Research Paper Management

Role of Incentives in Curbing Employee Turnover

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ABSTRACT

The turnover of core employees is great lost for industrial companies, so that the research of turnover Intention (TI) is critical to enterprise. As a business manager, staff turnover is one area to keep an eye on throughout the year. Turnover is defined as the percentage of a company's work force that voluntarily quits during one year. In general, the goal is to have low staff turnover to maintain consistency in the work force and develop more skilled employees. This paper includes tool to reduce employee turnover is compensation. Compensation given to employees helps in reducing turnover, compensation includes both monetary and non monetary.

KEYWORDS employee performance, monetary, non monetary, incentives.

INTRODUCTION

A monetary gift provided to an employee based on performance, which is thought of as one way to entice the employee to continue delivering positive results. Incentive pay may come in the form of a bonus, profit-sharing, or commission.

Employee incentives are rewards doled out to workers at a company based on their individual or team performance, or the overall performance of the company. Incentives come in the form of raises, commission payments, one-time bonuses, stock options and indirect incentives such as plane tickets, concert tickets and extra vacation time. Incentives typically are determined and implemented by managers. Managers also determine which benchmarks will be used to determine which employees are eligible for the incentive offered.

Following are some of the important advantages of incentive plan:

(i) Increase in volume of output - Output of the firm increases as the workers are motivated to increase their efficiency to get more wages.
(ii) Reduction of cost of production per unit - Cost of production per unit of output declines due to decrease in labour cost and overheads per unit.
(iii) Reduction of labour turnover - Workers is rewarded properly for their efficiency which results in reduction of labour turnover.
(iv) Reduction of idle time - Since the payment of wages is linked with efficiency, the idle time costs are reduced to the minimum.
(v) Benefit to consumers - Reduction of cost of production per unit is passed on to the consumers by reducing the selling price.

What Is Turnover?

When employees leave a company and have to be replaced, that's called turnover. A certain amount of turnover is unavoidable, but too much can ruin a company.

Some employees will always retire, move away, go back to school, or leave the workforce. This level of turnover is not only unavoidable, it can be beneficial. It brings new people into the organization with new ideas and a fresh perspective.

Types Of Turnover

The two general types of turnover are voluntary and involuntary. Voluntary turnover is when the employee chooses to leave for whatever reason. Involuntary turnover is caused by layoffs and similar actions where the decision for an employee to leave is made by the company and not the employee.

As a general rule, voluntary turnover is the measure used to discuss and compare employers. It is the type most directly affected by the front line supervisors. Involuntary turnover, caused by layoffs, can be a long-term result of high levels of voluntary turnover.

How to reduce turnover

Hire the right people and continue to develop their careers. Does the company have ongoing career development, tuition reimbursement or skills training programs? An investment in upgrading the workforce is one of the best investments one will ever make when looking at long-term growth. Hiring people that are a good fit with the culture— meaning their values, principles and goals clearly match those of the company — and then training as necessary will go a long way toward ensuring employee loyalty and retention.

Develop an employee oriented culture. Most companies with low turnover rates are employee oriented. They solicit input and involvement from all employees and maintain a true open-door policy, avoiding closed-door meetings as much as possible. Employees are given the opportunity for advancement and not micro-managed. And rewards are critical. Employees must believe they have a voice and are recognized for their contribution. Remember that trust and loyalty are a two-way street.

Develop an overall strategic compensation package. This should include not only base and variable pay scales, but long-term incentive compensation, bonus and gain-sharing plans, benefit plans to address health and welfare issues, non-cash rewards and perks, too. To be competitive in today's labor market, most companies find it necessary to offer a standard benefit package, including health, dental and life insurance, vacation and leave policies, investment and retirement plans. Many small companies cannot afford such a complete package.

Consider other options such as alternative work schedules, flextime, preventative health care and wellness programs such as fitness center memberships as possible cost-effective benefits. Perks or non-cash rewards to recognize exceptional performance can be critical. Service recognition, event tickets, trips and public recognition can send strong messages regarding company culture and values. Try to examine the issues and needs of the employees to develop creative programs to address these needs.

