An Analysis of Amazon's High Turnover Rate

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Abstract: Amazon's internal and external environments were analyzed using PEST and SWOT models. Taking into account of relevant literature on strategic human resource management (SHRM) and models like the Harvard model and the human resource management/industrial relation (HRM/IR) model, the reasons for Amazon's employee high turnover rate were analyzed. In this paper, several solutions to this issue are indicated, including improving incentive policies and organizing training. At the end of this paper, my personal experiences and the lessons learned throughout the course are summarized.

Keywords: High turnover rate; Incentive; Emotional identity

1. Introduction

Amazon, the largest internet cooperation worldwide, is a global online retailer with the widest variety of goods. It was founded in 1995. As of December 31, 2021, Amazon has 1.6 million employees worldwide [1]. The New York Times has reported that the turnover rate of Amazon's hourly workers is about 3% per week in 2021. Although Amazon hires many employees every year, most employees leave after a few weeks or even a few days [2]. Amazon had 50 vice presidents who chose to resign in 2021, and Amazon's internal turnover rate has now reached crisis levels [3]. Therefore, the main problem Amazon faces in strategic human resource management is the high turnover rate.

In the past few decades, the labor force has been highly mobile [4], and there has been a constant increase in the turnover rate [5]. In a sense, the employee turnover indicates that the addition of new employees can inject fresh blood and vitality into enterprises [6]. However, the rapid flow of employees reduces the morale of the team, which is not conducive to team building and increases the cost of personnel training for enterprises [7]. On the other hand, the high dismission rate threatens social stability and brings a heavy burden to society [8]. It is clear that both enterprises and society stand to gain significantly from finding a solution to the high turnover rate issue.

2. Analysis of internal and external environments

Amazon's high turnover rate is analyzed from two aspects (external environment and internal environment) by using PEST and SWOT models.

2.1. External environment

2.1.1. P (Policy)

The minimum wage standard, which effectively guarantees the fundamental salary rights of the labor force, is set by the labor law of various countries and the federal labor law. Amazon sets a minimum wage standard

of $15 for its employees [9]. The United States and the United Kingdom encourage people, especially young people, to start their businesses in various industries and provide them with some subsidies [10]. The promulgation of the policies gives particular support to those workers who pursue occupational flexibility.

2.1.2. E (Economy)
The combination of the real economy with the acceleration of economic globalization and the continuous popularization of the internet promotes the development of the new economy. The rise of new industries has provided more jobs for workers, and the scope of employment options for employees has expanded, dramatically affecting their employment choices. When Amazon employees are dissatisfied with their jobs, they may contemplate leaving and moving on to other industries.

2.1.3. S (Society)
People are happier when there is higher work flexibility [11]. More and more people are choosing to start their own businesses, rather than work for enterprises like Amazon. Besides, the society encourages job diversification and hopes that young people can breakthrough traditional career concepts. Affected by COVID-19, cross-border e-commerce has been greatly affected, which has also affected employee mobility.

2.1.4. T (Technology)
With the improvement of scientific and technological level and the expansion of internet coverage, the types of services provided by Amazon tend to be diversified, and the service groups keep increasing. This also signifies an increase in workload and work intensity for Amazon employees, putting a strain on their personal and professional lives. As a result, the employee turnover rate is affected.

2.2. Internal environment
2.2.1. Strength
As the world's largest cross-border e-commerce enterprise, Amazon has certain experience in strategic human resources management (SHRM), and its muscular economic strength and reputation can attract job seekers.

2.2.2. Weakness
The expansion of Amazon's scope of trade and the continuous increase in the number of people it serves have placed a lot of pressure on its employees. The workload and ability of employees are beyond comparison. At the same time, Amazon lacks all aspects of employee protection measures and systems. As a result, many problems may arise in the personnel management process, which would lead to the decline of job satisfaction and work enthusiasm among employees.

2.2.3. Opportunity
Economic globalization and the scientific level have promoted the development of e-commerce, and cooperation between enterprises would help Amazon extend the industrial chain and expand its scale.

2.2.4. Threat
Cross-border e-commerce platform transactions involve many processes, such as logistics, payment, *etc*. In each process, there are information security risks, personnel allocation issues, and some uncontrollable factors, such as the impact of the pandemic.

