

Human Sources analysis

Mingwei (Show) Wu

Background

“Turnover” : turnover is that churn refers to the gradual loss of employees over a period of time. In a company, the employee turnover is the biggest issue facing HR and high costs. Therefore, analyzing the employee turnover is the way to prevent the damage and save money to the company. Usually, the common reasons for employee turnover are better opportunity, health, relocation, education, and personal reasons etc. In addition, some hidden reasons for employee turnover include percent salary hike, overtime, travel distance, career satisfaction, tenure, and supervisor's personality etc.

Data

emp_id: employees id

status: working status, Active and Inactive

location: location of working city

level: Job level in Company

gender: Male and Female

emp_age: employees age

rating: Internal work evaluation level

mar_rating: employees' manager internal work evaluation level

mgr_reportees: employees' manager report

mgr_age: employees' manager age

mgr_tenure: employees' manager tenure

compensation: salary

percent_hike: percentage of increase salary

hiring_score: hire interview score

hiring_source: platform for job

no_previous_companies_worked: number of previous work companies

distance_from_home: distance between home and work place

total_dependents: number of dependents

marital_status: status of marry

education: education level

promotion_last_2_years: the promotion of employee within last 2 years

no_leaves_taken: number of leaves have been taken

total_experience: total of work experience

monthly_overtime_hrs: total number of monthly overtime hours

date_of_joining: date of join the company

```
## Attaching package: 'dplyr'

## The following objects are masked from 'package:stats':
##
##   filter, lag

## The following objects are masked from 'package:base':
##
##   intersect, setdiff, setequal, union

## -- Attaching packages ----- tidyverse 1.3.0 --

## v ggplot2 3.3.2      v purrr 0.3.4
## v tibble 3.0.4       v stringr 1.4.0
## v tidyr 1.1.2        v forcats 0.5.0

## -- Conflicts ----- tidyverse_conflicts() --
## x dplyr::filter() masks stats::filter()
## x dplyr::lag()    masks stats::lag()

## [1] 1954 34

## [1] 1954 34
```

Fomular for turnover rate

Turnover rate = Number of employees who left / Total number of employees

counting the status from data frame. we know the active employee is 1557, and 397 employees left the company.

```
##   status    n
## 1  Active 1557
## 2 Inactive 397
```

calculate a mean of turnover_rate. the rate is approximation 18% for employees left

```
##   turnover_rate
## 1      0.203173
```

Approximation 22% of Analyst job level leaving and 15% of Specialist level leaving end of 12/31/2014 in the company.

```
## `summarise()` ungrouping output (override with `.groups` argument)

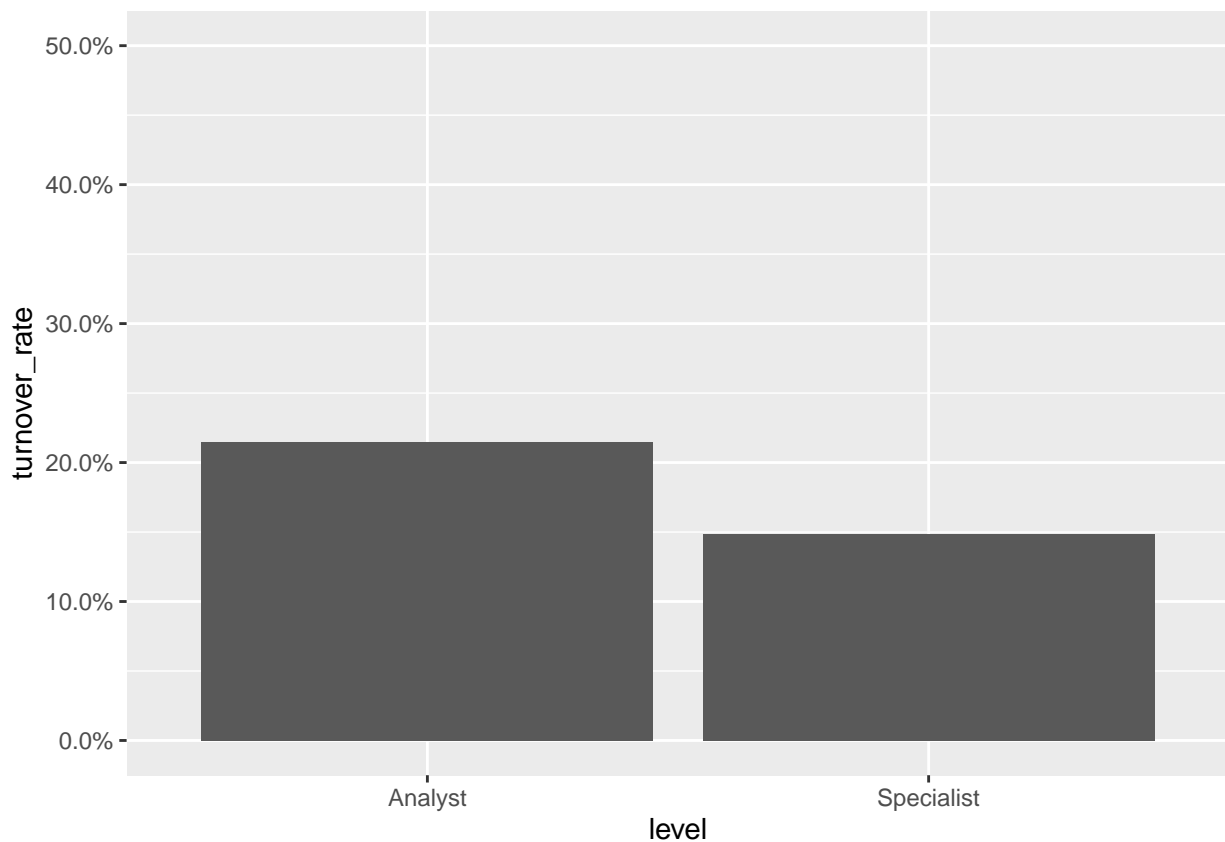
## # A tibble: 2 x 2
##   level      turnover_rate
##   <fct>          <dbl>
## 1 Analyst          0.215
## 2 Specialist        0.149
```

use graph for data visualization. the graph is showing the rate value between the analyst level and specialist level.

```
##
## Attaching package: 'scales'

## The following object is masked from 'package:purrr':
##
##   discard

## The following object is masked from 'package:readr':
##
##   col_factor
```

