in this case is very specific and the investments to employees' qualification are high and long-term, the voluntary turnover is considered to be rather dysfunctional. Unfortunately the statistics concerning the turnover in Estonian

government offices shows that the rates in examined organization exceed the average turnover rates (which are also quite noticeable to exhaust the organizations).

Turnover rates in Estonian government offices

<div align="right">**Table 1**</div>

	Turnover in organization under the investigation	**Turnover in similar government offices**
2005	15,2%	14%
2006	18,2%	12,2%
2007	19,23%	14,06%

Taking into consideration that the performance and efficiency of government offices forms a great value for the state, the subject of voluntary turnover is worth while to explore. Accordingly the aim of the study is to find:

1) which items describing employee satisfaction are related to turnover intentions;
2) whether the turnover intentions relate to actual voluntary turnover;
3) whether the reasons for leaving mentioned on the departure interviews coincide with the relations between employee satisfaction and turnover intentions.

1. Theoretical backround

1.1 Models proposed to describe the process of voluntary turnover

March' and Simon's (1958) framework on the exploratory of turnover is one of the most quoted and earliest approaches on the area. They suggest that the most important theoretical precursors of turnover are the ease and desirability of movement, with ease of movement primarily determined by the number of alternatives perceived and desire to move primarily determined by job satisfaction (March et al., 1958).Many researchers have theorized that employee satisfaction is a key antecedent of worker turnover. Mobley, Horner and Hollingsworth (1978) have proposed a theoretical causal process to explain voluntary turnover. It contains four core antecedents of employee turnover: demographic characteristics, job satisfaction (impacts a cognitive withdrawal process stressing turnover intention) work environment factors (which significantly shape employee job satisfaction, which in turn shapes turnover intentions) and finally turnover intent influences voluntary turnover. Farrel's and Rusbult's (1981) investment model proposes that employee turnover is determined by a combination of job rewards and costs (i.e., job-related variables), job investments (i.e., personal variables) alternative values (i.e., opportunity), and employee orientations (i.e., satisfaction and commitment). Griffeth's and Hom's (1995) process model of voluntary turnover posits that lower employee satisfaction and organizational commitment lead to withdrawal cognitions, which then lead to job search. Job search leads to comparisons of alternatives to one's present job, with stronger alternative comparisons leading directly to voluntary turnover.

1.2 Turnover intention – the mediator between employees' job related affective cognitions and actual turnover

Turnover intention has been suggested to be a connecting link between job dissatisfaction and actual turnover (Carsten and Spector, 1987). It has been claimed that behavioural indicators are stronger predictors of voluntary turnover than employee satisfaction (Steel and Ovalle, 1984). According to Hellman (1997) turnover intentions are the main cognitive factors, which predict actual turnover. Tett and Meyer (1993) have studied the effect of affective (employee commitment and satisfaction) and cognitive (turnover intentions) factors on employee withdrawal and found that turnover intentions mediated the relationship between affective variables and actual turnover. In the model of Mobley et al. (1978), dissatisfaction produces a series of withdrawal cognitions in which employees examine the costs and benefits associated with leaving their jobs. Ultimately, this cognitive appraisal results in employees' withdrawal from the organization. Cranny, Smith and Stone (1992) concluded that job satisfaction is a combination of cognitive and affective reactions to the differential perceptions of what an employee wants to receive compared with what she or he actually receives. The relationship between job satisfaction and intent to leave implies that every unit of decrease in job satisfaction reflects approximately a one-half standard deviation increase in intent to leave. The more dissatisfied employees become, the more likely they are to consider other employment opportunities (Cranny et al. 1992). According to Honda-Howard et al. (2001) turnover has been considered as an outcome of decreased job satisfaction with various values in the job. It has been defined as one of several forms of organizational withdrawal such as absenteeism and tardiness and the relationship between job satisfaction and turnover is considered to be indirect rather than direct, because many intervening variables shape decisions to move from one job to another. Turnover intention has been found to mediate between job satisfaction and actual turnover.

