LABOUR TURNOVER: CAUSES, CONSEQUENCES AND PREVENTION

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LABOUR TURNOVER: CAUSES, CONSEQUENCES AND PREVENTION

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Abstract
Employees’ turnover poses a recurrent challenge to most business organization globally. There is virtually no organization that is immune to employees’ turnover; be it small size or big size organizations, they are all exposed to employees’ turnover. Although, it may not be feasible for any organization to totally eliminate employees’ turnover due to several reasons, nevertheless it could be reduced to the barest minimum. Many of the prior studies only focused on the causes of employees’ turnover without considering the remedies. In bridging this gap, the current study examines the causes, costs consequences and prevention of employees’ turnover. The study provides theoretical foundation underpinning employees’ turnover. The causes of employees’ turnover are also provided among which we have poor work environment and poor remuneration packages. The study further indicates that employees’ turnover has cost implications to the organization; such costs include but not limited to vacancy advertisement, interview, recruitment and training of new hire, loss of productivity, and cost of inefficiency of the new staff. Strategies that can help in addressing employees’ turnover include favourable working environment, and improved remuneration packages, amongst others.

Key words: Costs Consequences, Labour Turnover, Productivity, Preventive Strategies.

1.0 Introduction

For any organization to run and actualize its objectives there is need for work force that will drive the processes of the organization (Borthwick, 2011). As the world shift further into a knowledge-base economy that relies majorly on information, knowledge and high level skills, human capital will become progressively more central to business organizations across the globe. The work force of any organization represents its employees. Ideally, every employee in any organization is expected to continuously render productive service to the organization and remain in that organization until retirement. However, in reality, this is not so. This introduces us to the concept of employees’ turnover.

The concept of labour turnover is often used interchangeably with employees’ turnover. It means the rate at which employees leave a business enterprise (Hedwiga, 2011). A number of other terms have been used interchangeably with employee turnover, such terms include: quits, attrition, exits, mobility, migration or succession (Morrell, John & Adrian, 2004). It represents the relative rate at which a business enterprise gains or losses its employees (Marisoosay, 2009). Kazi and Zedah (2011) describe employees’ turnover as the regular change of employees around the employment market among organizations, professions and career; and between the conditions of full employment and that of being without a job. Employees’ turnover can also be defined as a measure of the number of employees leaving and being replaced within a particular period, usually a year, expressed as a percentage of the total labour force at the beginning of the period (Abbasi & Hollman, 2000; Adeniji, 2009). For the purpose of the current study, the concept of employees’ turnover can be defined as a measure of the length of time an organization’s employees remain in the workforce of the organization and how frequent the organization has to replace its workforce. Anytime an employee leaves the workforce of any business organization, the reasons for leaving notwithstanding, and such employee is being replaced, it is referred to as labour turnover. Usually, employees’ turnover is expressed in accounting as a percentage as follows:

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Labour or employee turnover is a natural part of doing business (Tettey, 2006). Employees’ turnover represents a common problem to most businesses enterprises in recent time, as it has unfavourable consequences to such business enterprises (Shamsuzzoha & Shumon, 2010). There are financial and non-financial costs associated with the process, but while companies control the turnover, they can also control the costs. Although there is variation in the rate of turnover between one organization and the other; the rate is higher in privately owned organizations than those of public sector organization (Shamsuzzoha & Shumon, 2010).

Rajan (2013) observes that labour turnover may be categorized into five groups as follows. (a) Functional and dysfunctional turnover. Functional turnover is a turnover in which employees that perform poorly leave an organization; meanwhile dysfunctional turnover is a turnover in which employees that perform excellently leave an organization. (b) Voluntary and involuntary turnover: Voluntary turnover is the turnover in which employee has own choice to quit or instances of turnover initiated at the choice of employees whereas involuntary turnover is one in which employees have no choice in their termination. (c) Skilled and unskilled turnover: Untrained, uneducated and unskilled positions often face high turnover rate. On the other hand skilled and educated positions may create a risk to the organization while leaving. Therefore turnover for skilled and educated professionals incur replacement costs as well as competitive disadvantage of the business. (d) Avoidable and unavoidable turnover: A turnover that happens in avoidable circumstances is called avoidable turnover, whereas a turnover that happens in unavoidable circumstances is called unavoidable turnover. (e) Internal and external turnover: Internal turnover happens when employees send-off their current position and getting a new position within the same organization. It is related with the internal recruitment where organizations filling the vacant position by their employee or recruiting within the organization.

