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Reviewer: G. Valodkiene, PhD, Lecturer, Kaunas University of Technology.

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### THE RELATIONSHIP BETWEEN EMPLOYEE TURNOVER AND PRODUCTIVITY IN THE ORGANIZATION

**Dinkov Milen Emilov**, PhD, Assistant professor, D. A. Tsenov Academy of Economics, Svishtov, Bulgaria

**Динков Милен Емилов**, PhD, доцент, д-р кафедры менеджмента Хозяйственной академии им. Д. А. Ценова – Свиштов, Республика Болгария

**Dinkov M. Relationship between employee turnover and productivity in the organization.**

The analysis in this article is aimed at employee turnover, which, despite not being a new concept, is a major problem in the management of human resources and has drawn the attention of a number of practitioners and researchers worldwide. Keeping its employees is one of the most significant problems for every organization. The market itself creates obstacles in finding qualified and motivated specialists and managers; once found, their loss is even more critical for the organization. Finding a formula for solving the problem is a difficult task which has no simple answer, as well as most processes in personnel management, but the solution most probably goes through changing the attitude to it: from being a significant budget cost to becoming the most important productive resource for the organization. Bearing in mind this point of view, the research does not focus on empirical data for measuring turnover; rather it aims at revealing its characteristics and influence on employee productivity in the organization.

**Динков М. Е. Связь между текучестью и производительностью персонала в организации.**

В статье проведен анализ направленный на выявление аспектов текучести персонала, не смотря на то, что это не новая проблема, но является основной проблемой при управлении человеческими ресурсами и привлекает внимание ряда практиков и исследователей в мире. Сохранение контингента служащих – самая актуальная проблема для каждой организации. Сам рынок труда создаёт трудности при устройстве качественных и мотивированных специалистов и менеджеров, а когда они существуют, их уход является более критическим для организации. Решение этой проблемы – трудная задача и нет однозначного ответа, как найти решение этой проблемы в управлении персоналом, но всё таки наверное переходит через изменение в отношении к нему: от существенного расхода в бюджете к самому главному производительному ресурсу для организации. С этой точки зрения, исследование не направлено на эмпирические данные для измерения текучести кадров, а его цель раскрыть особенности и влияние текучести кадров на производительность персонала организации.

**Problem relevance.** The relevance of employee turnover, as a problem and phenomenon, is determined by the following: *firstly*, the existence of differences in the employee management

approaches applied by employers, *secondly*, the personnel's specific features. In today's conditions of development, the workforce decreases in quantity, while at the same time it increases its quality. This results in increasing the demands and, at the same time, the expectations towards the organization. Decreasing the number of highly-qualified specialists makes them hesitate where to work, as their choice is governed solely by employers' offers. The scarcity of efficient employees and their constantly increasing value makes employing and keeping them even more difficult. All this requires serious reconsideration of the approach to their management. Turnover is a phenomenon which can be influenced, i.e., it can be managed. Unfortunately, few organizations pay attention to this problem without taking the necessary actions to influence such a significant process.

**Analysis of recent research and publications.** Over the last two decades, the problems related to employee turnover have increased their significance for most organizations in the world. Turnover is a process which reflects the whole functioning of an organization and is considered a potential threat for the loss of knowledge. In today's economy of knowledge, employees are the most important competitive advantage and a major asset for each organization. Despite this, even in the most developed countries, the percentage of job leavers is still very high. All this has provoked a number of researchers – both Bulgarian and foreign, who, through their empirical research, have made an attempt to assess the consequences of turnover for the efficiency of the organization and its employees' productivity.

**Purpose of the article.** The purpose of the article is to reveal the relationship between the influence of turnover on employees' productivity and the efficiency of the organization as a whole.

**Result of the research.** We observe an extremely negative attitude towards the personnel's problems in a number of organizations, at that, without differentiating between qualified and non-qualified employees. This leads to serious omissions made when performing all activities on personnel management, often characterized by lack of content, logics and consistency. This clearly signals that the personnel in the organization is not perceived as the most precious asset; rather, it is considered an expense. All this casts doubts over the expertise of the specialists who are directly responsible for its management.