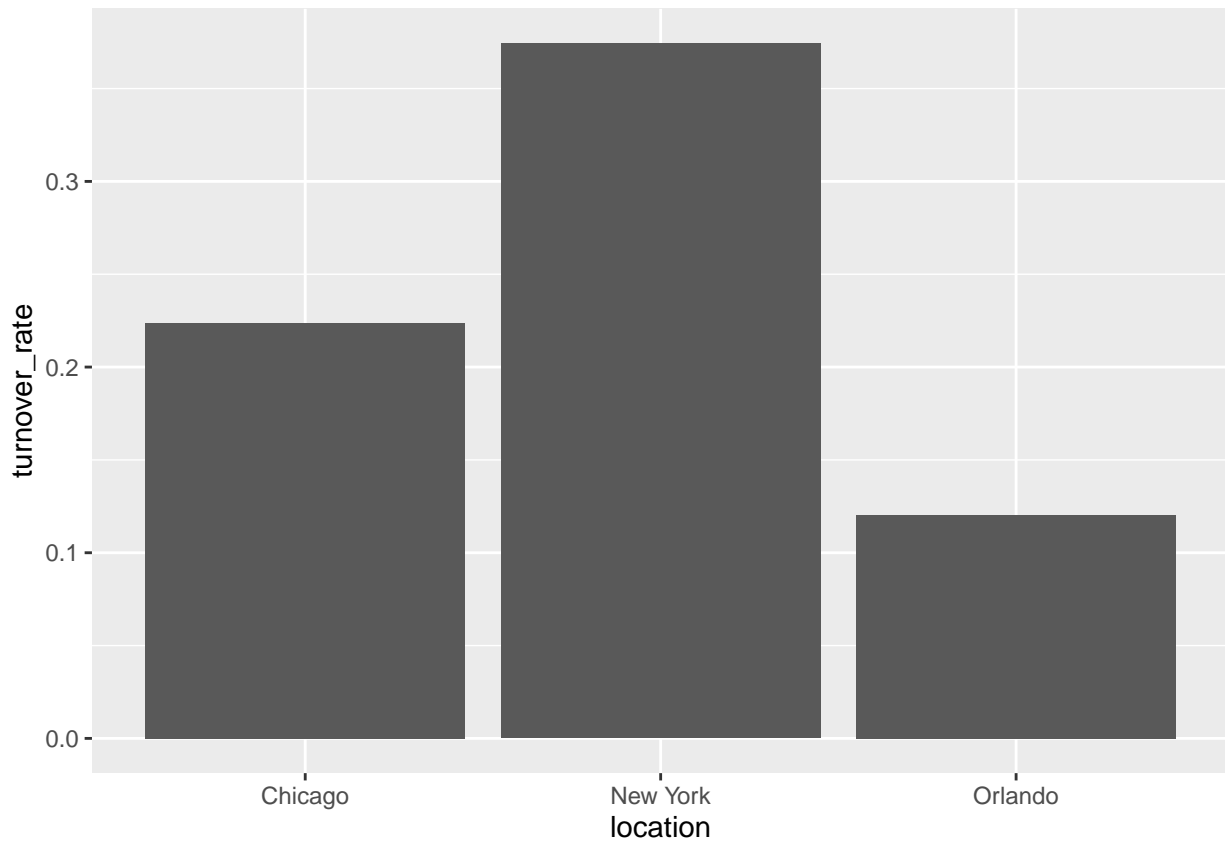


Question: calculate the turnover rate in different cites ### Company has 3 controlled company in Chicago, New York, Orlando. After calculating the turnover_rate, we can see the highest proportion is in New York city, and the lowest is Orlando.

```
## `summarise()` ungrouping output (override with `.groups` argument)

## # A tibble: 3 x 2
##   location turnover_rate
##   <fct>         <dbl>
## 1 Chicago      0.224
## 2 New York     0.374
## 3 Orlando     0.121
```

```
location%>% #histogram to data visulization
  ggplot(aes(location,turnover_rate))+ geom_col()
```



chekcing rating relationship for turnover_rate

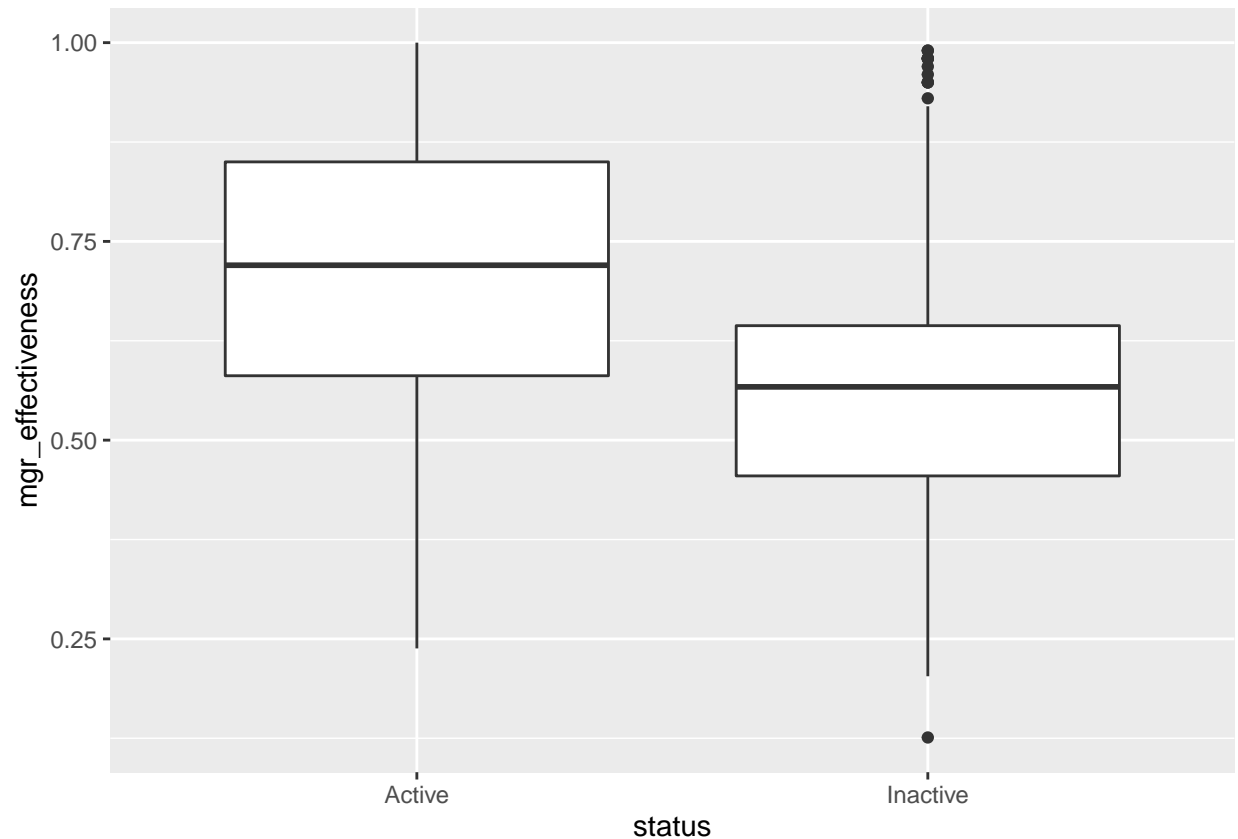
from the data calculating, the internal work evulation rate are showing that the unacceptable is 63% highest proportion of turnover_rate. The number 2 higher proportion is below average rating. On the contraction, the acceptable is 22%, above average 13% and excellent only 3%

```
## `summarise()` ungrouping output (override with `.groups` argument)
```

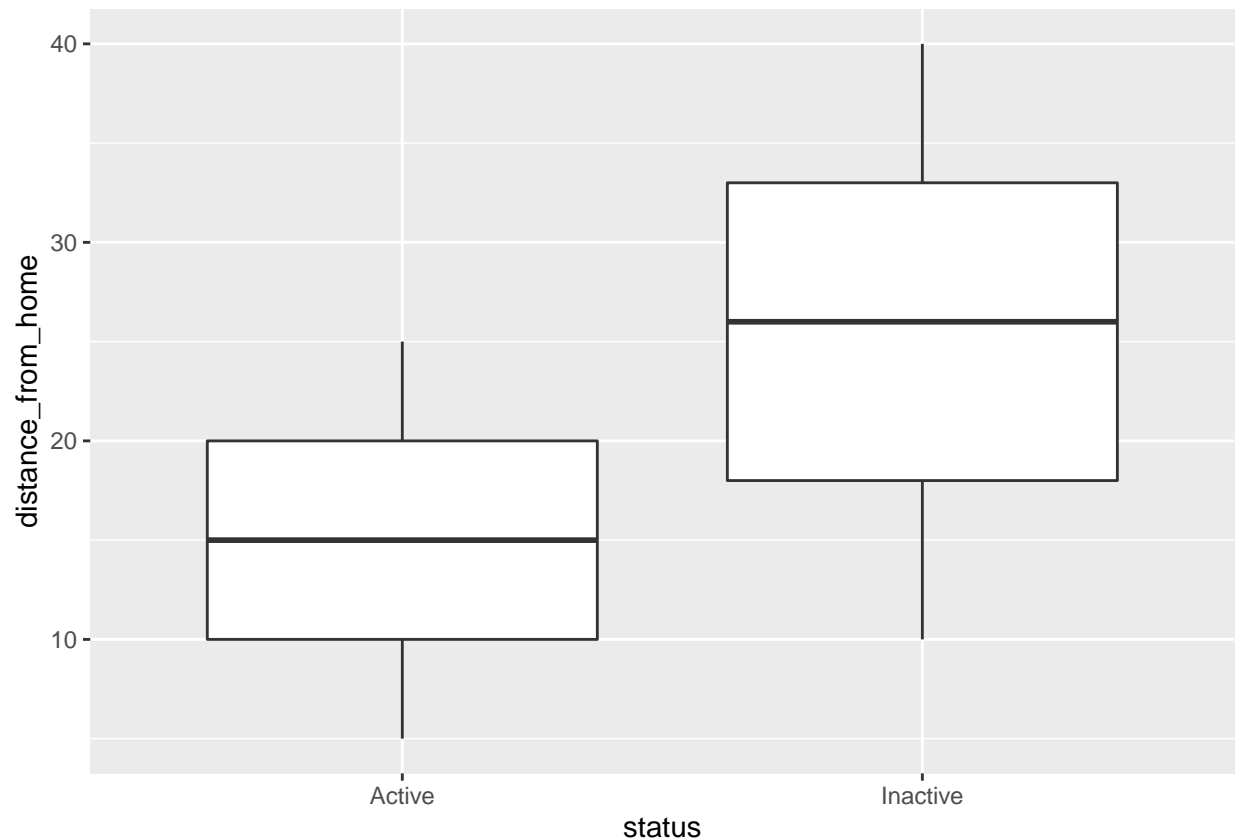
```
## # A tibble: 5 x 2
##   rating      turnover_rate
##   <fct>          <dbl>
## 1 Above Average    0.131
## 2 Acceptable      0.221
## 3 Below Average   0.385
## 4 Excellent       0.0305
## 5 Unacceptable    0.633
```

Question: is the work evaluation as main factor for employee turnover? the employee was fire by company?

the grph showing manager effectiveness also affct the employee turnover. the box-plot shows the outliers of inactive. however, overall shows that the mean of manger effectiveness of active is higher than inactive. according to box-plot, we know the manger effectiveness also affect turnover of employees.