Previous studies have reported that employee turnover could pose a serious threat to the growth and productivity of any business organization (Tettey, 2006; Ally, 2011; Mrope & Bangi, 2014). In fact, Armstrong (2004) recognizes that employees’ turnover rates are considered to be one of the persistent problems in organizations. Meanwhile, Pires (2009) observes that the foremost critical issue for employees today in all industries is hiring and keeping qualified and capable employees. Thus, for business organizations to stand the test of time in a highly competitive environment, the issue of employees’ turnover must be addressed. Although, it may not be feasible for any organization to totally eliminate employees’ turnover due to several reasons, nevertheless it could be reduced to the barest minimum. Glebbeek and Bax (2004) observe that despite the fact that a lot of studies on labour turnover have focused on causes of employees leaving their employments; only limited studies have investigated the consequences associated with voluntary employee turnover. Thus, the current study examines the causes, consequences and prevention of employees’ turnover.

2.0 Literature Review

2.1 Theoretical Review

The following theories buttress the study on employees’ turnover.

2.1.1 Equity Theory

Equity theory is concerned with the perceptions people have about how they are treated as compared to others. Equity theory proposes that a person’s motivation is based on what he or she considers being fair when compared to others (Redmond, 2010). As noted by Gogia (2010), when applied to the workplace, equity theory focuses on an employee’s work-compensation relationship as well as that employee’s attempt to minimize any sense of unfairness that might result. When compared to other people, individuals want to be compensated fairly for their contributions. A person’s beliefs in regards to what is fair and what is not fair can affect his motivation, attitude and behaviour. Employees who feel unfairly treated may be compelled to seek for better opportunities elsewhere.

2.1.2 Expectancy Theory

Expectancy theory provides an explanation of why individuals choose one behavioural option over others. The basic idea behind the theory is that people will be motivated because they believe that their decision will lead to their desired outcome (Redmond, 2010). Expectancy theory proposes that work motivation is
dependent upon the perceived association between performance and outcomes and individuals modify their behaviour based on their calculation of anticipated outcomes (Chen & Fang, 2008). This theory is built upon the idea that motivation comes from a person believing they will get what they want in the form of performance or rewards. The theory states that individuals have different sets of goals and can be motivated if they believe that: (i) There is a positive correlation between efforts and performance. (ii) Favourable performance will result in a desirable reward. (iii) The reward will satisfy an important need. The desire to satisfy the need is strong enough to make the effort worthwhile (Lawler, Porter & Vroom, 2009). Thus, employees who feel their expectations are not being met may be compelled to seek for better opportunities elsewhere, where they feel their expectations would be met.

2.1.3 Herzberg Two Factor Theory

Boundless (2015) argues that in this theory, there are two types of factors that influence motivation and satisfaction among individuals, particularly those who work in the employment sector. This theory asserts that there are certain factors in the work place that can cause job satisfaction and a separate set of factors that can cause dissatisfaction (Boundless, 2015). It is critical to emphasize that this is not a linear relationship: the factors that cause satisfaction do not necessarily negate those that cause dissatisfaction; one does not necessarily increase exactly as the other decreases. According to Sincero (2008), in 1959, Herzberg conducted a study from which he proposed a two-factor approach when attempting to understand motivation among employees. The two-factor theory includes two types of factors that affect how motivated or satisfied an employee is at work. These are comprised of hygiene factors and motivator factors. Hygiene factors are those that need to be addressed by a business in such a way that they would not result to the employee’s unpleasant experiences and feelings at work (Sincero, 2008). The satisfaction of hygiene factors motivates employees in their work. The hygiene factors are: (i) Wages, salaries and other financial remuneration (ii) Company policy and administration (iii) Quality of interpersonal relations(iv) Working conditions (v) Feelings of job security and (vi) Quality of supervision.