It appears the models describing voluntary turnover focus on either intraorganizational (e.g job satisfaction) issues or exterior ones (e.g perceived alternatives) or are the combination of both of them. The author of the paper proposes that the concept of voluntary turnover is not so single-valued to concentrate on either inter or exterior matters and it is rather a complex of those. But as the organization has rather the ability to control the inner factors determining the voluntary turnover, the current paper focuses on job satisfaction, which is a prevailing factor in above mentioned approaches.

2. Methodology and sample

To investigate the links between employee satisfaction and turnover intentions a questionnaire was compiled focusing on the mentioned aspects:
1. Employee satisfaction was measured by original questionnaire conducted in the organization examined. Consisting of 64 statements, where estimations were asked to give in a 5-point scale: 1= don't agree at all…5=totally agree.

2. Turnover intentions were measured by three statements:
   - "I'm planning to work in the organization: a) maximum 1 year b)1-3 years c) more than 3 years
   - "During the last year I've been thinking about leaving the organization": a) yes b) no b) perhaps
   - "It wouldn't be easy to inveigle me to leave the organization": 1= don't agree at all 5=totally agree.

The survey was conducted twice (2005 and 2008) in Estonian government office where every official was asked to fill the questionnaire. In 2005 43% (143 officials) of the questionnaires were returned and in 2008 74% (262 officials). The affiliation in organizational structure of the respondents were ascertained and the participation rate in the divisions fluctuated from 10% - 95% in 2005 and from 56% - 100% in 2008. The results of divisions with lower level of participation than 30% were excluded from the analyses which required division based comparison. Half-structured interviews with every leaving official were conducted. The goal of the interviews was to investigate the main reason for the departure. The interviews were carried through on the final days of the officials on the assumption that the interviewees would be more willing and open to talk about the negative matters as well considering the departure. Most of the interviewees were quite forthcoming and even thankful for the opportunity to point out the disturbing issues which forced them to leave the organization. This observation gives a reason to expect the validity of the results of the interviews to be quite high. For statistical processing of data cluster analyses by Ward's method, t-test and one-way ANOVA were applied. The acceptable significance level chosen was 0.05.

3. Results

3.1 The relations between job satisfaction and turnover intentions, survey 2005

For grouping the 64 statements describing employee satisfaction cluster analyses by Ward method was used. As a result 14 groups occurred.

To examine the relationship between employee satisfaction and turnover intentions one-way ANOVA and t-test were applied. The results indicated significant difference between all three statements describing turnover intentions and the appraisement of job, leadership competencies of direct manager, communication in a division, organizational climate, the suitability of profession and pay system - respondents with higher willingness to leave gave lower-level estimations to the indicator describing employee satisfaction. Similar relationship occurred in comparison of two statements of turnover intentions and organization's reputation. In comparison with one statement of turnover intentions the difference was significant with job management in a division.