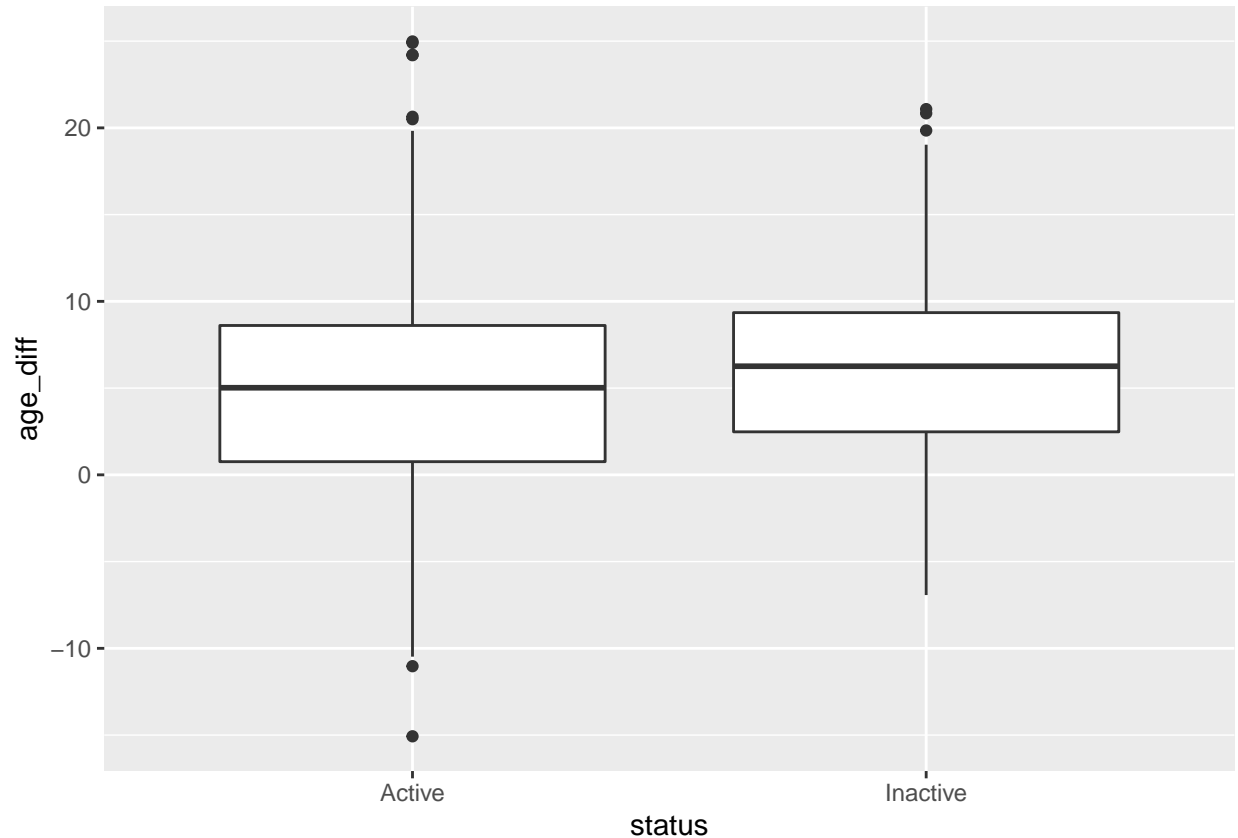


checking the distance between work place and home either effect to turnover or not.



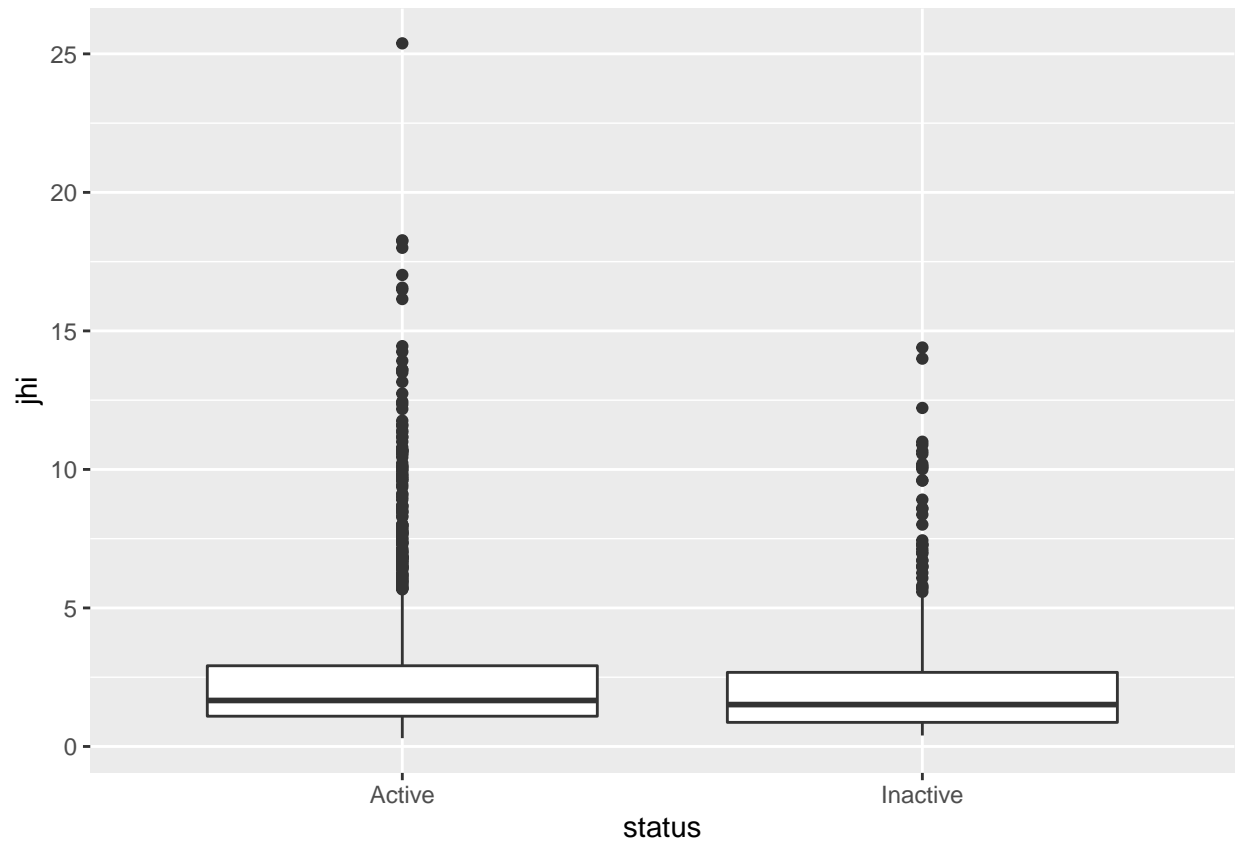
Due to figure out more significant factors which are affecting the employee turnover. ### Question: How does our company provide the hope to our employee? is data showing the relationship between the age and experience? ### We want to calculate some Job-Hop to our company. Differece of age between the employees and their supervisor, also improve the data to display the age and experiences. Provide a Job-Hop into data frame for reducing employee turnover. ### extra a data for difference of employe age and manager age. Why calculate that? It's a reason that age difference will provide the hope for the Junior employee. They can know how long or what experience would supoort them move on next level.

Box-plot below, shows some outliers for status. it notice us, the mean of age difference of Inactive higher than active. This leads to the next idea of whether there is a big gap in age or experience between employees leaving and job expectations. Should we improve the system or shrink the age stage of the working layer.



###When Box-plot shows huge outliers, even the experience and number of previous worked experience might affect the Job-Hop, they were not consider in our concern.

Warning: Removed 186 rows containing non-finite values (stat_boxplot).