3. A literature review on turnover

Turnover is often seen as a symptom of organizational dysfunction [12]. An organization engages in economic activities to improve labor productivity and maximize economic benefits [13]. According to the theory of human capital, employees who have received training and work experience can be regarded as the human capital of an enterprise and an impetus for organizational performance, improving the competitiveness of enterprises [14]. Crook *et al.* [15] proved through a meta-analysis that human capital is positively correlated with corporate performance. Many investigations and studies have shown that when the turnover rate is at a high level, the organization's labor productivity is low [16]; for instance, Shaw *et al.* [17] and Pu [18] argued that if the employee turnover frequency is too fast, it will increase the cost of recruitment and training; Shen [19] stated that a company's development strategy, salary, and other aspects would affect the satisfaction of employees with the company and that job satisfaction is the direct cause of employee dismissal; Erkan and Ergun [20] showed that implementing an excellent human resource management model within an enterprise can help employees form a positive view of the organization, improve job satisfaction, and effectively reduce the turnover rate to a certain extent.

4. Reasons for turnover

4.1. Lack of incentives

Amazon's lack of incentives for employees renders it a challenge to retain core talents. According to Herzberg's two-factor theory, hygiene and motivation factors affect people's behavior [21]. Salary is a hygiene factor, which can only prevent or eliminate employees' dissatisfaction, but not motivate them. Only motivation factors can contribute to employee satisfaction, with a substantial and lasting motivational effect [22]. Motivation factors refer to factors related to the work itself or the work content that are necessary for employees to achieve a reasonable level of satisfaction. To retain talent, Amazon raised the maximum base salary for corporate and technical employees to $350,000 from $160,000 [23]. Although salary is one of the primary criteria for deciding on a career, employees at Amazon expressed that they were not satisfied with their jobs and thus chose to quit. Since Amazon does not have a transparent incentive system, employees are often required to complete high-load work without receiving additional rewards, which seriously dampens their enthusiasm. According to Maslow's demand theory, when high-achiever talents are valued by enterprises and affirm their self-worth through career promotion, they enter a stage of self-actualization [24]. They tend to be more motivated by achievements than by money and material rewards. However, Amazon does not provide employees with an incentive mechanism, thereby increasing the employee turnover rate.

4.2. Lack of emotional identity

Amazon employees have claimed that the high-intensity work affects their physical and mental health [25]. Amazon's lack of social benefits and employee safety insurance has caused a severe brain drain on Amazon. Emotional commitment to employees should be emphasized in the Harvard model (**Figure 1**).

