



Impact of Global Economy Growth over Employee Turnover

KEYWORDS

Global Economy, Employee Turnover rate, Employee Retention, Talent Exodus

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ABSTRACT

Employee Turnover is the ratio of how many employees leave a company, compared to how many employees remain. Turnover basically arises from the unhappiness from job place for individual employee. But being unhappy in a job is not the only reason why people leave one company for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. Since 2007 the world is experiencing periodic economic crisis which has trouble-shooted many top firms in terms of recruitment, employee retention and among monetary benefits to their employees. Now the case is with retention of employees. Global firms are facing a talent exodus as world economies return to growth. Growth is expected to pick up over 2013 and 2014. We can expect labor markets to revive and could see staff turnover to increase. Organizations therefore need to start thinking now about how to secure the long-term commitment of their workers. Failure to create the right environment will encourage disgruntled employees to take off in search of better conditions. This article makes an attempt to bring out the Present and Future exploratory information about the impact of global economy growth over employee turnover which is hitting new heights.

INTRODUCTION

The periodic economic crisis has taken a breath and seems to be the pocket gains of many economic countries. The sustainability of global economic growth and Foreign Direct Investment into many sectors signs up to economic and market trends to get revived. Economic Growth is expected to pick up over 2013 and 2014; we can expect global firms will find a talent exodus.

Since 2007 the world is experiencing periodic economic crisis which has trouble-shooted many top firms in terms of recruitment, employee retention and among monetary benefits to their employees. Now the case is with retention of employees because the labor market is getting revived to flight for employment opportunities. Organizations therefore need to start thinking about how to secure the long-term commitment of their workers. Failure to create the right environment will encourage disgruntled employees to take off in search of better conditions.

Global Economy, According to the Business Dictionary, *Global Economy* generally refers to the economy, which is based on economies of all of the world's countries, national economies.

Turnover is sometimes a synonym for revenue (sales context). There are several types of turnovers like inventory turnover, asset turnover, and customer turnover. But when it comes to the human resource context the turnover is termed as **Turnover rate**- *It is a relative rate at which the employer gains or losses staff. The turnover rate can also be defined as a human resources metric which expresses the number of employees lost through firing, attrition and other means compared to the total number of employees in the company.* It is also termed as the ratio of the number of workers that had to be replaced in a given time period to the average number of workers.

Employee Turnover Rate is the ratio of how many employees leave a company, compared to how many employees remain. Some turnover is beneficial, in that it allows unproductive workers to walk out the door. Other turnover is detrimental, in that highly competent veteran workers leave, only

to be replaced by a novice.

Turnover: Causes and Influencing Factors

Turnover basically arises from the unhappiness from job place for individual employee. But being unhappy in a job is not the only reason why people leave one company for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. That's why it is important to know and recognize the difference between employees who leave the job because they are unhappy and those who leave for other reasons. There are number of factors that contribute to employee turnover. We explore some of these factors in more detail below:

- (i) **The economy** - in exit interviews, one of the most common reasons given for leaving the job is the availability of higher paying jobs. Some minimum wage workers reported for leaving one job to another that pays only 50 cents an hour more. Obviously, in a better economy the availability of alternative jobs plays a role in turnover, but this tends to be overstated in exit interviews.
- (ii) **The characteristics of the job** - some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenges, danger, perceived importance and capacity to elicit a sense of accomplishment.
- (iii) **Demographics** - empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.
- (iv) **The person** - In addition to the factors listed above, there are also factors specific to the individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade or an unsolicited job offer.

Relationship between Economy and Employee Turnover

Organizations that can successfully retain their human resources have an advantage over organizations that cannot. Regardless of individual firm/ industry, the turnover of employees makes it difficult to secure a work force and costs

companies enormous expenses to recruit, hire and train new personnel. Research targeting various firms/ industries do not show consistent results because of the different characteristics of the firm/ industries and their work forces.

On the other corner the economy fluctuations hitting the business opportunities and at the same time over the employee stability. The race of the economy in this fully saturated business world, either makes the business to go flights or it leads to get sink. Economy now in this 2013 year, it is expected to take flights and that optimistic view is now reviving the global firms to focus on their key employees.

“Employees” in this context, what makes them to stay back with a company when an economic condition seems to be fit?

From the business history, five factors have been predicted and analyzed that these are influencing the employees to get retained.

