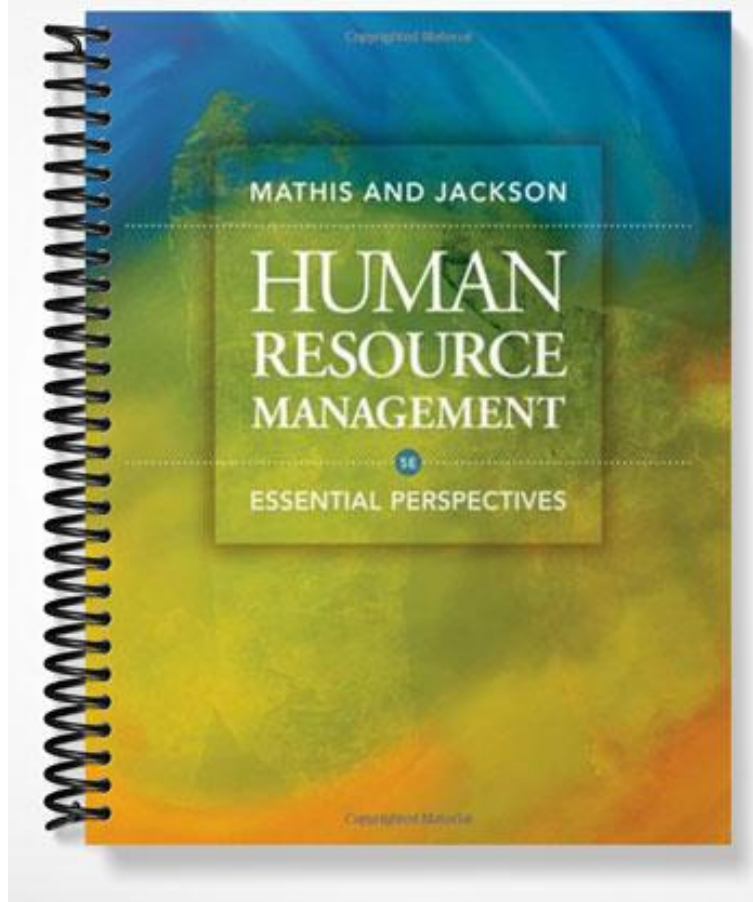


# SOLUTIONS MANUAL



# 2

## ORGANIZATION / INDIVIDUAL RELATIONS AND EMPLOYEE RETENTION

### Chapter Outline and Instructor Notes

#### Suggested Content Coverage

The long-term economic health of most organizations depends on the efforts of employees with both the appropriate capabilities and the motivation to do their jobs well. Organizations that are successful over time can usually demonstrate that relationships with their employees do matter.

#### I. INDIVIDUAL/ORGANIZATIONAL RELATIONSHIPS

Job satisfaction and commitment often help determine whether an employee will want to stay with the organization. The *individual's performance* is a major part of whether the employer wants the employee to stay.

- A. The Psychological Contract - A psychological contract refers to the unwritten expectations that employees and employers have about the nature of their work relationships. This contract is individual in nature and subjective, and contains both tangible items (such as wages, benefits, employee productivity, and attendance) and intangible items (such as loyalty, fair treatment, and job security).

In a psychological contract, employers provide competitive compensation and benefits, flexibility to balance work and home life, and career development opportunities. Employees contribute continuous skill improvement and increased productivity, reasonable time with the organization, and extra effort when needed.

People's expectations about psychological contracts differ between generations, as well as within generations. These generational differences are likely to continue to create challenges and conflicts in organizations.

1. Job Satisfaction – Job satisfaction is a positive emotional state resulting from evaluating one's job experiences. Job dissatisfaction occurs when one's expectations are not met. Dimensions of job satisfaction frequently mentioned include work, pay, promotion opportunities, supervisors, and coworkers. Job satisfaction appears to have

declined in recent years. More demanding work, fewer traditional hierarchical relationships with management, shorter relationships, and less confidence in long-term rewards are cited as reasons.