Motivator factors emerge from the need of an individual to achieve personal growth. Job satisfaction results from the presence of motivator factors. Moreover, effective motivator factors do not only lead to job satisfaction, but also to better performance at work. The motivator factors identified by Sincero (2008) are: (i) Challenging or stimulating work (ii) Status (iii) Opportunity for advancement (iv) Responsibility (v) Sense of personal growth/job achievement (vi) Acquiring recognition.

2.3 Empirical Review

Shukla and Sinha (2013) examined employees’ turnover in the banking sector. The study employed descriptive research design. Primary data were obtained from the respondents through the administration of structured questionnaire. The collected data were analysed using mean, standard deviation and linear correlation. The results of the study revealed that lack of job satisfaction and work environment ranked high among the causes of employees’ turnover. Employees were willing and ready to change to a new job that promised them better remuneration and work environment. This suggests that a strategic approach to reducing employees’ turnover is to make the work environment conducive and provide improved remuneration.

Nwokocha & Iheriohanma (2012) conducted a study in Nigeria on emerging trends in employees’ retention strategies in a globalizing economy. They argued that to minimize the rate of employee turnover and catch up with the current demands of global economic needs and organizational performance, organizations should adopt critical sustainable retention trends such as establishing a strategic plan, involving employees in decision-making process, initiating personalized compensation plan, installing mechanisms for career planning, training and development and building flexible work programs especially for critical knowledge – employees. Bula (2012) in the study of labour turnover in the sugar industry in Kenya found that salary is a major factor causing labour turnover followed by training, promotion, performance appraisal and work condition. Other factors like recognition, job content, participation in decision making and leadership style were also considered as immediate factors. It was also revealed that although lack of employee commitment and motivation can be major causes of labour turnover, they are dependent on all the other factors causing labour turnover.

Studies in Tanzania observed that labour turnover can be influenced by a number of controllable and uncontrollable as well as demographic factors. Magalla (2011) observed that controllable factors such as short contract, poor working condition, poor recruitment procedure, lack of motivation, and poor or inadequate incentives and rewards are the reasons that influence voluntary labour turnover in the public organizations.

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especially for employees living in rural areas. Managerial controllable factors such as unequal treatment of workers, lack of promotion and growth, low wages and salary, unclear compensation procedures, less recognition and lack of employees’ involvement in decision making were also mentioned by Susana (2011) as other factors that cause voluntary employees’ turnover in both public and private sectors including microfinance and health institutions in Tanzania.

Ongori (2007) conducted a related study in Botswana. It was observed that among of the factors that influence employees’ turnover in any organization are inadequate information including physically powerful communication systems on effective performance, uncertain supervisors’ desires and peer employees, and conflicting job functions. These factors may be the basis on which employees may begin to experience loss of job satisfaction and may finally result in an employee leaving the organization. Factors such as poor personnel policies, poor recruitment policies, poor supervisory practices and poor grievance procedures contribute to high labour turnover from the study. Where there were cases of improper management practices and policies on employees matters; especially when employees are not recruited systematically, promotions of employees are not based on spelled out procedures, no grievance resolution procedures in place, these would lead to high employees’ turnover.

Ng’ethe, Iravo & Namusonge (2012) examined the determinants of academic staff retention in public universities in Kenya. The results of the study revealed that leadership influence over the behaviour or action of subordinates was a potential cause of employees’ turnover in Kenyan organizations. Distributive justice, the extent to which rewards and punishments are related to job performance and fairness in the allocation of outcomes such as pay and promotions were reported to be critical to employees’ retention. Work environment was another factor that affects employees’ decision to stay with or leave any organization. The work environment include issues such as office space, equipment, air conditioning, comfortable chairs just to mention but a few. The employees’ perception on their work environment also affect their productivity and efficiency. Many people would be dissatisfied if working conditions are poor. Thus, to reduce employees’ turnover, the work environment should be made very conducive for the employees.

