

How to avoid employee turnover: from the perspective of enterprise incentive mechanisms

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Abstract:

This article explores how to avoid employee turnover from the perspective of enterprise incentive mechanisms. The article first points out the importance of stabilizing a high-quality workforce (especially core employees) for a company's competitive advantage, and analyzes the serious harm caused by employee turnover (especially core employee turnover) to the company, such as knowledge and experience loss, high replacement costs, and morale blow. Subsequently, an in-depth analysis was conducted on the three key reasons for employee turnover: compensation and benefits factors (lack of fairness, lack of motivation, and inverted old and new), lack of career development planning (career goal progress, ability development, promotion speed, and hindered salary growth), and poor working environment and corporate culture (poor physical environment, negative culture). Finally, the article proposes five strategies to reduce employee turnover: optimizing the work environment, building a positive corporate culture (strengthening value recognition, creating a collaborative atmosphere), providing clear career development plans (customized paths, strengthening training), focusing on work life balance (reasonable task arrangement, flexible work), and strengthening employee communication and care mechanisms (establishing diverse communication channels).

Keywords: Employee turnover; Incentive mechanism; Salary and benefits; Career development; Corporate culture; Job satisfaction; Talent Retention

1. Introduction

In a fiercely competitive market environment, a stable and high-quality workforce (especially core

employees) is a key guarantee for enterprises to maintain their competitive advantage. However, the current phenomenon of frequent employee turnover and the loss of core employees have a particularly

fatal impact on small and medium-sized enterprises. On the one hand, due to the limited number of core talents in small and medium-sized enterprises, their departure will directly lead to the loss of valuable knowledge and experience accumulation, and even trigger chain risks such as technology leakage, customer loss, and trade secret leakage, seriously weakening the core competitiveness and market position of enterprises; On the other hand, the cost of replacing core employees is extremely high (up to 200% -250% of their annual salary), and new employees have a long adaptation period and are difficult to perform in the short term, further dragging down the company's production efficiency and innovation capabilities. More seriously, the departure of core employees may shake team morale, trigger a "resignation contagion effect," and form a vicious cycle of talent loss.

It should be noted that the sudden departure of core employees has typical "black swan" attributes - low probability, high destructiveness, and difficult to predict. This unforeseeable major risk event often puts enterprises in a passive response dilemma. Fair and transparent incentive policies can significantly improve employees' satisfaction and loyalty to the company. Employee satisfaction, as a comprehensive feeling of the work environment, salary and benefits, career development opportunities, and other aspects, when employees feel their efforts and contributions are recognized and rewarded, their work enthusiasm and initiative will be significantly enhanced. By designing proactive incentive mechanisms, enterprises can shift the risk of talent loss from "crisis response" to "systematic avoidance". This is the key to building resilient organizations and preventing black swan events, and also the practical significance of this study.^[1]

2. Analysis of Reasons for Employee Turnover

2.1 Salary and welfare factors

Employee turnover is influenced by factors such as salary and benefits, mainly manifested in two aspects: lack of fairness and insufficient motivation. When fairness is lost, employees will compare their salary and benefits with colleagues, other companies in the same industry, and the market average. If they feel that their salary and benefits are lower than others, they will feel unfair. This unfair experience will weaken their work enthusiasm and loyalty, ultimately leading to personnel turnover. Appropriate salary combinations, such as performance bonuses, commission incentives, equity incentives, etc., can link employees' work performance with their compensation and

guide them to work with dedication. A salary and benefits system without incentives can make employees feel that regardless of their performance, the rewards they receive are not far away, resulting in a loss of motivation for work and choosing to leave in search of an environment that can better stimulate their potential. Enterprises need to pay attention to the construction of a salary and benefits system that is competitive, fair, and motivating, in order to reduce the probability of employee turnover and enhance employee loyalty and satisfaction.^[2]

A certain investment management company is located in a first tier city and was established around 2000 as a comprehensive investment company directly under the city after being reviewed and approved by the municipal people's government. As an old state-owned enterprise that has gone through many years, the company's current salary incentive system was established more than ten years ago, and the salary standards still use the old data, which is detached from the current market-oriented standards. The salary standards for some key positions are lower than the market average standards, resulting in talent loss and difficulty in recruiting talents for the company; In recent years, in order to attract talents, the salary standards have been set higher when recruiting new employees, resulting in a phenomenon of salary inversion between new and old employees, which has caused complaints from some employees, hindered their work enthusiasm, and even affected the subsequent development of the enterprise. As a traditional state-owned enterprise, the total salary is determined according to the regulations of the superiors, and there is not much room for salary adjustment. It is difficult for employees to achieve promotion, and the corresponding salary adjustment matters are also not easy. There are many obstacles to the implementation of incentive policies.

