

2.4 Motivation and demotivation

Labour turnover (HL)

In times of recession or hardship for a particular business, it may be necessary to let some workers go. But more often, businesses need to be concerned about keeping their skilled and talented employees. The costs associated with replacing employees who leave can be huge. Time and money spent on recruitment, induction and mentoring can really add up. It may take a new employee a very long time to perform the job as well as an experienced employee who leaves. Paying attention to labour turnover is important for a business to sustain its operations at a high level.



Figure 1. One reason that employees leave is retirement.

Credit: skynesher, Getty Images

Calculating labour turnover

Labour turnover is the percentage of employees leaving the business within a period of time. The labour turnover rate of an organisation is calculated by:

$$\text{labour turnover rate} = \frac{\text{number of employees leaving}}{\text{number of employees in the business}} \times 100$$

For example, an IT company, has 60 employees and 10 of its employees left the business during the year. The labour turnover rate for the company is:

$$\text{labour turnover rate} = \frac{10}{60} \times 100$$

$$= 16.66\%$$

This is quite a high rate of labour turnover and could affect the performance of the business. Different industries will have different average rates of labour turnover. Generally speaking, most businesses will try to keep labour turnover relatively low to retain their expertise. On the other hand, some labour turnover can be positive, as fresh ideas are brought into the business.

Causes of labour turnover

There are a number of causes of labour turnover. Businesses can take measures to prevent some labour turnover, especially where internal factors are involved. However, when external factors are involved, especially personal factors, the business has less control over labour turnover.

Avoidable causes of employees leaving

There are several avoidable causes of employees leaving.

- **Dissatisfaction with compensation.** Sometimes employees feel they are underpaid and they leave when another organisation offers them a better reward for their effort.
- **Poor physical working environment.** If the working environment (which includes things like lighting, ventilation and sanitation facilities) is poor, employees may feel dissatisfied and look for more agreeable opportunities elsewhere. Distance from public transportation may also be an issue for some workers.
- **Toxic work culture.** Some businesses have a work culture that is degrading, inhospitable to certain groups (women or minorities) or is corrupt. Employees may leave to find more supportive work environments.

- **Job dissatisfaction.** An employee may be doing a job that does not correspond exactly to their abilities and qualifications. They may also be dissatisfied with the amount of time they need to devote to the job. They may leave if they have the opportunity of a job that better suits their qualifications and work–life balance.
- **Human resources policies.** Some organisations have autocratic policies that require strict adherence to rules for sick leave or other leave, for example, and have little scope for promotion or delegated decision-making. Over time, employees may feel dissatisfied and will look for an organisation that is more flexible and offers better opportunities for professional growth.



Figure 2. During the COVID-19 pandemic, the conditions for many hospital workers worsened, resulting in higher labour turnover.

Credit: Kong Ding Chek, Getty Images

Unavoidable causes of employees leaving

While the business can take steps to prevent employees leaving for the above reasons, there are other causes that it cannot influence.

- **Family circumstances.** Employees may leave their job because of family circumstances such as marriage, birth of children or moving to an area where there is better schooling for their children.
- **Physical reasons.** Employees may find that their physical condition no longer allows them to do the work, for example if they have had an illness that prevents it.
- **Retirement.** Employees may retire from work when they reach a certain age.
- **Dismissal.** Employees may be dismissed from a job for a variety of reasons related to their ability to do the job or to their conduct.
- **Redundancy.** The organisation may need to cut jobs as a result of reorganisation or a downturn in sales revenue.



Figure 3. Parents often need to leave the organisation temporarily when they have a child.

Credit: Marko Geber, Getty Images

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer)

Consider the **avoidable** causes of labour turnover outlined in this section.

- Strengthen your understanding of SWOT analysis ([Section 1.1.5 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-swotsteeple-analysis-id-36504\)](https://study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-swotsteeple-analysis-id-36504)) by making a connection between each avoidable cause and a 'weakness' in one of the four main business functions (human resource management, finance/accounts, marketing, and operations).

Now consider the **unavoidable** causes of labour turnover outlined in this section.

- Is there anything a business can do to avoid losing employees in each of the circumstances identified?

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy)

As the COVID-19 pandemic developed, businesses started to see more and more people quitting their jobs. This was quite unexpected, as many assumed that in times of uncertainty people would want to hold onto their jobs. The trend became known as the 'Great Resignation'. This trend was found in research across many countries.

- Carry out a brief internet search to find out whether this trend also occurred in your country. What search terms could you use?
- If you find information about this job-quitting trend, read one or several sources to find out what the main reasons were for employees leaving their jobs at this time. Were people quitting more often because of 'avoidable' reasons or because of 'unavoidable' reasons?