Results of the cluster analyses

| Cluster	Hereinafter	No. of the statements in item
1. Organizational climate (working environment, public recognition, organizations care for employees, top management's role model, attitude towards initiative, the climate for result orientation and commitment)	Climate	8
2. Informal relations (informal relations between employees, informal gatherings organized by the organization)	Relations	2
3. Organization's reputation (organization's stability and reputation, whether employees understand their contribution to organization's goals)	Reputation	8
4. Job management in a division (task and time management in a division)	Job management	4
5. Working atmosphere in a division (climate in a division, willingness for co-operation and teamwork, colleagues' attitudes toward their work)	Atmosphere	4
6. Suitability of profession (the attraction of job tasks now and in perspective, the accordance of knowledge and educational preparation to current job tasks and the possibility to apply it in a daily job, self-actualization possibilities in a current job)	Suitability	5
7. The appraisement of job (employees' perception of their job value in organization, the scope to plan by one-self the office-ours, possibility to participate in setting job related goals and choose task related solutions)	Appraisement	5
8. Personal loading (the optimality of work load and whether the personal commitments in daily-life would allow one to leave the organization)	Pers. loading	2
9. Work process (the comprehensibility of work process and goals)	Process	2
10. Communication in organization (communication in whole organization, among the divisions and with top management)	Org. communication	3
11. Communication in division (including communication with direct manager, feedback from the colleagues, the quality and timing of the meetings)	Div. communication	6
12. Contact with direct manager possibility to contact, consult and be open-minded with direct manager)	Contact	3
13. Leadership competencies of direct manager (satisfaction with direct manager's decision making, acknowledgment, feedback, so-operation and coaching style, efficiency of meetings and keeping up with the work related results of employees)	Leadership	8
14. Pay system	Pay system	1
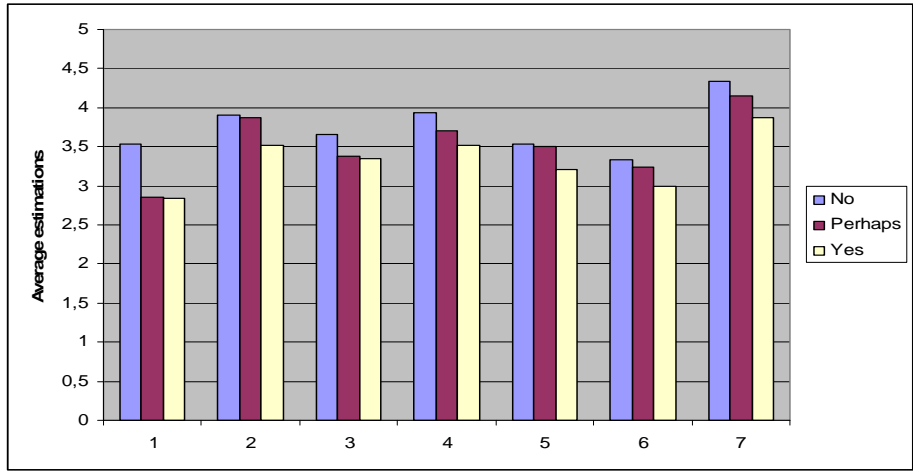
**Figure 1 Statistically significant difference between various groups for statement
"During the last year I've been thinking about leaving the organization".
1 - Pay system; 2 – Div. communication; 3 – Appraisement; 4 – Leadership;
5 – Climate; 6 - Job management in a division; 7 – Atmosphere**
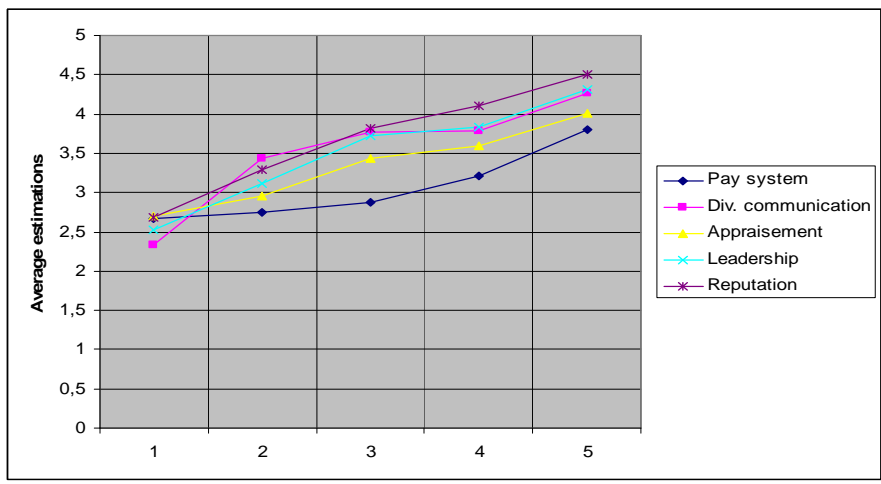
**Figure 2 Statistically significant differences between various groups for statement
"It wouldn't be easy to inveigle me to leave the organization",
where 1 = don't agree at all…5 = totally agree**