Objectives

- To understand the concept of incentives and turnover of employees.
- To understand incentives as a tool to reduce turnover of

employees.

Research Methodology

Primary sources enable the researcher to get as close as possible to what actually happened and is hands on. A primary source reflects the individual viewpoint of a participant or observer. Primary sources are first hand information from a person who witnessed or participated in an event.

Secondary research is using information that has already been produced by othet people. A secondary source is used by a person usually not present at the event and relying on primary source documents for information. Seconadry sources usually analyse and interpret. Finding out about research that already exists will help form new research.

Data here used is secondary data.

Case study

According to research conducted by People Report, restaurant managers in particular have huge employee turnover rates to contend with. On average, fine dining restaurants in the U.S. average a 66% annual employee turnover rate, while fast food restaurants have been averaging a whopping 145% turnover rate. Altogether, these staff changes result in billions of dollars of lost revenue for the food service industry alone.

Every time an employee leaves a business, all of the time and money invested in these workers goes out the door with them. This is especially true in the service industries or in any business that has spent time researching and planning specific training and process practices. And aside from the time and money that goes out the door when employees leave, the business is left "short staffed" and has to start the recruiting process over and over again.For this reason, it's not just hourly employees that have a high turnover rate; certain businesses may have a high turnover rate among managers due to frustration and burn out!

Build relationships with staff members

Business managers should be seen by the employees as human beings who care about the success and welfare of their employees. Granted, it's a fine line to walk for the manager, but it's worth it when you consider the employee retention benefits that come from building relationships with everyone on the team.

Managers who are "task masters" and who make employees feel like they're slaves to the company damage the relationships needed to minimize employee turnover. But, at the same time, managers shouldn't portray themselves as "everyone's buddy" either, as some separation between employee and manager is necessary to ensure an orderly workplace.

Reward employees with perks

We already know that great employees can be hard to find – and sometimes even harder to keep. Whenever managers encounter employees that show they're going above and beyond the minimum expectations of their job descriptions, it's a good idea to give them plenty of praise – and to give that praise in front of other workers.Other small gestures – such as awarding a gift card for reaching a specific sales goal or a number of days without an on-the-job accident – shows that the manager really does care about the well-being of his employees. Sometimes, something as simple as a "pat on the back" is exactly what an employee needs to enjoy his job more and remain with the company longer.

Offer pay raises as a reward for hard work and commitment

While last week's article on, "What Employees Really Want from Their Managers" revealed that incentives don't only need to come in the form of financial reward. But in some cases, raises and benefit increases may be the only way to keep your best team members.

Within every business, there are a number of people who work hard every day, show up on time for their shifts and expect to be well-compensated for their efforts. And while these employees may seem dedicated to your company, the reality is that they often have their ear to ground for jobs that pay more than their current wages.Managers can keep these employees where they are by offering pay raise incentives and following through on these promises. More specifically, managers can set tangible goals or milestones that every employee in the business should be capable of attaining. Setting "pay raise goals" for employees that are just high enough out of reach to make staff members work hard – while, at the same time, making them reasonable enough for all workers to attain – can go a long way towards keeping good employees from leaving and minimizing overall turnover costs.

Conclusion

With the improving economy and the coming talent crunches due to retiring boomers, retention rates promise only to get worse. Already, turnover rates for all industries hover around 13%–and those rates are far higher in the service sector, where the average is 30%, according to SHRM. The retention crisis will undoubtedly intensify as the talent war rages and Millennials (who are notorious for job hopping) become a bigger part of the workforce.

Be sure that employers are paying employees the fair going wage for their work (or better) and offer them competitive benefits, or—really—who can blame them for ditching you? This might seem like a no brainer but one had to be surprised how few companies offer raises that keep up with an employee's development and actual rising worth.

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