Employee turnover refers to the movement of employees out of the organization. It is a negative aspect and can be defined as the ratio between the numbers of employees who have left during a particular period against the total number of employees in the organization [9, PP. 660-624].

In other words, it is a sequence of actions which begins with the leaving of a particular employee and ends with the finding of his/her successor. On the other hand, turnover often serves as an indicator of organizational performance which can be easily observed after comparing organizational efficiency and productivity.

Employee turnover depends on various reasons, which can be divided into *objective (external)* and *subjective (internal)*. We often consider the major reasons to be determinants of the external environment of the organization such as *the level of unemployment* and *alternative job opportunities*, which are uncontrollable variables. There is a close relationship between labor market and turnover. The decision to leave is a process which is related to researching the possible alternatives for another job or the objective indicators on the labor market. Employees leave their current jobs when they decide that the future benefits outside their organization will be more [6, PP. 644-658].

Bearing in mind the reasons for the occurrence of turnover, we can say that the subjective (internal) reasons prevail. They are individual and vary with particular positions, professional and age groups. Hence the organizational factors that are more susceptible to direct control by the organization's management contribute much more to the occurrence of employee turnover. Such factors are:

Ø *Job satisfaction* – satisfaction is most often related to how people feel about their jobs.[10, PP. 42-46] This is the people's attitude towards their jobs, which is the result of the perceptions and the degree of correspondence between the individual and the position. Job satisfaction is directly related to turnover. The increase of lack of satisfaction leads to an increase of the desire for employees to search for new job opportunities. Therefore, satisfaction is a major predictor of the employee's decision to remain in the organization.

Ø *Organizational commitment* – it is considered synonymous to loyalty. Commitment is a desire and readiness to invest significant effort in favor of the organization; it is an acceptance of the organization's aims and values and a strong desire for belonging to the organization. We can distinguish *three dimensions of commitment*: ***affective***, which is an emotional attachment and identification with the organization, i.e., they remain in the organization by their own free will; ***commitment to continue work for the organization*** – it is related to realizing the consequences stemming from leaving the organization, i.e., employees remain in the organization out of necessity; ***normative commitment*** – it is related to the feeling of duty and obligation to remain in the organization, i.e., employees believe they must remain in the organization [8, PP. 372-378].

Job satisfaction and organizational commitment are positively related as both variables involve feelings in relation to a labor situation [5, PP. 693-717]. On the other hand, the external, internal and general job satisfaction have a direct relation to the normative and affective commitment. But despite the proven similarity between the two constructs, their influence can be directed in different directions, which means that each of them can be both the reason and the result. Thus for example, organizational commitment can be the result of job satisfaction, but on the other hand, commitment can lead to satisfaction.

The individual factors which govern the relationship “*job satisfaction – turnover*” are of equal importance. These are *gender, age, experience, education and marital status*. Even though we often find in empirical research a relation between some characteristics of the employee and his/her satisfaction and desire to remain in the company, usually, such types of relationships are unstable and controversial, which makes the conclusions unconvincing.

The very process of constant appointment of new employees after the leaving of the already trained and qualified ones leads to both negative financial and social problems.[2, PP. 203-229] Employees' instability hinders them from building long-lasting interpersonal relationships and the realization of constant transfer of knowledge. Hence, turnover can have a direct negative impact on the total organizational performance by obstructing the creating and distribution of knowledge. The dysfunctional organizational climate in the conditions of high turnover has a negative impact on the personnel's satisfaction and confidence. At the same time, the increasing work load and the low confidence of the employees remaining in the organization result in an increase in the probability for occurrence of turnover, i.e., we witness the creation of a circle in which turnover reproduces.

High turnover reflects the perceptions of customers for quality service, which reflects their satisfaction, hence their loyalty to the organization [1, PP. 573-578]. For this reason, the cost of turnover also includes the lost profits which an organization might make when the loyal customers prefer to follow the employee who has left.