2.2 Career Development Planning

When employees receive a clear career development plan within the organization, their tendency to resign is significantly reduced. The progress of career goals, the development of professional abilities, the speed of promotion, and the growth of compensation are the four key dimensions of career growth, all of which significantly reduce the tendency to resign. A technology company in Zhejiang, in the early stages of entrepreneurship, both technical and marketing personnel joined the company after recognizing the market prospects of their products and having a clear direction for their personal career development. The company attaches great importance to the training and development plan for its employees, providing them with sufficient career advancement opportunities within the

company. Although the company's salary was at a lower level in the relevant industry at that time, considering the high degree of alignment between the employee's career plan and the company's development goals, employees had a strong sense of belonging and identification with the company, and their thoughts of leaving were relatively light. However, the situation in the southern region of the company varies. New employees either come here for the sake of the company's reputation and salary, or have insufficient understanding of the industry. The vast majority of employees do not understand their development goals in the company, so they naturally do not have precise career goals. Therefore, after encountering some setbacks, some employees choose to leave.

In terms of the progress towards achieving career goals, if an employee's career goals progress quickly, they are more willing to stay in their current organization because the opportunity cost of leaving their current position is not low. Just like a famous Internet company, it provides employees with a clear career growth path and a variety of learning resources to help them achieve their career goals. Employees gradually accumulate relevant experience in the stage of implementing their work tasks. Their career goals progress smoothly, and their intention to quit is naturally weak.

When it comes to the development of employees' professional abilities, the more stable and smooth the development of employees' professional abilities within the organization^[3], the more specialized job skills they accumulate, and the higher the cost they face when leaving. Huawei provides employees with a complete vocational training system and diverse practical opportunities to help them improve their professional qualities. During the continuous learning and practice period, employees accumulate a large amount of professional knowledge and skills, which may not be fully utilized after leaving the organization. This shows that the cost of employee turnover is high and the potential tendency to resign is low.

In terms of promotion speed, when employees achieve rapid career growth within the organization, they will develop positive emotions towards the organization from the bottom of their hearts, and emotionally reluctant to leave the organization. A certain water conservancy group uses diversified career promotion channels to add horizontal promotion channels, ease the fierce competition in the promotion process, and open up new career growth paths for employees. When employees encounter promotion bottlenecks, they can choose to promote across departments to achieve career progress, thereby enhancing their recognition and belonging to the organization and weakening their tendency to resign.

From the perspective of salary growth, when employees

achieve rapid career development within the organization, their compensation will also increase accordingly. This significantly increases employees' sense of identification and belonging to the organization, weakens their thoughts of leaving, and Lenovo Group implements career planning measures for employees to assist them in understanding development directions, planning career paths, and providing corresponding training and promotion opportunities. During the stage of achieving career development, employees receive salary increases, their sense of identification and belonging to the organization becomes stronger, and their thoughts of leaving become weaker.

2.3 Work environment and corporate culture

The working environment and corporate culture directly affect the happiness and satisfaction of employees. A comfortable, clean, and well laid out workspace can create a positive working atmosphere framework for employees, allowing them to feel comfortable both physically and mentally during work, thereby enhancing work efficiency and satisfaction. Adequate natural lighting, appropriate temperature and humidity settings, and ergonomic office supplies in the office can greatly improve employees' comfort. However, a crowded, noisy, and disorderly working environment can easily make employees feel tired and irritable, and increase their stress, leading to a decrease in their work enthusiasm and satisfaction.^[4]

The values, code of conduct, and work style contained in corporate culture can also have a profound impact on employees' psychological feelings and work attitudes. A positive corporate culture can stimulate employees' sense of belonging and pride, make them recognize the company's goals and values, and be willing to work for the common interests of the company. The cultural atmosphere of emphasizing teamwork, encouraging innovation, and employee growth in the company will make employees realize that they are an indispensable member of the company's big family. Their ideas and efforts will be valued and rewarded, thereby enhancing their work enthusiasm and happiness. If there is internal friction, strict hierarchical relationships, lack of trust and communication in corporate culture, employees may feel suppressed, left aside, and even have resistance to work. This will greatly affect their job satisfaction and happiness, ultimately leading to talent loss or decreased work efficiency.^[5]

3. Measures to reduce employee turnover

In the highly competitive talent market today, enterprises are facing the key challenge of reducing employee

turnover and stabilizing their talent pool. Next, effective strategies that enterprises can adopt to alleviate employee turnover are discussed from multiple key perspectives.