- **Confidence in the organization and leadership-** Employees need to feel they work for a well-led organization that is heading in a positive direction. This requires leaders to communicate company strategy clearly, consistently, regularly and with authority.
- **Room for growth-** Most people want to reach their potential at work. Employees want to know that there are opportunities to learn, grow and progress. If not, many will begin to wonder if their future lies elsewhere.
- **A fair exchange-** Employees need to feel valued if they are to deliver more with less in difficult times. Tapping into employees’ discretionary effort demands a fair balance between the contributions they make and the rewards they receive.
- **An environment for success-** Engaging employees is not enough. To sustain commitment, firms also need to enable them to perform at their best. This means placing the right people in the right roles, creating efficient work processes, enabling collaboration and providing a supportive working environment.
- **Authority and influence-** Engaged workers want to contribute positively to their organizations and help them to perform better. Firms need to provide staff with the basic authority to allow them to do their jobs and influence how work is done.

IMPACT OF GLOBAL ECONOMY GROWTH OVER EMPLOYEE TURNOVER

As Global economy is taking strength to pick up, many firms/ industries are making to set their strategies towards the business opportunities. The present market trends and labor market started to get revived and started to explore the attractive recruitment process to make talent acquisition.

In a Catalyst study, a research based and a non-profit organization, senior-level Men/ Women gave their top three reasons for which they would leave their current organization, with 42-51% citing increased compensation, 32-35 % to accept the opportunity to develop new skills or competencies, and 30-33% to pursue greater advancement opportunities.

Hay Group analyzed global macroeconomic trends and forecasts and their opinion database of over 5.5 million employees worldwide are turning over to other companies globally. This enabled to identify the timing and scale of the employee turnover ‘spike’ for 700 million employees in 19 countries worldwide anticipates highest global attrition among Indian employees pegged at 26.9%.

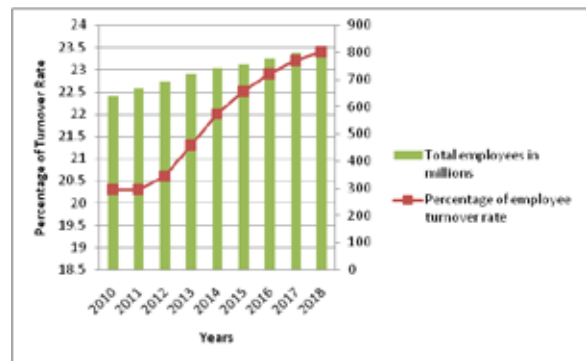
Explaining the Indian context, Mohinish Sinha, Leadership and Talent Practice Leader, Hay Group India, says, “The Indian Economic growth is set to pick up, and this will be warmly welcomed by businesses. However the upturn will come with a risk driven by an ambitious middle class, employers at India

Inc. Workers around the world are already starting to seek new job opportunities as growth returns and labor markets begin to pick up. *The global employee turnover rate will expectedly see the sharpest increase in 2014, with the greatest growth happening in that year. But regional economic and job market forecasts show that turnover will spike sooner in emerging economies than in developed. Emerging economies in Asia and Latin America will spike between now and 2014, while mature markets will peak between 2014 and 2018, led by dominant economies such as Germany and the US. . Expectedly in 2018, 49 million more employees will be heading out the door compared to 2012 – a total of 192 million employees worldwide.*

Since the article brings out the factual observation on the impact of global economy growth over employee turnover rate. The following tabular information shows the global turnover and number of employees from 2012- 2018.

PERCENTAGE OF EMPLOYEE TURNOVER RATE AND TOTAL EMPLOYEES FOR 2010-18

S.No	Years	Percentage of Employee Turnover Rate	Total employees (in millions)
1	2010	20.3	640
2	2011	20.3	670
3	2012	20.6	695
4	2013	21.3	720
5	2014	22	745
6	2015	22.5	755
7	2016	22.9	780
8	2017	23.2	800
9	2018	23.4	825



Source: Hay Group cebr analysis

It is clear from the table & graph as shown above; the turnover is set to have a slight rise from 2010-12. There is a sharp increase in turnover of employees among worldwide from 2013-18.

CONCLUSION

Generally, in the ever changing business environment change is inevitable. The retention of the talent is very important for the organization. The economy growth in the recent years has paved a way for overall growth of the market globally. It is a positive note for the organizations in one way but not so favorable when it is with the case of its human talent retention. The global economy growth has shown its impact on the employee turnover and made it more difficult for the employers to retain their talent. It is probing the managers to

find out the strategies to overcome and avoid the situation of talent exodus. Thus, Organizations has to conduct constructive measures in retaining their key employees.

“The calm before the storm should be used to secure the commitment of your key employees”

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