- B. Loyalty and Organizational Commitment - As Figure 2.1 depicts, the interaction of the individual and the job determines levels of job satisfaction and organizational commitment. Organizational commitment is the degree to which employees believe in and accept organizational goals and desire to remain with the organization. A related idea is employee engagement, which is the extent to which an employee is willing and able to contribute. Focus should be placed on continuance commitment factors, which suggests that decisions to remain with or leave an organization ultimately are reflected in employee absenteeism and turnover statistics.

## II. INDIVIDUAL EMPLOYEE PERFORMANCE

For an employer to want to keep an employee, that employee must be performing well. The HR unit in an organization exists in part to analyze and address the performance of individual employees.

- A. Individual Performance Factors – The three major factors that affect a given individual’s performance are: (1) ability to do the work, (2) effort expended, and (3) organizational support. The relationship of these factors has been expressed in the formula:

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

Performance is diminished if any of the factors is reduced or absent. Individual motivation, one of the variables that affect effort, is often missing from the performance equation.

- B. Individual Motivation - Motivation is the desire within a person causing that person to act. Motivation is a goal-directed drive. The words need, desire, and drive are all similar to motive, from which the word motivation is derived. Performance, reaction to compensation, turnover, and other HR concerns are affected by and influence motivation. Motivation is complex and individualized. Answering the question often asked by managers, “How do I motivate my employees?” requires managerial diagnoses of employees’ efforts, abilities, and expectations.

## III. RETENTION OF HUMAN RESOURCES

Retention must be viewed as a strategic business issue, and each organization must determine the causes for its own specific retention situation. Unfortunately, some myths have arisen about what it takes to retain employees: 1) money is the main reason people leave, 2) hiring has nothing to do with retention, 3) if you train people, you are only training them for another employer, 4) do not be concerned about retention during a merger, and 5) if solid performers want to leave, the company cannot hold them.

Some factors that limit individuals' willingness to leave the jobs are links between themselves and others; compatibility or fit with the job/organization/community; and potential sacrifice, or what they would have to give up if they left the job. While some loss of employees is unavoidable, there are factors related to those individual decisions that an employer can control. These "drivers" of retention are shown in Figure 2.2.

- A. Characteristics of the Employer and Retention – Organizations experience less turnover when they have positive, distinctive cultures; effective management; and recognizable job security.
1. Culture and Values - Organizational culture is a pattern of shared values and beliefs of a workforce. Those items provide organizational members with meaning and rules for behavior.
  2. Management and Retention - Other organizational components that affect employee retention are related to the management of the organization. One factor affecting how employees view their organizations is the visionary quality of organizational leadership.
  3. Job Security - is another concern because the past decade has produced many downsizings, layoffs, mergers, acquisitions, and organizational restructuring, which have affected employee loyalty and retention. Organizations where job continuity and security are high tend to have higher retention rates.

#### IV. JOBS AND RETENTION

Job design refers to organizing tasks, duties, and responsibilities into a productive unit of work. Job design is currently receiving greater attention because it can influence performance in certain jobs, as well as reduce cost to the business through reduced turnover and absenteeism. It can also affect job satisfaction, as well as physical and mental health.

- A. Approaches to Job Design/Redesign - Job simplification may be appropriate for jobs of entry-level employees, however, making jobs too simple may result in boring jobs and cause high turnover. Several different approaches to job design have been used.
1. Job Enlargement and Job Enrichment – Job enlargement involves broadening the scope of the job by expanding the number of different tasks to be performed. Job enrichment is increasing the depth of a job by adding responsibility for planning, organizing, controlling, or evaluating the job.
  2. Job Rotation – Job rotation is the process of shifting a person from job to job. The advantage of job rotation is that it develops an employee's capabilities for doing several different jobs.

- B. Person/Job Fit - The person/job fit is a simple but important concept of matching characteristics of people with characteristics of jobs. Figure 2-3 shows some characteristics of people and jobs that might need to be matched. If a person does not fit a job, they are more likely to look for other employment, so retention is affected by the selection process. Often high turnover rates in the first few months of employment are linked to inadequate selection screening efforts. Physical and environmental factors also affect retention of employees. Workers expect to have modern equipment, technology, and good working conditions. Additionally, workers want a safe work environment.
- C. Using Teams in Jobs – Typically, a job is thought of as something done by one person; however, jobs designed for teams may make jobs more meaningful, and allow the organization to take advantage of increased productivity and commitment. Some firms have gone as far as dropping such titles as workers and employees, replacing them with team-mates, crew members, associates and other titles that emphasize teamwork. With more firms operating globally, the use of global teams has increased significantly. The virtual team is an organizational team composed of individuals who are separated geographically but linked by communications technology. Teams are more likely to be successful if they are allowed to function with sufficient authority to make decisions about their activities and operations.