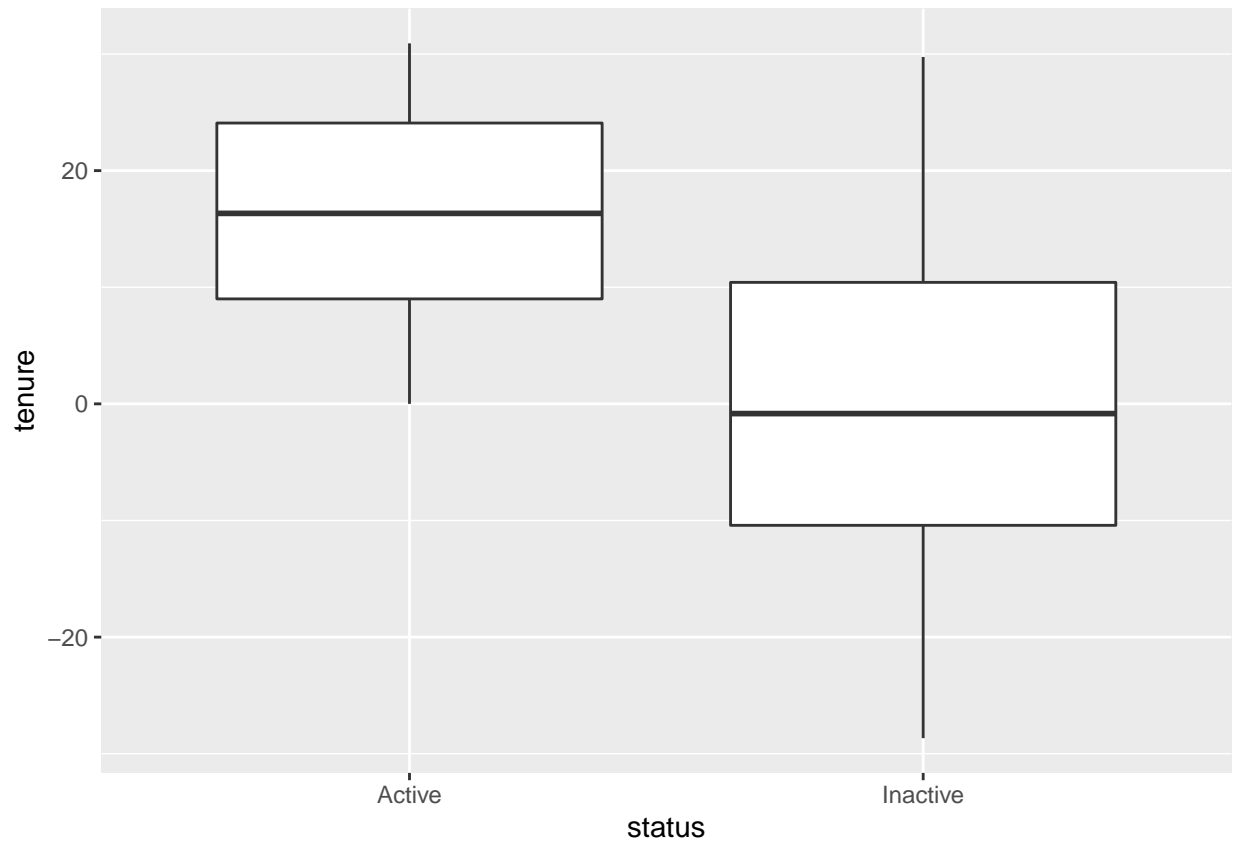


Question: Any suggestion to improve a employee turnover?

Calculate the employee tenure. According to below box-plot, we can see the Q1 percentile of active is almost equal the Q3 percentile of Inactive employee. In inactive employee, only 50% work like a year in the company. However, active employees are working for a long time than inactive employee. As a result. we can assume that the inactive employee domain percentage is new employee. According that, we have to improve the Junior employees in their first year.

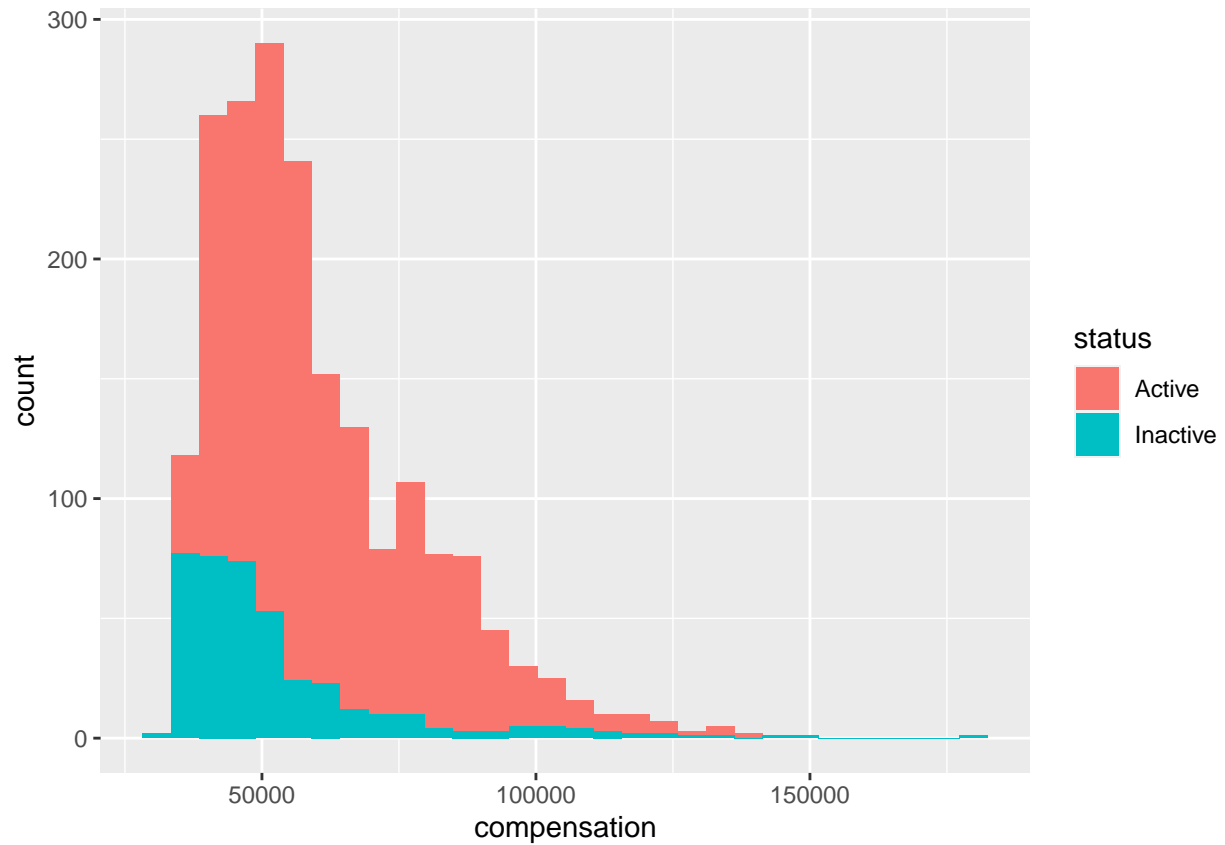
```
##
## Attaching package: 'lubridate'

## The following object is masked from 'package:base':
##
##     date
```