3.1 Optimize the working environment

A pleasant working environment is the foundation for enhancing employee happiness. Enterprises should focus on improving workspace facilities, such as providing ergonomic office desks and chairs, ensuring sufficient natural lighting and reasonable temperature and humidity regulation in the office. This can effectively improve the comfort of employees in the work process, alleviate fatigue and irritability caused by an unsatisfactory working environment, arrange work areas reasonably and appropriately according to work processes and nature, break down spatial barriers between departments, promote efficient collaboration and communication among team members, thereby improving overall work efficiency and reducing work disorder and inefficiency caused by disorderly layout.

3.2 Building a positive and uplifting corporate culture

In the current complex and ever-changing development environment, enterprises urgently need to strengthen cultural construction to enhance cohesion and competitiveness.^[6] Among them, cultivating employees' deep identification with the core values of the enterprise is the core link. Enterprises need to adopt systematic training courses, extensive cultural promotion, and management's leading role models to infuse values into employees' hearts, enabling them to truly understand their connotations and integrate them into daily actions. In this process, the formation of employees' sense of belonging is particularly crucial, as it becomes a key link between corporate values and employee behavior. When employees are in such a cultural atmosphere, they can clearly recognize that they are a key force in the development of the enterprise, and their work goals and meanings are more clear. At the same time, it is crucial to build an open, inclusive, and collaborative working atmosphere. By regularly organizing cross departmental team building activities and internal project collaborations, we promote communication and understanding among employees from different backgrounds, enhance mutual trust, and effectively reduce work conflicts and turnover tendencies caused by poor communication and collaboration.

3.3 Provide clear career development plans

Formulating exclusive career development trajectories is an important means of arousing employees' work enthu-

siasm. Enterprises should tailor clear and practical career development plans for employees based on their personal interests, professional skills, and long-term career expectations, clarify specific goals for different career stages and reasonable promotion trajectories, so that employees can clearly understand their development prospects in the enterprise, and enhance their confidence and sense of control over career development. In order to implement these plans, enterprises need to further strengthen the training system, targetedly improve employees' professional skills and comprehensive qualities, meet their desire for knowledge and skill updates in the process of career growth, and make employees aware of the high value and full support of the enterprise for their career direction.

3.4 Pay attention to the work life balance of employees

Moderately arranging work tasks is a necessary way to ensure the physical and mental health of employees. Enterprise managers should comprehensively consider employees' work abilities and time and energy, arrange work tasks reasonably, set work goals appropriately, effectively prevent employees from being physically and mentally exhausted due to excessive overtime and work pressure, respect employees' personal living space and time allocation, pay attention to employees' family status and life demands, and send warm care and blessings during special occasions such as holidays and employees' birthdays. They should also appropriately introduce flexible work regulations to help employees find an ideal balance between work and life, and drive employee satisfaction and loyalty growth towards the enterprise.

4. Strengthen employee communication and care mechanisms

Performance based compensation directly promotes pro social misconduct, while an employee caring atmosphere can alleviate the negative impact of workplace anxiety^[7]. An unobstructed communication channel is a key action to resolve employee confusion and dissatisfaction. Enterprises need to create multi-dimensional and diversified employee communication platforms, including regular employee representative conferences, internal departmental meetings, and one-on-one communication and dialogue between management and employees. This is conducive to employees providing timely feedback to superiors and management on work difficulties, problems, opinions, and suggestions. At the same time, it also helps management to clearly convey the company's strategic decisions and work arrangements to employees, thereby eliminating

misunderstandings and contradictions caused by information opacity, and further improving employees' trust in the enterprise.

5. Conclusion

Based on the perspective of enterprise incentive mechanisms, this article systematically analyzes the causes and countermeasures of employee turnover, innovatively introduces the "Black Swan Theory" to reveal the suddenness and destructiveness of core employee turnover, and proposes the concept of "proactive incentive design", emphasizing the coordinated optimization of salary fairness, career development systematization, and corporate cultural identity to achieve systematic avoidance of talent turnover risks. The research provides a theoretical framework and practical path for enterprises to build resilient organizations, but is limited by the singularity of industry samples. In the future, digital tools can be used to further explore personalized incentive schemes in dynamic environments, and to expand the impact mechanisms of emerging factors such as intergenerational differences and remote work, in order to improve the theoretical and practical system of employee retention strategies.

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