## V. WORK SCHEDULES AND RETENTION

Employers are using different work schedule alternatives and telework to respond to the stress caused by the pressures of home and work demands and to aid employee retention.

- Shift Work and the Compressed Workweek - Shift work is a commonly used work schedule design and many employers provide some form of additional pay, called a shift differential, for working the evening or night shift. One type of shift work is the compressed workweek which is a schedule in which a full week's work is accomplished in fewer than five 8-hour days.
- Flexible Scheduling - Flexible work schedules allow organizations to make better use of workers by matching work demands to work hours. One type of flexible scheduling is flextime which is scheduling arrangement where employees work a set number of hours a day but vary starting and ending times.
- Time Flexibility - Various work scheduling alternatives can be used to improve time flexibility. This is especially desirable as workload pressures increase due to downsizing, more employees have a need for elder care, and dual-income couples in the "sandwich generation" are caring for children and aged parents.
- Work/Life Balancing – Programs commonly used to balance the demands of work with the responsibilities of life, including family and personal responsibilities, are: different work arrangements, leave for children's school functions, compressed workweek, job

sharing, on-site child/adult care, telecommuting, employee assistance plans, on-site health services, wellness programs, and fitness facilities.

- Job Sharing - Job sharing is another alternative scheduling design in which two employees perform the work of one full-time job. Such arrangements are beneficial for employees who are either unwilling or unable to work full-time. It also allows each person to substitute for the other during illness, vacation, or when other circumstances occur. The key to successful job sharing is that both “job sharers” work effectively together and each is competent in meeting the job requirements.
  - Telework – Technological developments have created the possibility for employees to work anywhere and anytime. Some employees telecommute, which means they work via electronic communications equipment. HR must develop policies regarding teleworkers and must train supervisors and managers on how to “lead” employees who may not be physically present much of the time.
- A. Career Opportunities and Retention – Organizational efforts to aid career development can significantly affect employee retention. Opportunities for personal growth, which allow for skill development and promotion, lead the list of reasons why individuals took their current jobs and why they stay, particularly for technical professionals and those under age 35. Tuition aid programs, mentoring, and formal career planning efforts can increase retention.
- B. Rewards and Retention – The tangible rewards that people receive for working comes in the form of pay, incentives, and benefits. While retention is a complex issue, one key to retention is having competitive compensation practices.
1. Competitive Pay and Benefits – Employees expect pay and benefits to be close to what other employers are providing and what they believe to be consistent with their capabilities, experience, and performance. This is often defined as within 10% of the “market” rate. Also, a number of employers have used a wide range of benefits to attract and retain employees.
  2. Performance and Compensation – Many individuals expect their rewards to be differentiated from those of others based on performance. This perception may prompt the individual to look for jobs where compensation recognizes performance differences.
  3. Recognition – Employees may be recognized with tangible items, such as plaques or certificates, or intangible and psychological recognition, which includes feedback from managers and supervisors that acknowledges extra effort and performance.
- C. Employee Relationships and Retention – Employees expect reasonable policies and fairness in treatment. If individuals feel that policies are unreasonably restrictive or are applied inconsistently, then they may be more likely to look at jobs offered by other employers.

