WORK ENVIRONMENT AND RETENTION: AN EXPLORATORY CASE STUDY

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Abstract

In the current labour market employers are looking for whatever they can find in their efforts to boost retention of their existing workforce and to attract new recruits to fill positions vacated by those leaving for other companies. This paper explores retention and “engagement” with the organisation, and then outlines some of the preliminary findings of a case study conducted in a large warehouse in Western Australia at the peak of the resources boom.

Keywords: Skills shortage, Recruitment, Organisational Culture, Work environment

Introduction

In the current labour market employers are looking for whatever they can find in their efforts to boost retention of their existing workforce and to attract new recruits to fill positions vacated by those leaving for other companies. The concept of the “employer of choice” has been adopted by many companies seeking to build a reputation as an employer which better candidates seek to work for. Similarly, the concept of engagement is one which has recently come to the fore amongst those seeking to work out how to keep those better candidates. This paper will first explore retention and “engagement” with the organisation, and then outline some of the preliminary findings of a retention survey conducted in a large warehouse in Western Australia at the peak of the resources boom. The overall study was seeking to explore the relationship between human resource management practices, quality of working life, organisational culture and climate and retention and turnover in the organisation. These preliminary findings include the proposition that the relational psychological contract for many employees requires efforts to demonstrate that there are fair opportunities for career development, that the organisation does respect and value them, and that it can provide job security and the opportunity to belong.

Retention and engagement

Retention of good employees is a primary focus of good human resource management practice, but it becomes more challenging in a tight labour market, and when the nature of the work is such that employees can soon become bored and disinterested. Retention is about keeping those employees who are producing the results which the organisation desires (Frank, Finnegan & Taylor, 2004). With
employees being acknowledged as a key element of competitive advantage, employers faced with higher than desirable turnover in a tight labour market will not only be looking to retain high achievers, but all those staff who are meeting organisational requirements (State Training Board, 2007).

In the US, Jamrog (2004) predicted that an impending skills shortage would lead to retention and engagement becoming a focus for employers competing for a shrinking labour force. He predicted that this would lead to wages growth, head hunting from the competition, calls for older workers to delay retirement, outsourcing, and calls for government changes to immigration restrictions. These predictions could have related to Western Australia in 2008. Jamrog (2004, p. 32) admonishes employers to “remember it is the [workplace] environment which engages and retains employees”.

“Engagement” is a more recently popularised term for concepts of the relationship between the organisation and the employee which are about organisational commitment, loyalty, and productivity (Corace, 2007). For those of us who spend a significant proportion of our lives at work it makes sense that we would be seeking to be “engaged” with our work and our workplace. Logically organisations where individuals feel “engaged”, that is enjoy going to work, feel valued by the organisation and can see where they are heading within the organisation, will be able to entice employees to stay. On the other hand individuals who have to force themselves to go to work because they do not like the work environment, do not feel valued by the organisation and cannot see where they are heading will not feel “engaged” with the organisation, and will have no compunction about leaving.

Tyler and Blader (1999; 2003) have identified that there is a direct and positive association between psychological engagement with the organisation and pride and respect, with the former being the extent to which people feel proud to work for the organisation, and the latter the extent to which people feel they receive respect from the organisation. Pride and respect are key elements of the employee’s attachment to the organisation. Such attachment, organisational commitment, particularly affective commitment, has been identified as a factor in productivity and motivation (Allen & Meyer, 1990; Meyer & Allen, 1997) and as having a high correlation with such factors as turnover,
attendance, tardiness and absenteeism (Mathieu & Zajac, 1990). Thinking on the three factor model of organisational commitment has more recently been challenged, with suggestions that it might no longer be able to be used as a general measure of organisational commitment. The idea that those who are committed and loyal to the organisation, however, particularly those who feel an emotional attachment, are more likely to stay with the organisation, is still well accepted and “might be retained to predict employee turnover” (Solinger, van Olffen & Roe, 2008, p. 80).