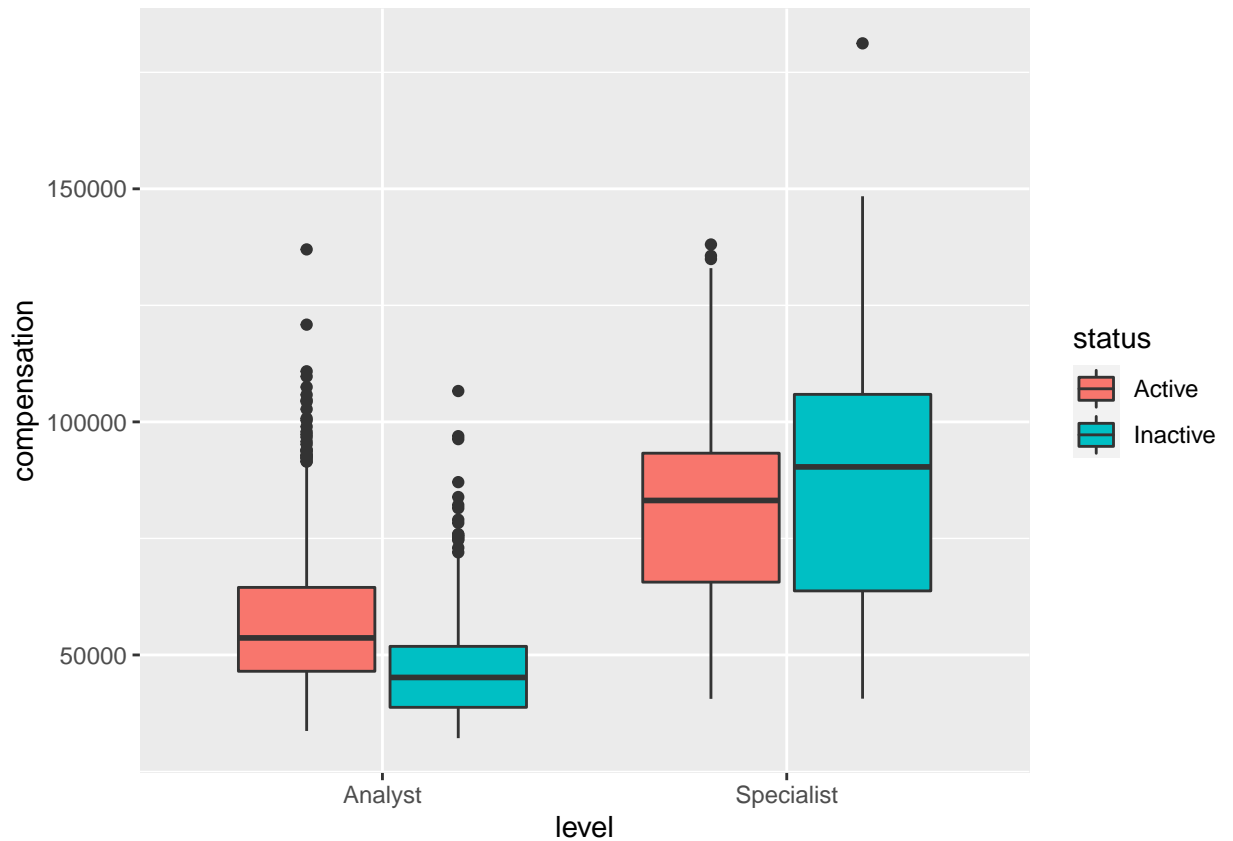


The inactive employees' salary are lower than active employees.

`stat_bin()` using `bins = 30`. Pick better value with `binwidth`.



Graph shows the relationship between level, compensation and status. In Analyst level, active employees compensation higher than inactive. However, in Specialist level, the inactive employees higher than active

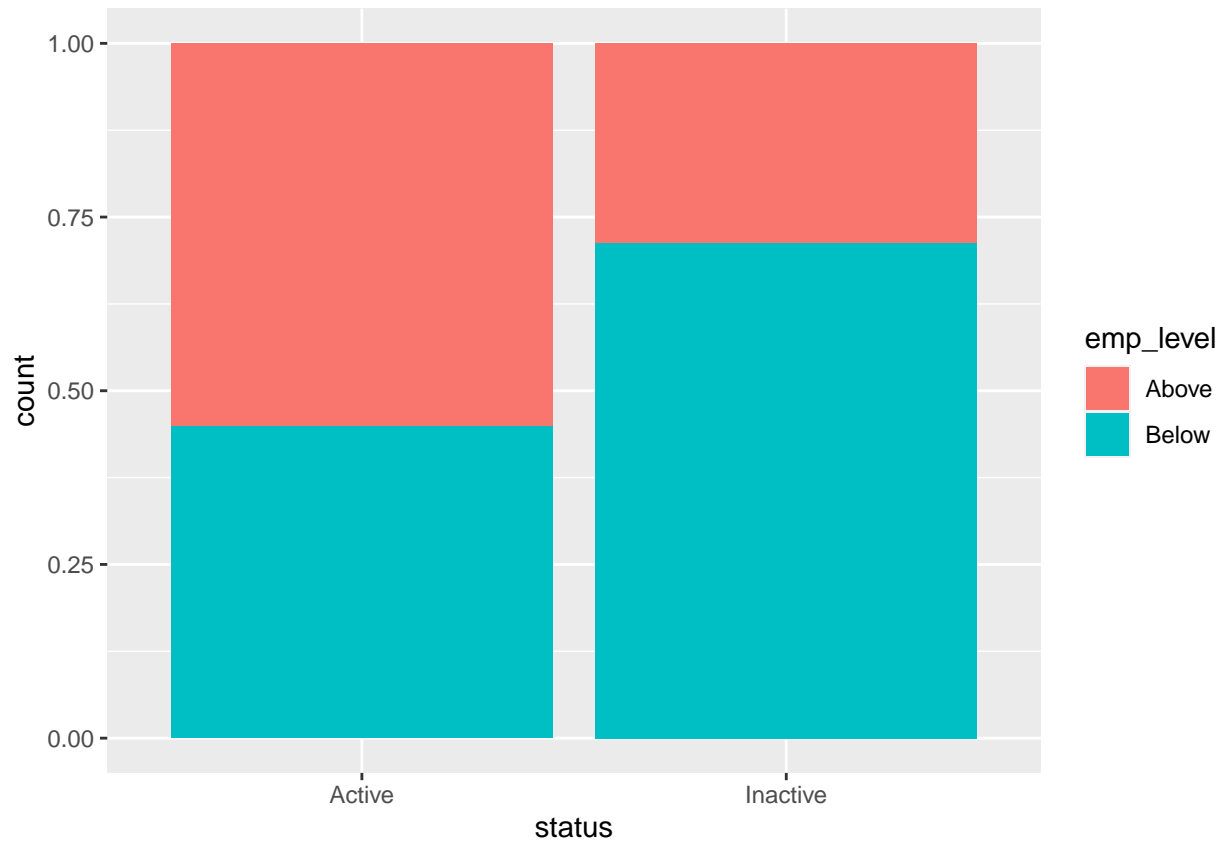


employees.

Compa Ratio is estimation to evaluate the employee wage percentage to median pay. ##Compa Ratio
= Actual Compensation / Median Compensation

```
## # A tibble: 2 x 2
## # Groups:   level [2]
##   level      median_compensation
##   <fct>          <dbl>
## 1 Analyst          51840
## 2 Specialist       83496
```

```
emp_final<- emp_ratio%>%
  mutate(emp_level = ifelse( compa_ratio > 1, "Above", "Below")) # add compa level , if compa_ration ge
emp_final%>%
  ggplot(aes(status, fill = emp_level))+geom_bar(position = "fill") #compare compa level between active
```



Unstanding information value : measure of predictive power of independent variable to accurately predict the dependent variable

Information value = $\text{sim}(\% \text{ of non-events} - \% \text{ of events}) * \log(\% \text{ of non-events} / \% \text{ of events})$

information value : less than 0.15 meaning predictive power is poor, if $0.15 < IV < 0.4$ id moderate, else greater than 0.4 meaning strong.

```
## [1] "Variable emp_id was removed because it is a non-numeric variable with >1000 categories"
## [1] "Variable department was removed because it has only 1 unique value"
## [1] "Variable cutoff_date was removed because it has only 1 unique value"
```

Variable	IV
percent_hike	1.144784e+00
total_dependents	1.088645e+00
no_leaves_taken	9.404533e-01
tenure	7.636901e-01
mgr_effectiveness	6.830020e-01
compensation	6.074885e-01
compa_ratio	4.768892e-01
date_of_joining	4.330804e-01
rating	3.869373e-01

```

## 23      monthly_overtime_hrs 3.786644e-01
## 8        mgr_reportees 3.620543e-01
## 2          location 2.963023e-01
## 36          emp_level 2.940446e-01
## 26          mgr_id 2.820235e-01
## 5          emp_age 2.275477e-01
## 16      distance_from_home 1.470549e-01
## 30      work_satisfaction 1.378953e-01
## 22      total_experience 1.345781e-01
## 19      education 1.253865e-01
## 20      promotion_last_2_years 9.979915e-02
## 9          mgr_age 9.816205e-02
## 29      perf_satisfaction 7.099511e-02
## 13      hiring_score 6.684727e-02
## 31      age_diff 6.634065e-02
## 32      jhi 6.586588e-02
## 10      mgr_tenure 5.918048e-02
## 28      career_satisfaction 3.539857e-02
## 3          level 2.726491e-02
## 34      median_compensation 2.726491e-02
## 18      marital_status 2.588063e-02
## 7          mgr_rating 2.172222e-02
## 15 no_previous_companies_worked 1.729893e-02
## 14      hiring_source 8.773529e-03
## 4          gender 3.959968e-05
## 1          status 0.000000e+00
## 25      last_working_date 0.000000e+00