VI. MANAGING RETENTION - Figure 2.4 shows the keys to managing retention.

- A. Retention Measurement and Assessment – Management decisions require data and analyses rather than subjective or emotional factors, in order to enhance retention. Absence and turnover measurements should be analyzed, in addition to employee surveys and exit interviews.
1. Exit Interviews – An exit interview is one in which individuals are asked to give their reasons for leaving the organization. Departing employees may be reluctant to divulge their real reasons for leaving. A skilled HR interviewer may be able to gain useful information from departing employees that the employee may not want to share with the supervisor.
  2. Employee Surveys – can be used to diagnose specific problem areas, identify employee needs or preferences, and reveal areas in which HR activities are well received or are viewed negatively.
- B. Retention Management Interventions – The analysis of data mined from turnover and absenteeism records, surveys of employees, and exit interviews is an attempt to get at the cause of retention problems. Analysis should recognize that turnover and absenteeism are symptoms of other factors that may be causing problems. Some of the first areas to consider include work, pay/benefits, supervision, and management systems.
- C. Retention Evaluation and Follow-Up – Once appropriate management actions have been implemented, it is important to evaluate and follow-up on those actions. Regular review of turnover data can identify when turnover increases or decreases among different employee groups. Tracking of intervention results and adjustment of intervention efforts should also be a part of evaluation.

VII. EMPLOYEE ABSENTEEISM - Absenteeism is any failure to report for work as scheduled or to stay at work when scheduled.

- A. Types of Absenteeism – Many employers have sick leave policies that allow employees a certain number of paid days each year for involuntary absences. Involuntary absences, such as illness, death in the family, and other personal reasons for absences are unavoidable and understandable. However, much absenteeism is avoidable or voluntary.
- B. Controlling Absenteeism – Organizational policies on absenteeism should be stated clearly in an employee handbook and stressed by supervisors and managers. The disciplinary approach is the most widely used means for controlling absenteeism, with most employers using policies and punitive practices. Figure 2-5 shows actions that employers may use to control employee absenteeism.

## VIII. EMPLOYEE TURNOVER

Turnover is the process in which employees leave an organization and have to be replaced. Many organizations have found that turnover is a costly problem. Many service industries frequently have very high turnover rates and costs.

A. Types of Employee Turnover – Turnover can be classified in a number of ways including:

<ul style="list-style-type: none"> <li>• Involuntary Turnover Terminations for poor performance or work rule violations</li> </ul>	<ul style="list-style-type: none"> <li>• Voluntary Turnover Employee leaves by choice</li> </ul>
<ul style="list-style-type: none"> <li>• Functional Turnover Lower-performing or disruptive employees leave; positive for the organization</li> </ul>	<ul style="list-style-type: none"> <li>• Dysfunctional Turnover Key individuals and high performers leave at critical times</li> </ul>
<ul style="list-style-type: none"> <li>• Uncontrollable Turnover Occurs for reasons outside the control of the employer</li> </ul>	<ul style="list-style-type: none"> <li>• Controllable Turnover Employees leave for reasons that could be influenced by the employer</li> </ul>

Even though some turnover is inevitable, employers today must address turnover that is controllable. Organizations are better able to retain employees if they deal with the concerns of employees that are leading to turnover. Tactics for adapting to ongoing turnover include simplifying jobs, outsourcing, and cross training.

## IX. HR METRICS: MEASURING ABSENTEEISM AND TURNOVER

A. Measuring Absenteeism – One formula of measuring absenteeism, suggested by the U.S. Department of Labor is as follows:

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

Other useful measures of absenteeism might include: incidence rate (number of absences per 100 employees each day), inactivity rate (percentage of time lost to absenteeism), and severity rate (average time lost per absent employee during a specified period of time)

B. Measuring Turnover – The following formula from the U.S. Department of Labor is widely used; in it, the term separations mean departures from the organization.

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



Turnover data can be gathered and analyzed in a number of different ways, including by: job and job level; department, unit, and location; reason for leaving; length of service; demographic characteristics; education and training; knowledge, skills, and abilities; and performance ratings/levels.

1. Determining Turnover Costs – can be relatively simple or very complex. Figure 2-6 shows a simplified costing model. More detailed and sophisticated turnover costing models consider a number of factors. Some of the most common areas considered include the following:

- ▶ Separation costs: includes HR staff and supervisor time and salaries to prevent separations, exit interview time, unemployment expenses, legal fees for separations challenged, accrued vacation, continued benefits, etc.
- ▶ Replacement costs: includes recruiting and advertising expenses, search fees, relocation and moving costs, supervisor and managerial time and salaries, employment testing costs, reference checking fees, pre-employment medical expenses, etc.
- ▶ Training costs: includes paid orientation time, training staff time and salaries, costs of training materials, supervisors' and managers' time and salaries, coworkers "coaching" time and salaries, etc.
- ▶ Hidden costs: includes costs not obvious but that affect lost productivity, decreased customer service, other employee turnover, missed deadlines, etc.