The analyses showed no significant difference with pers. loading, process, relations and org. communication. On the assumption that the results between the investigated constructs would be constant, similar analyses on the results of the 2008 survey were not conducted.
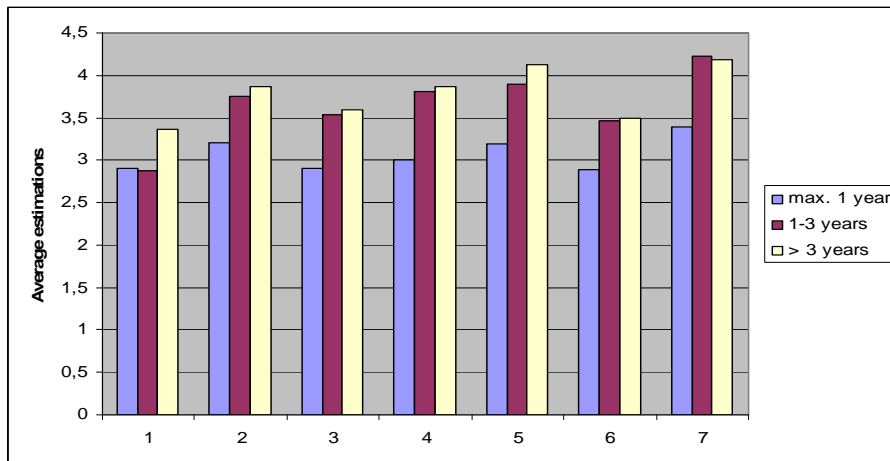
**Figure 3 Statistically significant differences between various groups for statement
"I'm planning to work in the organization…".
1 - Pay system; 2 – Div. communication; 3 – Appraisement; 4 – Leadership;
5 – Reputation; 6 – Climate; 7 -Atmosphere**

3.2 The relations between turnover intentions and actual turnover

3.2.1 Survey 2005

To investigate the relations between turnover intentions and actual turnover t-test was used. The comparison was made to study whether the divisions in which employees showed higher willingness to leave the organization, presented higher turnover rate in practice.

The results showed that divisions, in which more than 75% of the employees in 2005 had been thinking about leaving the organization, indicated higher turnover rates in 2006. Also divisions from which more than 15% of employees were planning to leave in one year, the turnover rate in 2006 was significantly higher. Divisions, where more than 40% of the employees were planning to leave the organization in 1-3 years significantly higher turnover rate was measured in 2006-2008 (see appendix 3). The statement "It wouldn't be easy to inveigle me to leave the organization" which was also an indicator to measure turnover intention, showed no significant relation in comparison with the rates of actual turnover.

3.2.2 Survey 2008

No significant relationship between turnover intentions and actual turnover rates during the first semester in the divisions were found. The explanations are offered in the discussion.

3.3. Interviews with the departing employees (2005-2008).
The main reasons for leaving (% of the respondents)

3.3.1. Job management (31%) - managers not explaining clearly the job tasks, the results expected and the indicators measuring it, inefficient and unclear process management, ineffective time management, diffusive responsibilities, inefficient communication process, unjustified bureaucracy, unbalanced work load.

3.3.2. Leadership matters (27%) – insufficient and not accurately timed verbal recognition and feedback, not constructive feedback, leaders not valuing the work results of key specialists, not taking into consideration subordinates' suggestions concerning their professional matters, leaders' not supportive attitude towards subordinates ideas presented to broader audience, low confidence on subordinates due to problems concerning delegating job tasks, managers holding on work related information, slow on decision-making process, breaking up promises and not following the rules established by themselves.

3.3.3. Pay system (23%) **-** pay system is not visible and understandable enough, the bases of the system have not been explained and there seems to be no solid principles covering the organization in this matter, salary policy not corresponding to labour market situation, the resources are not distributed equally among the divisions and employees, also great differences between other government offices' salaries have been pointed out.

3.3.4. Attractive challenges (8%) – finding another job with more interesting and challenging job tasks (frequently employees with long length of service).

3.3.5. Higher salary (5%).

3.3.6. Not suitable job (4%) **–** caused by either insufficient description of job tasks during the recruitment process or personal miscalculation on accepting the job not suitable to ones expectations.

3.3.7. Matters concerning organization's personnel policy (2%) **–** vacation policy, result based pay system, educating policy, inflexibility of working ours and location.