Beyond “engagement” and organisational commitment, an ever-increasing amount of evidence reinforces the belief that there is a link between good human resource practices and retention, including research on the development and maintenance of the psychological contract. Pare and Tremblay (2007) cite a range of studies which support the proposition that high-involvement HR practices contribute to increased retention. They argue that the HR practices in the organisation which employees recognise as benefiting them will lead to their feeling valued by the organisation and to a positive work environment. Gandz (2006, p. 2) recommends that efforts aimed at keeping (and developing) talented employees need to include “sound, integrated, human resource planning, recruitment and selection, training and development, performance management, career management, succession planning, and compensation/benefits processes” if the organisation is going to be able to retain good staff.

Key elements of high involvement HR practices which lead to the creation of a positive work environment have been identified. The first and foremost of these is an holistic approach where the elements – including recruitment, selection, promotion, training, performance and reward – reinforce the other elements, and as such are not expected to be effective by themselves. A second is the use of systems which empower employees and invite them to participate in decision making processes. This includes systems which develop a strong internal labour market where employees can identify the support which is provided to them by the organisation in achieving recognition of their efforts, including promotional opportunities (Wright & Kehoe, 2008). Wright and Kehoe’s work suggests that in order to understand how HRM systems influence employee commitment it is important to
consider all HR practices and not just those considered to be ‘high commitment’ or ‘high performance’.

The study setting

This study was conducted in a warehouse which is part of a much larger Australia wide operation. The warehouse is located approximately 30 minutes from the CBD and on major transport routes. It employs over 500 staff in one location, in roles which range from forklift operation and computerised stock control to human resource management. Many staff are employed in shift work, some of them in freezer and cool room environments. Full time, part-time, casual and salaried staff are employed at the location.

Data was gathered from over 50% of the workforce of 550 at the location. Surveys were distributed to staff at morning briefings, took about 15 to 20 minutes to complete and were returned to boxes provided at strategic locations in the warehouse. Most of the surveys were returned by this method, but a small number of respondents chose to post the completed surveys direct to the researchers at ECU. Questions in the survey asked about a range of HR functions, and sought responses on a five point scale for a group of questions on each of the functions (Job Design, Staffing, Training and Development, Performance Management, and Rewards and Recognition). Responses were also sought on aspects of the work environment, and on turnover intentions. This paper reports in particular on the responses in relation to work environment, on turnover intentions and some of the themes identified in on the free response data gathered across the range of topics covered in the survey.

Turnover intentions

“Turnover” is the term commonly used for the loss of workers who leave the organisation of their own volition (Frank, Finnegan & Taylor 2004), and who the organisation would prefer to have stay. Often a distinction is made between voluntary and involuntary turnover, where the voluntary or involuntary nature of the turnover relates to the will of the employee. Involuntary turnover is that initiated by the employer to separate from employees who are no longer required by the organisation
for reasons including poor performance, unwanted behaviours or because they occupy positions which are no longer required. Voluntary turnover, where the employee makes the decision to leave even when the organisation would prefer that they is stay is the type of turnover which companies look to minimise (Frank, Finnegan & Taylor, 2004). The costs of unplanned turnover, both voluntary and involuntary, can be costly for the organisation. These costs include those associated with overtime or temporary employees which are immediately quantifiable and can be tracked. They also, however, include the cost of “recruitment, selection, hiring, orientation, training, assimilation, rebuilding the team, safety exposure, loss of productivity, and stress on supervisors” (Herman, 2004, p. 23).

Whilst actual turnover tends to be the focus of interest to employers and researchers, turnover intentions have long been accepted as a strong “surrogate indicator for such behaviour” (Firth, Mellor, Moore, & Loquet, 2004, p. 170). While the intention to quit does not always lead to turnover, there is evidence that once people have made a decision to leave an organisation they usually follow through on this (Firth et al, 2004). Moreover, whilst there are some who recommend using the exit interview as a potential tool for dissuading potential quitters, there is limited evidence of the success of this action.