```

logistic regression

As a summary showing the overall for the multiple linear regression, we can see the p-value to design which is significant factors. Compensation, career_satisfaction, rating, work_satisfaction and promotion_last_2_years are not significant to this regression.

```

##
## Call:
## glm(formula = turnover ~ emp_age + percent_hike + hiring_score +
##      compensation + distance_from_home + total_dependents + total_experience +
##      monthly_overtime_hrs + career_satisfaction + perf_satisfaction +
##      work_satisfaction + location + rating + marital_status +
##      education + promotion_last_2_years, family = "binomial",
##      data = org)
##
## Deviance Residuals:
##      Min       1Q   Median       3Q      Max
## -2.3728  -0.2997  -0.1162  -0.0249   3.3442
##
## Coefficients:
##              Estimate Std. Error z value Pr(>|z|)
## (Intercept)    -2.184e+00  2.733e+00  -0.799  0.424291
## emp_age        -2.738e-01  5.781e-02  -4.737  2.17e-06 ***
## percent_hike   -4.669e-01  4.891e-02  -9.545  < 2e-16 ***
## hiring_score     6.108e-02  3.086e-02   1.980  0.047760 *

```

```

## compensation          -5.404e-06  6.901e-06  -0.783  0.433585
## distance_from_home     2.013e-01  1.491e-02  13.496  < 2e-16 ***
## total_dependents       7.443e-01  7.223e-02  10.304  < 2e-16 ***
## total_experience       1.170e-01  5.737e-02   2.040  0.041316 *
## monthly_overtime_hrs   1.723e-01  2.533e-02   6.804  1.02e-11 ***
## career_satisfaction     4.193e-01  9.003e-01   0.466  0.641378
## perf_satisfaction      -2.455e+00  7.882e-01  -3.115  0.001841 **
## work_satisfaction      -2.979e-01  9.881e-01  -0.302  0.763024
## locationNew York       1.396e+00  2.764e-01   5.051  4.39e-07 ***
## locationOrlando       -8.959e-01  2.417e-01  -3.706  0.000210 ***
## ratingAcceptable      -1.681e-01  2.391e-01  -0.703  0.481963
## ratingBelow Average    -1.531e+00  4.318e-01  -3.546  0.000391 ***
## ratingExcellent       -3.753e-01  6.233e-01  -0.602  0.547124
## ratingUnacceptable     -2.634e+00  7.617e-01  -3.458  0.000544 ***
## marital_statusSingle   1.684e+00  3.366e-01   5.002  5.67e-07 ***
## educationMasters       1.751e+00  3.843e-01   4.558  5.18e-06 ***
## promotion_last_2_yearsYes -4.267e-02  2.748e-01  -0.155  0.876607
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## (Dispersion parameter for binomial family taken to be 1)
##
##    Null deviance: 1972.64  on 1953  degrees of freedom
## Residual deviance:  800.29  on 1933  degrees of freedom
## AIC: 842.29
##
## Number of Fisher Scoring iterations: 7
##
## Call:
## glm(formula = turnover ~ emp_age + percent_hike + hiring_score +
##      distance_from_home + total_dependents + total_experience +
##      monthly_overtime_hrs + perf_satisfaction + work_satisfaction +
##      location + marital_status + education, family = "binomial",
##      data = org)
##
## Deviance Residuals:
##      Min       1Q   Median       3Q      Max
## -2.4686  -0.3170  -0.1320  -0.0318   3.0960
##
## Coefficients:
##              Estimate Std. Error z value Pr(>|z|)
## (Intercept)    -2.20596     2.63514  -0.837  0.40252
## emp_age        -0.28830     0.05351  -5.388 7.14e-08 ***
## percent_hike   -0.32873     0.03007 -10.930 < 2e-16 ***
## hiring_score     0.04918     0.03016   1.630  0.10300
## distance_from_home  0.19869     0.01459  13.617 < 2e-16 ***
## total_dependents  0.73606     0.07098  10.370 < 2e-16 ***
## total_experience  0.10135     0.05626   1.801  0.07163 .
## monthly_overtime_hrs 0.16180     0.02452   6.600 4.12e-11 ***
## perf_satisfaction -2.37872     0.58944  -4.036 5.45e-05 ***
## work_satisfaction -0.34245     0.95838  -0.357  0.72085
## locationNew York  1.40716     0.26298   5.351 8.76e-08 ***
## locationOrlando  -0.85796     0.23221  -3.695  0.00022 ***

```

```
## marital_statusSingle 1.62941 0.33074 4.927 8.37e-07 ***
## educationMasters 1.78722 0.37628 4.750 2.04e-06 ***
## ---
## Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## (Dispersion parameter for binomial family taken to be 1)
##
## Null deviance: 1972.64 on 1953 degrees of freedom
## Residual deviance: 822.69 on 1940 degrees of freedom
## AIC: 850.69
##
## Number of Fisher Scoring iterations: 7
```

In the categorical variables, 1 is yes, and 0 is baseline. For example, Marital_status summary only show Single, the married as baseline. we could state that when employee is single, it is associate 1.63 increase turnover with employee is single.

turnover = $-2.21x - 0.288\text{emp_age} - 0.329\text{percent_hike} + 0.049\text{hiring_score} + 0.199\text{distance_from_home} + 0.736\text{total_dependents} + 2.379\text{total_experience} - 0.342\text{monthly_overtime_hrs} + 1.41\text{perf_satisfaction} - 0.858\text{work_satisfaction} + 1.63\text{locationNew York} + 1.787\text{locationOrlando}$

	(Intercept)	emp_age	percent_hike
	-2.20595505	-0.28829617	-0.32872906
hiring_score	0.04917649	0.19869275	0.73606333
total_experience	0.10135401	0.16180301	-2.37872259
work_satisfaction	-0.34245419	1.40716345	-0.85796263
marital_statusSingle	1.62941476	1.78722459	

after we assume a relationship to employees' self, we can add the manager information in the model.

```
##
## Call:
## glm(formula = turnover ~ emp_age + percent_hike + hiring_score +
## distance_from_home + total_dependents + total_experience +
## monthly_overtime_hrs + perf_satisfaction + work_satisfaction +
## location + marital_status + education + mgr_rating + mgr_reportees +
## mgr_age + mgr_tenure, family = "binomial", data = org)
##
## Deviance Residuals:
##      Min       1Q   Median       3Q      Max
## -2.77652  -0.30516  -0.12154  -0.02717   3.04969
##
## Coefficients:
##              Estimate Std. Error z value Pr(>|z|)
## (Intercept)    -4.35211     2.85720  -1.523  0.12771
## emp_age        -0.29176     0.05636  -5.177 2.26e-07 ***
```



```

## percent_hike          -0.33470    0.03131 -10.690 < 2e-16 ***
## hiring_score          0.04341    0.03148   1.379 0.16790
## distance_from_home    0.19817    0.01516  13.074 < 2e-16 ***
## total_dependents      0.72643    0.07467   9.728 < 2e-16 ***
## total_experience      0.09618    0.05881   1.635 0.10199
## monthly_overtime_hrs  0.16441    0.02591   6.344 2.23e-10 ***
## perf_satisfaction     -2.54492    0.64147  -3.967 7.27e-05 ***
## work_satisfaction     -0.52446    1.07491  -0.488 0.62562
## locationNew York      1.51056    0.28523   5.296 1.18e-07 ***
## locationOrlando      -0.64191    0.24213  -2.651 0.00802 **
## marital_statusSingle  1.65180    0.35593   4.641 3.47e-06 ***
## educationMasters      1.75622    0.39708   4.423 9.74e-06 ***
## mgr_ratingAcceptable  0.21178    0.23285   0.910 0.36308
## mgr_ratingBelow Average -0.36585    0.40655  -0.900 0.36817
## mgr_ratingExcellent   0.39011    0.33076   1.179 0.23823
## mgr_ratingUnacceptable 0.35634    0.85852   0.415 0.67809
## mgr_reportees         0.12535    0.01918   6.536 6.32e-11 ***
## mgr_age               0.03771    0.02362   1.597 0.11034
## mgr_tenure            -0.03958    0.02673  -1.481 0.13862
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## (Dispersion parameter for binomial family taken to be 1)
##
##    Null deviance: 1972.64  on 1953  degrees of freedom
## Residual deviance:  768.39  on 1933  degrees of freedom
## AIC: 810.39
##
## Number of Fisher Scoring iterations: 7
##
## Call:
## glm(formula = turnover ~ emp_age + percent_hike + distance_from_home +
##      total_dependents + monthly_overtime_hrs + perf_satisfaction +
##      location + marital_status + education + mgr_reportees, family = "binomial",
##      data = org)
##
## Deviance Residuals:
##      Min       1Q   Median       3Q      Max
## -2.73695  -0.30182  -0.11947  -0.02871   3.12217
##
## Coefficients:
##              Estimate Std. Error z value Pr(>|z|)
## (Intercept)   -2.10268    1.27825  -1.645  0.09998 .
## emp_age        -0.21065    0.03360  -6.270 3.61e-10 ***
## percent_hike   -0.33307    0.03097 -10.754 < 2e-16 ***
## distance_from_home  0.19458    0.01475  13.192 < 2e-16 ***
## total_dependents  0.72930    0.07310   9.976 < 2e-16 ***
## monthly_overtime_hrs 0.15724    0.02513   6.256 3.95e-10 ***
## perf_satisfaction -2.41213    0.51329  -4.699 2.61e-06 ***
## locationNew York  1.64616    0.26924   6.114 9.71e-10 ***
## locationOrlando  -0.63414    0.23525  -2.696 0.00703 **
## marital_statusSingle 1.71471    0.34570   4.960 7.04e-07 ***
## educationMasters  1.72941    0.39196   4.412 1.02e-05 ***