Conclusions

Most of the theories concerning voluntary turnover are based on the framework of March et al. (1958) who claim that turnover is determined by the perceived alternatives and desire to move which again is influenced by job satisfaction. As the conditions concerning the ease of movement in the labor market and the wide specter of alternatives perceived were fulfilled, the statistics with reference to turnover rates in Estonian public sector support in evidence the above mentioned approach. Bringing up the link between employee satisfaction and turnover intentions several other scholars (Griffet et al, 1995; Mobley et al.,

1978; Cranny et al., 1992; Tett et al., 1993) have affirmed this connection. The relationship between these constructs were verified in the current study, which on the one hand is quite corresponding but on the other hand it shows the weak spots in the current organization and gives a direction which issues should be handled as a priority if the voluntary turnover is an acute matter.

The analyses of the questionnaire results indicated that the strongest relation with turnover intentions occurred in matters which also appeared in the interviews with the departing employees as their reasons for leaving – the relations with and skills of direct manager, job management, communication in a division, matters connected to the pay system, the perception of their work value, top management's attitudes and personal job related attitudes. Interesting was to notice that informal relations showed no significant relation to turnover intentions. The explanation could come from the accent of the statements converged to this group by cluster analyses – probably the statements handled the matter too generally (on the level of whole organization, not division) to make a personal impact to the respondents. Quite same explanation could fit to clarify the absenteeism of significant relation between turnover intentions and work process, also communication in an organization. This finding shows the relevance of the competencies of the direct manager to motivate his subordinates skillfully. From the perspective of the whole organization and top management – it could be a sign of problem that the subunits transact too distinguish from organization's general values and the integrity of the organization is low. Presumably the fact that the low wage is not on the top of the list of the reasons for leaving is an interesting finding. This result is a vivid example of the human resource management theories which claim that soft issues (e.g leadership competencies, organizational culture etc) shape very strongly the attitudes of the employees. However the knowledge gives an opportunity for the managers to pay attention to the soft motivators, which don't demand such material resources, aiming to inflect the evaluation of the satisfaction concerning the salary weight.

As turnover intentions have been suggested to be the direct indicator to affect actual turnover (Honda-Howard et al., 2001, Hendrix, Robbins, Miller and Summers, 1998; Hellmann, 1997, Tett et al., 1993) the similar relation appeared in current study. This is an evidence of the validity of the indicators used for measuring the turnover intentions. The connections between turnover intentions measured in 2005 and actual turnover were quite expected. Divisions, where significantly more employees thought about leaving and were planning to leave in at least one year time perspective, showed higher turnover rate during the next calendar year (survey was conducted in September 2005, higher turnover was measured in 2006). The predictions concerning departure in 1-3 year time period were also quite accurate, as the turnover rates rose correspondingly in next three years. These results in connection with the summaries of the interviews conducted with the leaving employees show expressively how important it is to improve the areas which shape employees' perception of their work related issues. Investigating

the matters forming employees' decisions concerning the departure from the organization gives a valid advantage in controlling the voluntary turnover.

The results in the examined organization showed regrettably that the intentions to leave related significantly to actual turnover. This lets us assume that the proactive implementation originating from the results of the employee satisfaction survey was not proper. This would be an occasion to elaborate the subject of the current study – to investigate how preventative activity influences employees' satisfaction and turnover intentions.

The absence of relations between turnover intentions measured 2008 and actual turnover, could be explained due to several circumstances. As the results from the survey 2005 indicated that the actual departing behavior is delayed approximately 6 months, it could be an explanation. Supposing that the link between thinking about leaving the organization and actual departure is not so single-valued could ascertain the results. Also pointing that finding a better alternative is not so often resolved immediately. The other side of the coin is the economic situation in 2008, which gave a tremendous influence on labor market and decreased turnover rates in current organization considerably as well (including that 10% of the staff were dismissed). This is the reason why the data concerning turnover in the second trimester was not included to the analyses.

To sum up: the practical value of the current paper for lies in acknowledging the issues shaping job satisfaction which influence employees' cognition in the matter of turnover intentions. On the wider perspective the study pointed out the indicators practicable to evaluate the turnover intentions of the employees. It is presumable that when following the same methodological schema it would give the valuable knowledge for the organizations to take preventative actions to control more effectively the voluntary turnover.

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