One of the most serious results of turnover is related to the negative influence on the organization's reputation. Corporate reputation is a result of past organizational activities. It has a serious effect on the other indicators of organizational performance and in this sense it can also be referred to the criteria for organizational efficiency. Corporate reputation is the general appraisal and associations which the society makes about the organization, which respectively depend on its success to satisfy the expectations of the numerous stakeholders – managers, creditors, employees, customers, suppliers, the media and social groups. Positive reputation is a strategic resource which is precious, scarce and difficult to imitate – thus it secures the corresponding competitive advantage for the organization. Such reputation attracts talented employees, investors

and customers, and contributes to increasing the market share and establishing loyal relationships with customers in order to keep them [11, PP. 187-197]:

Positive reputation has an impact on both the quantity and quality of job applicants in the organization, which allows a selection of employees with higher qualification. By attracting and keeping highly efficient employees, the organization gains sustainable competitive advantage as a whole. On the other hand, positive reputation has an impact on the personnel itself.[3, PP. 667-681] This is most often expressed by increasing the favorable attitudes and behavior towards the job itself – high commitment of the personnel, job satisfaction and low turnover. As a result, reputation can be used to forecast the personnel’s satisfaction and loyalty, while it can be viewed as a consequence and factor of employee turnover.

Turnover can be viewed as [7, PP. 276-277]:

- Voluntary and forced – we observe voluntary turnover when the choice to leave the organization is made by the employee, while forced turnover is observed when the employee does not have the right to choose, i.e., when the employee is fired, made redundant, retired, when he/she has been on continuous sick leave, when he/she has physical or mental impairment, when he/she is moved to another organization, etc. Voluntary turnover is the most problematic for the employer because it is under the employee’s control and in practice leads to another organization benefiting from the investment made in him/her.

- Internal and external – we speak about internal turnover when employees leave their current tasks in order to occupy new positions within the organization. This can lead to both *positive* and *negative* consequences. The former ones are related to increased confidence, motivation and organizational commitment caused by the occupation of the new position, while the latter ones can be related to the loss of motivation for work because his/her new task or workplace do not meet the employee’s expectations.

- Qualified and unqualified – generally, unqualified employees show higher turnover as this category of employees does not have the status of permanently employed persons because they leave the organization at the slightest opportunity for a better job. Employers are not concerned about the turnover of this type of employees because they easily find substitutes. On the other hand, the loss of highly-qualified employees is a loss of human capital, loss of knowledge, skills and experience. This will inevitably lead to sharp competitive disadvantage, while their expenses will be significant if the employees who left occupied strategic positions in the organization.

Depending on whether turnover has positive or negative consequences for the organization, it can be viewed as *functional* and *dysfunctional* [4, PP. 716-721].

Ø Functional turnover is directly related to some positive for the organization results, as for example: improving the quality of human resources; importing new knowledge, experience and skills; easier improvement of organizational changes, as employees with many years of service often resist change and refuse to support it; inefficient employees are dismissed, which facilitates the growth of those who remain. When functioning in normal business conditions, every organization must have some employee turnover, but if it is to be beneficial, it must be maintained within certain optimal limits – usually 5-10%. It is extremely difficult to determine the level of turnover. This depends on the specific features of the organization, its stage of development, the adopted strategy and policy concerning the personnel, as well as many other factors. At organizational level, the degree of turnover may be accepted as satisfactory if it does not have significant influence on its economic and financial results.

Ø Dysfunctional turnover is related to the loss of a precious employee, which always reflects productivity and increases the expenses on hiring and training a new employee.

Regardless of some positive aspects of turnover, a number of empirical studies have proven that, as a whole, it leads to negative results for the organization regarding its activity and performance of organizational tasks. Finding a substitute for the employee who has left the organization is often costly as the new employee makes more mistakes during the period of

adjustment and orientation in the new working environment. The mistakes can be expressed in indicators like: decreasing the number of customers, decreasing the profits from sales, technological mistakes, unproductive functioning of the team as a result of turnover, inability to achieve the aims and use the potential of team members.

**Conclusions.** In conclusion, we can say that turnover is a phenomenon which is influenced by factors being under the control of the organization's management. This makes it susceptible to management through creating a program which contains consistent and logically lined actions. The management, in its essence, controls and optimizes the flow of leaving employees by keeping the efficient and highly-qualified ones, and dismissing those who are unproductive, which requires the application of a differentiation approach depending on their value for the organization. This process is closely related to the necessity of constant monitoring of the current levels of turnover, as well as the symptoms of its probable occurrence in the future.

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