Respondents in the current study were asked in two separate sections of the survey to indicate their turnover intentions. More than half of the respondents in the study were either reluctant to answer the question on turnover intentions or were considering leaving the organisation on at least a monthly basis. 13.5% of respondents did not answer this question. There was some possibility that this was a reflection of the level of trust between employees and the company. 15.6% of respondents indicated that they consider leaving on a daily basis, 16.7% on a weekly basis and 15.6 % on a monthly basis – a total of 47.9%. Conversely, 29.5% rarely consider leaving and 9% never. In addition more than 50% of the workforce had been with the organisation 3 years or less, an indication that turnover had been relatively high in recent times. Generally the statistics generated showed that jobs in the warehouse are not difficult ($x=3.4$), the people are friendly ($x=2.09$), facilities are good ($x=2.22$) and people feel safe ($x=2.23$). A scale of 1 to 5 was used where 1= Strongly agree and 5 = Strongly disagree, the question relating to job difficulty was a negatively worded question. Thematic analysis
of the free response commentary, however, showed some patterns about the work and the work
environment, including the relationship between the general workers and management, and the
organisational culture which might be able to be interpreted as contributing to the turnover rate at the
warehouse.

The work environment

Data gathered by the survey provides a picture of the environment at the warehouse, and analysis
offers some insights into the reasons people consider leaving. The first of these is a series of eighteen
statements with which the respondents were asked to agree or disagree along a 5 point scale. A
sample of the eighteen items in this section are shown in Table 1. As you can see the statistics did
not reveal any particular pattern which might reveal answers for the organisation about its turnover
situation. In particular the statement “I would like to continue working for this organisation” received
a mean of 2.64 with a SD of over 1. This was the second of the questions about turnover intentions.
In looking at the specific responses to this question, 50% of respondents agreed or strongly agreed
with the statement, indicating that they would like to stay on in the warehouse or at least in the
organisation. Conversely the other 50% of respondents were either neutral, disagreed or strongly
disagreed with the statement. To have 50% of the workforce either neutral or not agreeing that they
want to continue with the organisation can be interpreted as an indication that they are not engaged.
Some of the responses, including the indications about how committed the employees feel to the
organisation, and how much they believe the organisation is committed to them, illustrate how
employees feel about their relationship with the organisation.
TABLE 1: Work environment responses

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>People at work are generally friendly</td>
<td>282</td>
<td>1</td>
<td>5</td>
<td>2.09</td>
<td>.672</td>
</tr>
<tr>
<td>The organisation caters for my individual needs</td>
<td>278</td>
<td>1</td>
<td>5</td>
<td>2.69</td>
<td>.895</td>
</tr>
<tr>
<td>This is a healthy work environment</td>
<td>277</td>
<td>1</td>
<td>5</td>
<td>2.55</td>
<td>.886</td>
</tr>
<tr>
<td>This organisation cares for its people</td>
<td>276</td>
<td>1</td>
<td>5</td>
<td>3.18</td>
<td>1.090</td>
</tr>
<tr>
<td>I am committed to this organisation</td>
<td>276</td>
<td>1</td>
<td>5</td>
<td>2.71</td>
<td>1.021</td>
</tr>
<tr>
<td>This organisation is committed to me</td>
<td>277</td>
<td>1</td>
<td>5</td>
<td>3.18</td>
<td>1.052</td>
</tr>
<tr>
<td>I’m proud to say I work for this organisation</td>
<td>280</td>
<td>1</td>
<td>5</td>
<td>2.84</td>
<td>1.048</td>
</tr>
<tr>
<td>I would like to continue working for this organisation</td>
<td>278</td>
<td>1</td>
<td>5</td>
<td>2.64</td>
<td>1.034</td>
</tr>
</tbody>
</table>

More revealing than the descriptive statistics, however, were the comments added by the respondents on a range of themes which related to this and other sections of the survey. In this particular section on work environment the themes which were strongest were those classified as being about feeling valued by the organisation, the atmosphere or culture and a feeling of being seen as just a number.

33 people provided comments in relation to this section (section E of the survey) which were classified in analysis as being about “feeling valued” by the organisation. Below is a selection of those:

- Company don’t care for individuals only the group as whole due to cost. I am not valued just a number. Company is not committed to any one person. Everyone is replaceable.
- I truly believe [identifier deleted] don’t give a damn about individuals only profit.
- If I left the company tomorrow, the company would not falter, the day’s work would still be down without any hiccups, therefore reducing my value in the fact that my role in the warehouse does not seem to make an impact.
- There is a [sic] us vs. them mentally that sometime hinders productivity. The majority of this tension stems from upper management and seems to be an issue regarding cementing of positions.
- This organisation does not care for its people. (The extremely high staff turnover rate backs up this point).