When employees work in an organization, they will have a sense of identity with the organization, *i.e.*, emotional identity. The level of emotional identification is closely related to employee loyalty. Furthermore, according to the HRM/IR model (**Figure 2**), Beer [26] pointed out that the environment has an impact on human resource management. When employees form a high degree of identification with the organizational culture development strategy, their loyalty to the company will be reinforced, which is reflected in the turnover rate [27]. Amazon puts corporate interests in the most crucial position, racking its brains to reduce labor costs and improve production efficiency but neglecting the primary interests of employees. The emotional identification of employees with the enterprise is low. Without the sense of identity and belonging to the enterprise, job satisfaction will decline, leading to the phenomenon of high turnover rate.
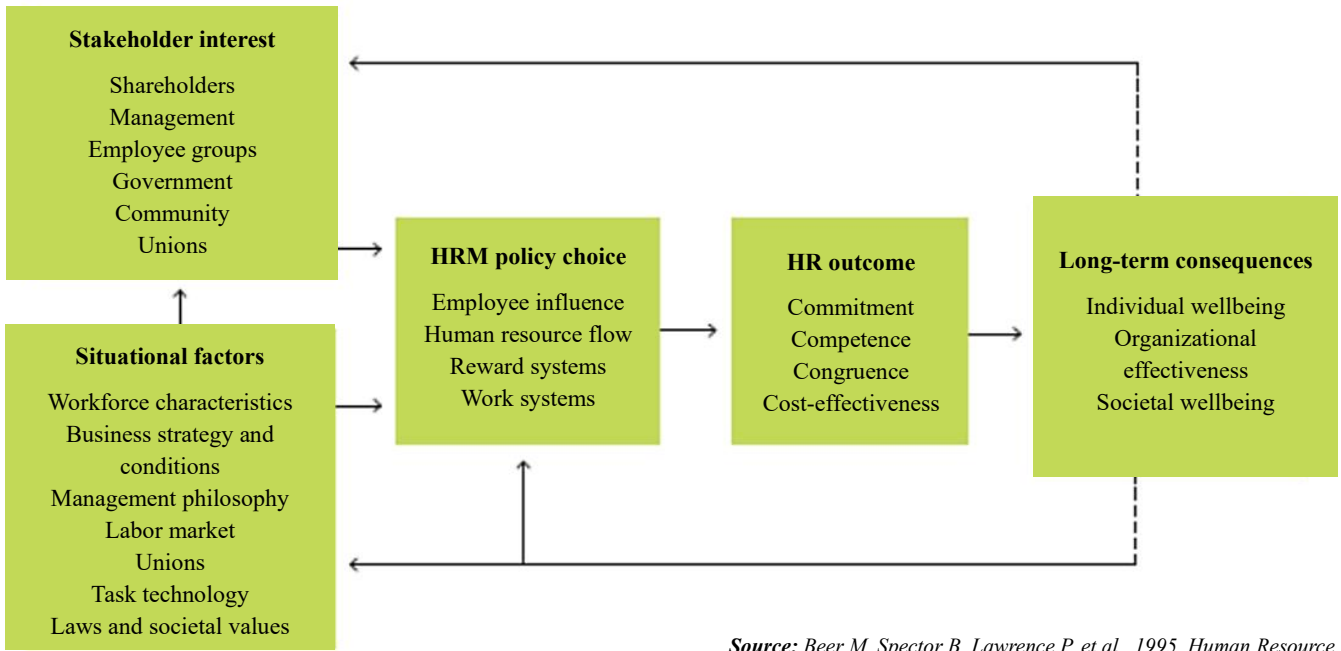
Figure 1. Harvard model
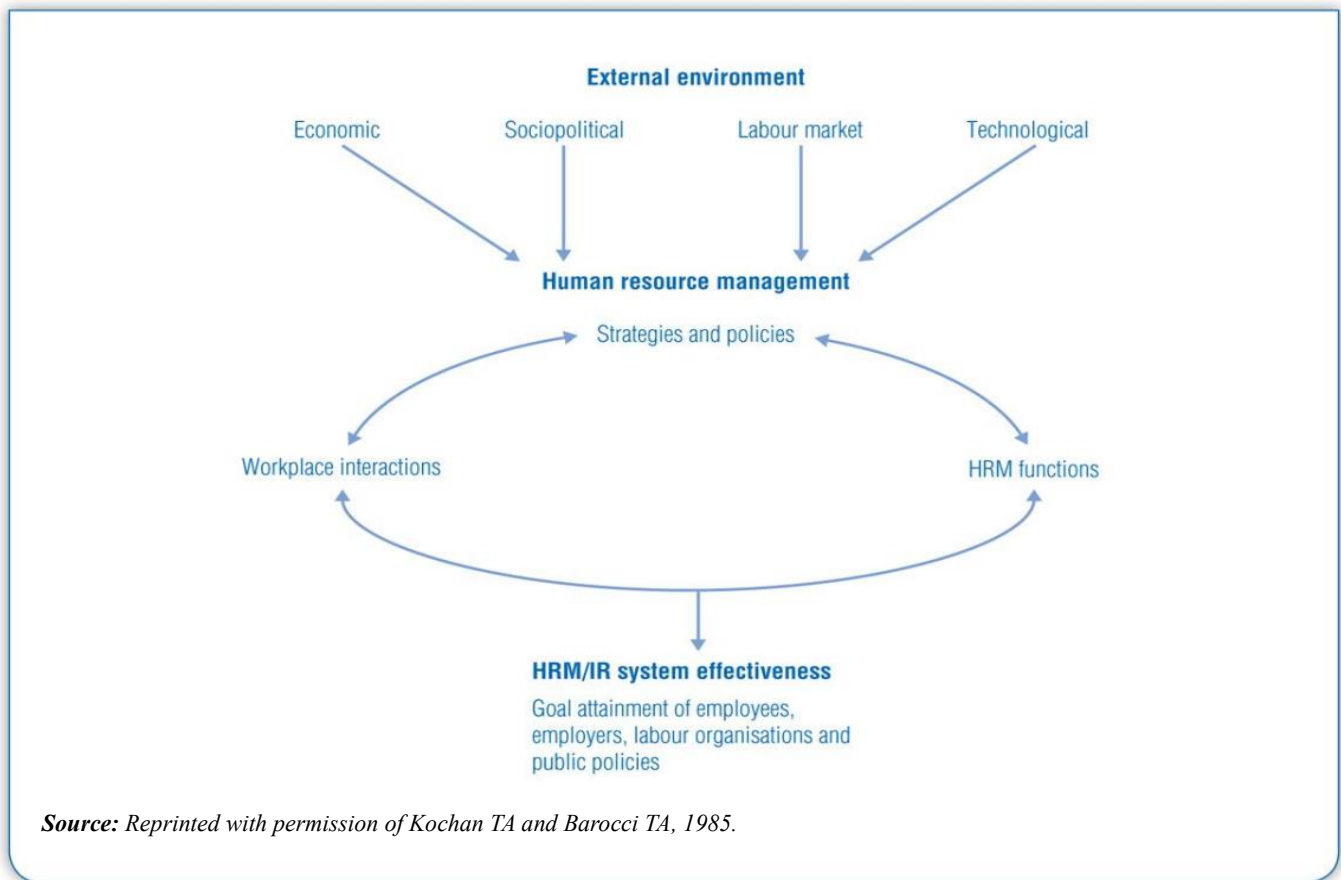
Figure 2. HRM/IR model