```

```
## mgr_reportees      0.12310    0.01872    6.577 4.80e-11 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## (Dispersion parameter for binomial family taken to be 1)
##
##      Null deviance: 1972.6  on 1953  degrees of freedom
## Residual deviance:  781.5  on 1942  degrees of freedom
## AIC: 805.5
##
## Number of Fisher Scoring iterations: 7
```

79% Training data and 30% Test data

split the data 70% into train and 30% into test. we got 1367 observations in training data

```
## [1] 1367
```

we do randomly select train data and test data into sample

After we calculating the proportion in train data in status, we can see in proportion that we lost approximation 20.6% to our employee.

```
##      status      n      prop
## 1   Active 1086 0.7944404
## 2 Inactive  281 0.2055596
```

```
##      status      n      prop
## 1   Active  471 0.802385
## 2 Inactive  116 0.197615
```

Variance Inflation Factor

```
library(car)
```

```
## Loading required package: carData
```

```
##
```

```
## Attaching package: 'car'
```

```
## The following object is masked from 'package:purrr':
```

```
##
```

```
##      some
```

```
## The following object is masked from 'package:dplyr':
```

```
##
```

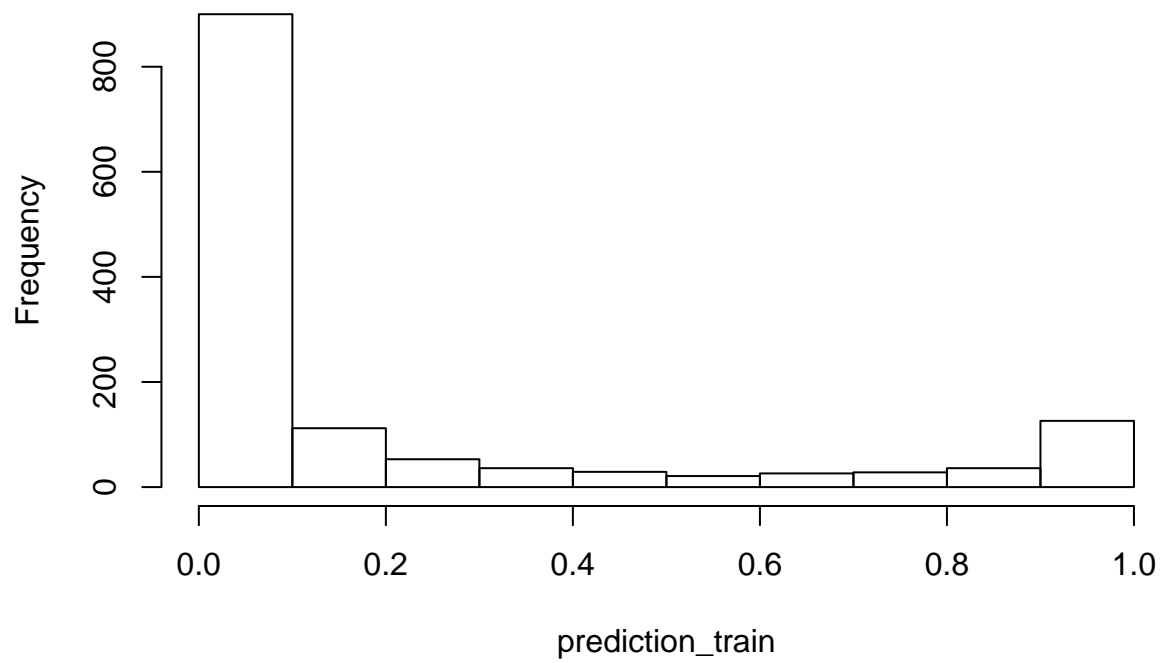
```
##      recode
```

```
vif(logistic_mgr1) #check a multicollinearity, the vif for each variables is greater than 1 but less th
```

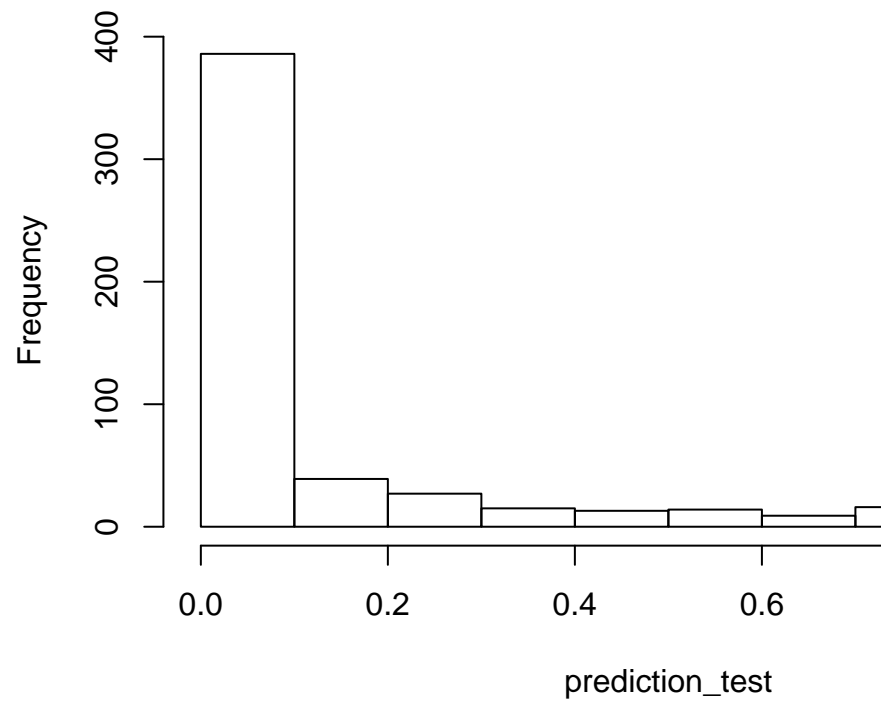
```
##              GVIF Df GVIF^(1/(2*Df))
## emp_age      1.556914 1      1.247764
## percent_hike 1.091015 1      1.044517
## distance_from_home 1.080413 1      1.039429
## total_dependents 1.859150 1      1.363507
## monthly_overtime_hrs 1.026944 1      1.013382
## perf_satisfaction 1.048421 1      1.023924
## location     1.468268 2      1.100782
## marital_status 2.027701 1      1.423974
## education    1.116719 1      1.056749
## mgr_reportees 1.052921 1      1.026119
```

below attachment is prediction range of train data.

Histogram of prediction_train



Histogram of prediction_test



Calculate accuracy and precision. ### Turn probabilities in categories by using a cut-off

```
##
## pre_cut    0    1
##           0 452  28
##           1  19  88
```

```
n<-sum(conf_matrix) #number of instances
nc<- nrow(conf_matrix) # number of classes
diag <- diag(conf_matrix) # number of correctly classified instances per class
rowsums <- apply(conf_matrix, 1, sum) # number of instances per class
colsums <- apply(conf_matrix, 2, sum) # number of predictions per class
p <- rowsums / n # distribution of instances over the actual classes
q <- colsums / n # distribution of instances over the predicted classes
```

```
## [1] 0.9199319
```

```
##           0          1
## 0.9596603 0.7586207
```

```
## [1] 0.9199319
```

```
##           0          1
## 0.9596603 0.7586207
```

Question: After we analysis the result at above, what is next step?

when we know the accuracy and precision to our analysis, we have to provide the feedback and improve our strategy.

create retention strategy

analysis the probability of employee turnover.

Adding missing grouping variables: `level`

```
## # A tibble: 10 x 3
## # Groups:   level [2]
##   level      emp_id  fit
##   <fct>    <fct> <dbl>
## 1 Analyst    E6406  0.976
## 2 Analyst    E2163  0.932
## 3 Analyst    E13342 0.906
## 4 Specialist E682    0.883
## 5 Analyst    E5524  0.881
## 6 Analyst    E3160  0.832
## 7 Specialist E3360  0.793
## 8 Specialist E8607  0.749
## 9 Specialist E6475  0.736
## 10 Specialist E3389  0.648
```

Improve data frame.