## CASE - ALEGENT HEALTH

Alegent Health, based in Omaha, Nebraska, is a non-profit health-care system composed of seven hospitals with about 2,000 beds and more than 200 clinic and outpatient locations, 1,200 physicians, and more than 7,500 other employees who work throughout the organization. Several years ago, Alegent recognized that HR issues needed "acute care treatment." Turnover rates of 24%, coupled with more than 500 unfilled positions, were costing the firm more than \$15 million annually.

Four years later, the turnover rates had declined to 12% and open positions had dropped to fewer than 100. Because of their improvements, Alegent's HR practices, and especially its retention successes, won several local and national awards. Alegent was named one of the "Best Places to Work in Omaha." The award was based on surveys of employees that asked about credibility, respect and fairness, pride, and camaraderie. Alegent also received a Workforce Management Optimas Award in the financial impact category for its success at recruiting and retaining key staff. Winning these awards indicates that Alegent is clearly being effective with its HR activities.

Specifically regarding retention efforts, Alegent created an Employee Retention Task Force whose focus was to decrease turnover and increase employee satisfaction. The task force identified several strategies to be used.

One program illustrates how Alegent approached retention of nurses. The Nursing Residence Program has caught national attention. Each resident (or new nurse) is paired with an experienced nurse or "preceptor" based on interests, personality, and so on. Also, a mentor

outside the nursing department adds support and encouragement to individuals. Nursing staff meet monthly for training. In addition, they can visit various other departments (pediatrics, cardiology, etc.) in which they may have career interests. Nurses interested in management can shadow the department director to see how the department is managed. Returning nurses who have been out of the field five or more years are enrolled, retrained, and paired with recently finished residents.

Alegent Health is the exception to the turnover levels in nursing. Compared with the U.S. health-care industry rate of 20%, Alegent's turnover rate of 7.6% is exceptionally low. Another key to aiding nursing recruitment and retention is an extensive training and development program. Many different short courses and classes are provided to Alegent employees at no cost. As part of this program, Alegent pays up to \$20,000 for employees selected for a career advancement program to obtain nursing degrees.\*

### Questions

1. Discuss how Alegent's practices match with the recommended retention practices covered in the chapter.
2. Why was Alegent's broad-based approach to nursing retention important?

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\* Based on Christa Hines and Amy Protexter, **Alegent Health Press Releases** dated June 25, 2002, October 21, 2003, June 9, 2003, December 18, 2003, and February 25, 2004; and Eilene Zimmerman, "Strong Medicine," **Workforce Management**, March 2004, 40-42.

### Suggested Answers to Case Questions

#### **1. Discuss how Alegent's practices match with the recommended retention practices covered in the chapter.**

There are several drivers of retention: characteristics of the employer, job design, career opportunities, rewards, and employee relationships. Regarding the characteristics of the employer, Alegent has clearly focused on creating an organizational culture of shared values and beliefs that provide members organizational meaning and rules of behavior. Their culture tends to value people and eliminates barriers for employees to pursue their individual capabilities. This type of culture tends to result in lower turnover. Alegent also seems to be concerned about the job/person match since they allow nurses to visit various departments in which they may have career interests.

One of the strong areas of Alegent's practices is the commitment to training/development and mentoring. These practices along with the focus on career development are two other areas related to career opportunities that are discussed in the text as recommended activities to lower turnover. A final area that Alegent excels in is employee relationships. By using an employee task force to identify retention strategies, employees feel involved in their work.

#### **2. Why was Alegent's broad based approach to nursing retention important?**

A broad based approach to nursing retention is important because of the severity of the turnover costs and because retention is connected to so many other areas of HR: recruiting, selecting,

orientation, training, compensation, career planning, health/safety, etc. To focus on only one element of retention, such as training, but to neglect the other areas will not work. If you don't have good selection, orientation, compensation, etc. then training will not be enough to have a significant effect on turnover.