5. Solutions and recommendations
5.1. Solutions
Amazon needs to come up with a human resource strategic planning that is both far-sighted and reality-based to reduce the turnover rate. This article offers three solutions that the CEO of Amazon and the human resources department should consider while addressing the problem of employee attrition.

5.1.1. Implement various incentive measures to retain existing talents and attract external talents
On the one hand, Amazon should implement classified management in salary management. An effective salary incentive system should be established according to employees' needs in order to fully mobilize their enthusiasm. On the other hand, Amazon needs to pay attention to spiritual motivation. For example, assigning challenging jobs to high-achieving employees will provide them the freedom and opportunity to create and develop, so as to achieve corporate and personal success. According to the Harvard model, businesses should be concerned with social welfare. Hence, Amazon managers must improve the welfare system and address concerns pertaining housing, medical care, pensions, *etc*.

5.1.2. Provide good working environment and facilities for employees
On the premise of protecting the basic rights of employees, it is necessary to provide a good working environment and decent facilities for employees. Amazon should implement a rotation system and arrange employees' working hours reasonably. When working in a good environment, labor productivity increases. Team-building activities can also be organized to increase employees' sense of identity and belonging to the company.

5.1.3. Emphasize on personnel training
The Harvard model points out that human resource management factors include recruitment training. Training is considered a long-term driving force for enterprise development [28]. Therefore, Amazon managers need to outline the professional knowledge and skills that employees should have according to their responsibilities and formulate detailed job training plans for employees.

5.2. Recommendations
Detailed implementation recommendations for these three solutions are provided.

First of all, Amazon's human resources department should arrange for each department to implement the rotation system and introduce attendance scores to measure employee performance. The score can be used as a reference for year-end rewards.

At the same time, in addition to basic salary, step-by-step performance rewards can be adopted. For high-quality talents who have made significant contributions to the company, the company should provide additional rewards or promotion opportunities. The human resources department should also consider providing pension and security insurance for all employees.

Lastly, Amazon should consider organizing a 4–5-day team building activity every six months. One week of pre-job training should be given to new employees before entry, while skills training should be carried out once a year for old employees.

6. Reflection
Throughout this semester, I came to understand various SHRM theories and models as well as the advantages and disadvantages of each model through cases. This understanding would help me in future applications. At the same time, I realized that each model has its appropriate stage and environment and that enterprises need to adjust their human resource management strategies in time.

In addition, I also came to realize that any enterprise development strategy should be people-oriented. Employees should be regarded as an intangible asset of enterprises, and enterprises must develop a SHRM plan that matches it.

7. Conclusion

PEST and SWOT models were used to analyze Amazon's internal and external environments. It is evident, through this analysis, that Amazon has an issue with the high turnover rate in SHRM. Taking into account of human resources literature, the Harvard and HRM/IR models were applied, revealing that Amazon's high turnover rate is caused by Amazon's flawed incentive policies and lack of emotional identity. Hence, solutions are proposed to address the problem through welfare distribution, training, and so on. In future work, the learned theory shall be put into practice.

Disclosure statement

The author declares no conflict of interest.

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