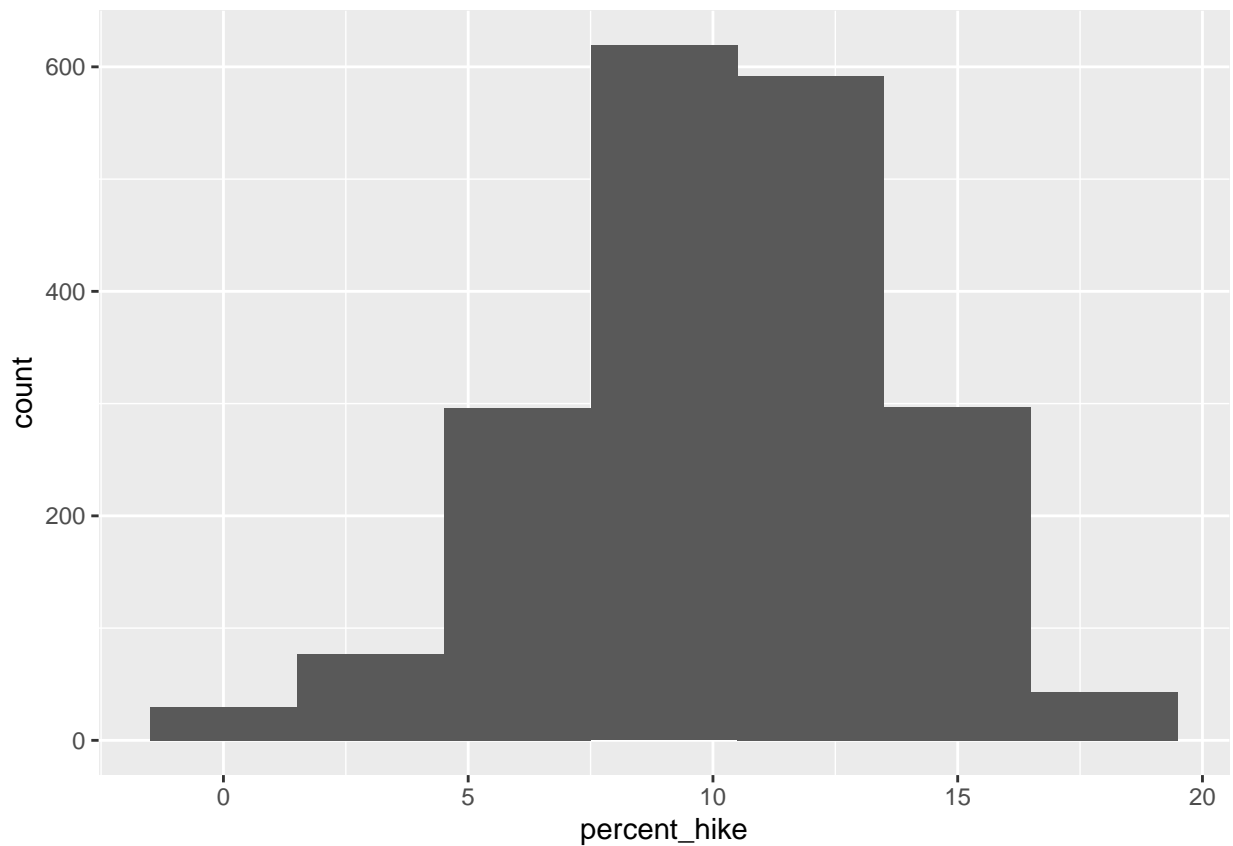
```
## # A tibble: 8 x 3
## # Groups:   risk_bucket [4]
##   level      risk_bucket     n
##   <fct>      <fct>      <int>
## 1 Analyst    no-risk    1162
## 2 Analyst    low-risk     60
## 3 Analyst    medium-risk  22
## 4 Analyst    high-risk    15
## 5 Specialist no-risk    283
## 6 Specialist low-risk     7
## 7 Specialist medium-risk   4
## 8 Specialist high-risk     4
```

Provide a plan to improve employee turnover.

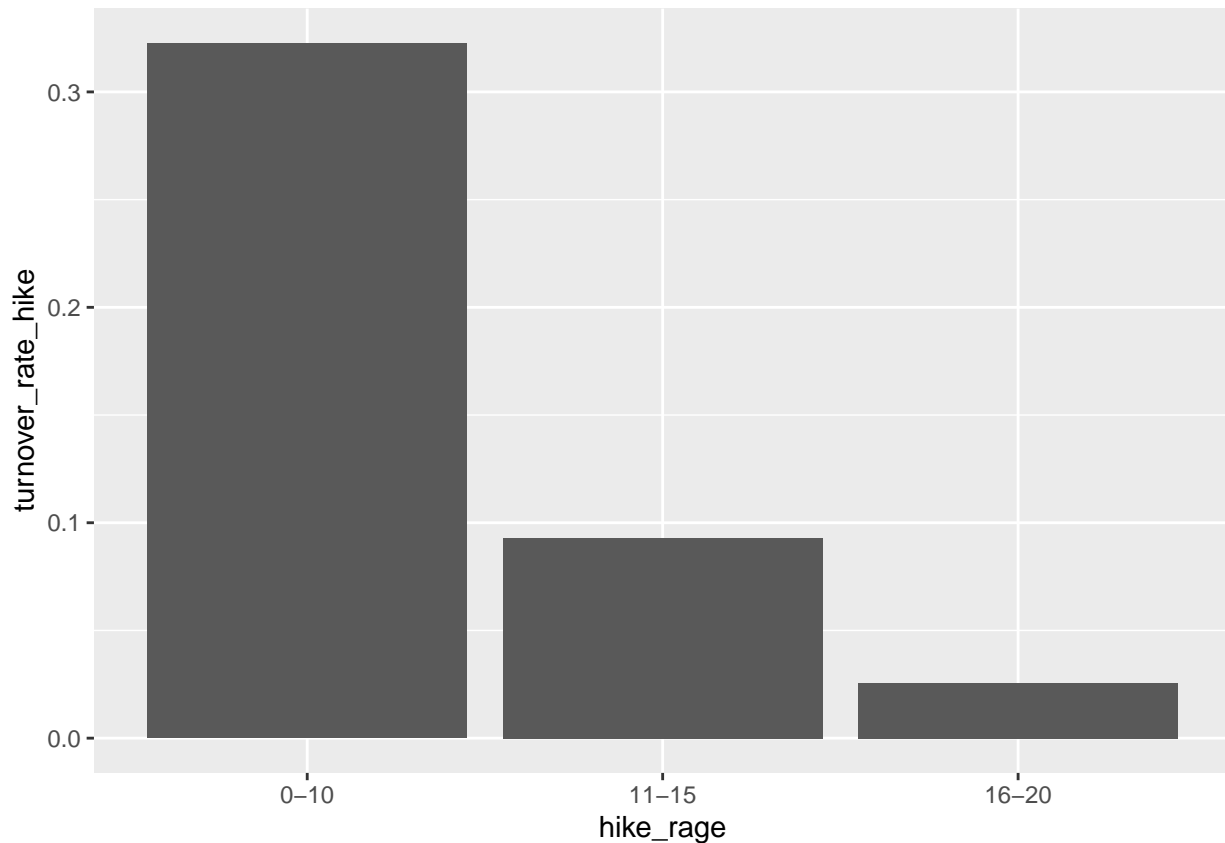
The histogram table shows normal distribution.

ROI: return on investment

ROI = Program Benefits / Program Cost



```
## `summarise()` ungrouping output (override with `.groups` argument)
```



```
## # A tibble: 1 x 3
## # Groups:   level [1]
##   level   median_compensation     n
##   <fct>             <dbl> <int>
## 1 Analyst             51840 1604

## Adding missing grouping variables: `level`

## # A tibble: 6 x 2
## # Groups:   level [1]
##   level   compensation
##   <fct>         <int>
## 1 Analyst      32148
## 2 Analyst      32304
## 3 Analyst      33696
## 4 Analyst      33768
## 5 Analyst      33768
## 6 Analyst      33900
```

At the above analysis, we identified that the turnover rate of employees in 0 to 10 percent salary hike range is higher compared 11 to 15 and 16 to 20 percent salary hike range. Assuming all employees who received a salary hike between 0 and 10% were instead offered a hike, there is a very good chance we would have been retain most of the employees. Provide a strategy to increase 5% to all employees' salary.

```
## [1] 54432
```

```
## [1] 40000
```

ROI plan

The strategy still make returns exceed **73%** costs.

```
## The return on investment is 73%!
```