A further 23 comments were provided which were classified as being about the “atmosphere/culture” of the organisation.

- A lot of whispering goes on in some areas.
- Managers continually mock staff behind their backs. Also we are treated like we’re in primary school.
- No flexibility as told everything we have to do, what time to start, finish, have lunch at etc. The organisation doesn’t care as management’s attitude is we can always get somebody else to replace you if you leave.
- No fun warehouse with people ready to backstab at the slightest chance on discussing the job!
- The company only cares if they get what they want, otherwise they lack the foundation of care. People are prevalent to gossip and conjecture without finding the facts.
- The only thing this organisation cares about is its budget. Communication only happens when they want to know why things go wrong.

The third theme identified in analysis of this section was that of being seen as merely a number by the organisation. 19 comments were recorded on this theme:

- Barely any recognition, just another number.
- How can you feel like a valued employee when you are told we are only numbers by your team leaders?
- The company needs to treat its staff properly instead of treating them like a number, care for them as a person.
- We are nothing but numbers and we are expendable no matter how loyal
- We are only numbers. As long as the costs are down this is all that counts.

At a debriefing session with a working group looking at retention in the organisation, one of the managers identified that much of the computer aided stock management software required workers to identify themselves by their number and that team leaders and supervisors would be most likely to ask people for their number in order to carry out some tasks.

**Engagement**

Engagement between the worker and the organisation is seen as a key factor in the development of organisational commitment. Affective commitment, the type of commitment identified as not only keeping people in the organisation, but also of inducing productivity, is generated by the individual feeling valued by the organisation and wanting to contribute (Allen & Meyer, 1990). It is apparent that an element of the workforce, those who chose to further comment on this section of the survey, are feeling less than engaged.

The other sections of the survey examined HR practices including the job, rewards and recognition, recruitment, selection and career development, and training and performance management. Once again the themes which emerged as problematic for the organisation did not arise from the descriptive
statistics derived from the responses to statements about these areas, but more from the free response data provided by respondents.

The job

When asked about their particular job, generally there was acceptance that much of the work is boring, particularly as this was seen as being easy:

- My job isn’t difficult, my job isn’t challenging and nothing interesting about doing the same thing every night (but I chose this situation).

Although some identified that the work is physically challenging:

- It is repetitive lifting and gets boring. Leaving you very tired by the time you get home. It’s like working in the gym for 8 hours.

And many indicated that they are bored with the work being laborious and repetitive. One respondent indicated that more variation would make job more interesting and challenging with others commenting that they would like to see more variety.

There was considerable concern about the equipment in use

- Machines need regular maintenance and need to meet the purpose 100% they are meant for.
- The equipment is old and maintained at the minimum.
- The equipment is old—most need overhauling or replacement.
- The machinery provided is often faulty and this does not allow you to do your job as quick as you would like it to

and about the level of control workers have over their own work:

- I have no control over what job function I do on a day to day basis and systems dictate how it is done
- Job is repetitive and not very stimulating and the computer controls were we go and what we do.
- Management are restricting and afraid to allow staff to have control.

In the area of rewards and recognition there was an indication that there was dissatisfaction with a recent change to the rewards system which was not accepted across the warehouse, with team based rewards having replaced individual incentives.

- Quite simple – people will stay if they are being paid accordingly. Improve the current reward system dramatically or return to the individual reward scheme.
• *Removal of individual performance incentives reduced my pay by $10,000 a year (this is fair?).*

**Trust**

At this point in the analysis there was the beginning of evidence of a perception that the rewards available were not being equitably distributed.

• *People who are lazy and/or friends with management are rewarded.*
• *We receive no feedback on any matters and as we have been told by a team leader we are only numbers when it comes to job recognition.*

In all organisations it is not only the reality of the way the reward systems operate which is important to the work environment, but also the perceptions of the workers. Perceived fairness is an area where there has been considerable research, and there is strong evidence that perceptions about fairness have a significant role to play in the maintenance of the psychological contract. The psychological contract is often perceived as having been breached when employees believe that some employees receive more favourable treatment than others. Trust is an integral part of the psychological contract (Thompson & Bunderson, 2003). Relational components of the psychological contract are dependent on promises being honoured and trust earned with fair treatment (Thompson & Bunderson, 2003). In the warehouse the perception of unfair treatment also extended to the section on careers and promotion, on management of poor performers and granting of leave. Benefits such as leave are entitlements which employees examine when comparing their working conditions with others. Straightforward comparisons with others they believe should be on a par with them will lead to judgements about fair treatment within the organisation. In addition if the employees are looking to work out whether they might find better conditions elsewhere, leave is a point of comparison. In this warehouse the leave conditions seem to be equitable on the face of it, with the leave arrangements being largely the same for all employees who are not on a casual contract. Granting of leave, however, seems to be an area where some employees believe that approval takes too long, personal circumstances are not taken into consideration and some employees believe they cannot get the leave dates they need or desire.

• *Leave is as per award.*
• Although leave provisions are on par, access is restrictive.
• Holidays need too much notice, not many other benefits if any and pay is not high enough.

Promotions are another area where there is a perception that the warehouse does not offer a level playing field.

• The only way to get a promotion is it’s not what you know but who you know.
• Once again this all comes down to categories of liked or disliked.
• If you are not in the ‘purple circle’ forget moving up anywhere.
• Promotional prospects are only good if the boss likes you. If not your[sic] sweet out of luck!
• I’ve found working here that if you are not a favourite of management you are unlikely to receive promotion no matter how well you work.

With one respondent asking for An equal opportunity for people to move up the ladder without favouritism.

Parker (2005) provides evidence which supports the commonly held belief that retaining good staff is much more cost effective than recruiting and training new people. Whilst retention programmes cannot prevent the loss of staff there is evidence that developing staff for in house promotional opportunities, and developing the internal labour market can help with turnover.

Pride and respect

As has already been established, there is a direct and positive association between psychological engagement with the organisation and pride and respect. The evidence of the lack of trust in the fairness of procedures suggests that employees do not feel respected by the organisation. In the same vein, a small number of employees responded to the statement “I am proud to say I work for this organisation” with comments like:

• Embarrassing job. Especially when asked ‘Where do you work?’
• Probably not.
• My work environment is so bad. I would never ever recommend anyone to work here.
• Who wants to say they work for [identifier deleted] unless you are a boss.

Employee cynicism has been defined as a negative attitude towards the organisation which is comprised of three elements: a view that the organisation is lacking in integrity, negative feelings towards the organisation, and behaviours which are consistent with these (Dean, Brandes, & Dharwadkar, 1998). Cartwright and Holmes (2006) argue that one of the key challenges for
organisations in these times of tighter labour markets and increased organisational cynicism is to redress the balance. They argue that organisations have expected more and more from their workforce but that in many cases there has been little in return. They further argue that if organisations are to re-engage employees they must consider elements of the meaning of work and of the emotional well being of their employees.

Not all bad

The evidence so far would lead to the conclusion that this organisation is a terrible place to work. It is important to highlight that the evidence presented here is about looking at those elements which lead to high turnover, and high turnover intentions. There were, however, some very important positives which emerged from this study. First and foremost there was a strong sense that within most teams, and in the social interactions between peers, that there is a sense of camaraderie, and many respondents (149) highlighted the good relationships they have with the people they work with. In addition when asked to identify three elements of the workplace which they liked about their job and the organisation, many respondents indicated that they liked the pay (86), and the hours (74).

Where to from here?

The organisation has looked at the results of this survey and a strategy has already been put in place to look at how and when leave is approved, and consideration is being given to how and when people are considered for promotions. Consideration is also being given to how HR policies and practices are communicated to employees, and what the relationships are between perception and reality when it comes to the implementation of those. The next step for the recently appointed HR specialist within the organisation, who was recruited to fill the role after it had been vacant for some time, will be to look at how trust relationships can be rebuilt between management and employees, and how to stem the flow of experienced employees to competitors and to employers in other industries. Development, and redevelopment, of the relational psychological contract for many employees will require efforts to demonstrate to employees that there are fair opportunities for career development, that the organisation does respect and value them, and that the organisation can provide job security and the opportunity to belong.
The findings of this case study are preliminary, but it can be argued that they provide further evidence to support the proposition that the work environment is an important factor in the relational psychological contract, and in the retention of employees.

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