Okubanjo (2014) examined the predictive power of organizational commitment and job satisfaction on primary school teachers’ turnover intention in Ijebu North Local Government area of Ogun State. Three instruments, turnover intention scale, organization commitment scale and intrinsic motivation inventory were utilized in the study. Multiple regression (stepwise) and simple percentage were used for analysis. Findings showed that the two determinant variables (organizational commitment and intrinsic motivation) when taken together, determined the criterion variable (turnover intention). Finding also indicated that organization commitment was the most potent contributor to the prediction of turnover intention of primary school teachers.

3.0 Methodology

The current study, being a review, adopted the desk research methodology. This approach involves the collection of relevant information from existing resources in the internet and the library. Specifically, online journal articles, hard-copy journal articles, text-books and other periodicals were consulted for the relevant secondary information used in this study. This approach is considered appropriate bearing in mind the large volumes of studies which have already been carried out on employees’ turnover.

4.0 SUBMISSION ANALYSIS

4.1 Causes of Employees’ Turnover

Literature reveals that some factors facilitate employees’ turnover. This section presents the most important causes of employees’ turnover.

4.1.1 Work Environment

Shamsuzzoha & Shumon (2010) argue that if the physical condition in the place of work is deficient of crucial amenities, it could discourage employees and promote employees’ turnover. Inadequate provision of basic amenities such as health care services, furniture, suitable lighting, and proper ventilation can cause employees to begin to seek for alternative employment where the physical condition is more conducive. Another work environment factor that can cause employees’ turnover is stress. Shukla and Sinha (2013) observe that in
the banking sector, technological advancement and globalization have increased time pressure; extreme work demand, role conflicts and problematic customer relationship which are causes of stress. Employees who prefer to work under less pressure may quit for alternative employment opportunities that promise less stress (Firth, David, Kathleen & Claude, 2007).

4.1.2 Poor Remuneration Packages

This represents one of the major causes of high labour turnover. Shukla and Sinha (2013) observe that when an employee is engaged in a low-wage position with inadequate benefits, there is little or no motivation to continue if a comparable employer offers even a slightly higher rate of pay. Thus, low-wage jobs usually record a higher rate of employees’ turnover; although, it cost less for employers to replace employees in this category when compared to those in a high-wage positions (Handelsman, 2009). Employees who contribute significantly to an organization but whose wages fall short of the current market rate, possibly will feel cheated in the present employment and seek for employers that will pay what they considered appropriate remuneration (Firth et al., 2007). Hisom (2009) asserts that the topmost factor that causes high labour turnover rate is salary structure since employees are rational and will often prefer employment that has comparable salary structure in place. Therefore, poor remuneration remains a major cause of high employees’ turnover (Rampur, 2009).

4.1.3 Poor Interrelationship between Employees and Management

The nature of interrelationship between employees and management represents another factor that cause employees’ turnover. If the interrelationship between employees and the management is poor, employees will not hesitate to quit for another employment at any available opportunity (Shukla& Sinha, 2013). Conflict with managers and supervisors is a frequent cause of employees’ turnover. A feeling that management in general, or a particular manager and team leader is treating employees unjustly or is bullying his staff can lead to a high rate of employee turnover (Armstrong, 2004). Shamsuzzoha & Shumon (2010) argue that it is somewhat unusual for employees to quit employments in which they are happy and having good interpersonal relationship, even if offered another employment with a higher salary elsewhere. This is because employer-employees relationship plays a very important role on employees’ turnover.

4.1.4 Lack of Career Progression

Employees’ turnover tends to increase if there are no career prospects in the employment. Discontent with career prospects is a foremost cause of turnover. Increasing number of employees desire to grow in their careers and need to move forward, and there is little or nothing employers can do about it, particularly in today’s flatter organization and promotion prospects being so limited. These are the individuals who acquired portfolio of skills and may deliberately change direction numerous times during their careers (Armstrong, 2004). Europhia (2008) cited in Shukla and Sinha (2013) reports that career development is a lot more significant than remuneration in Europe and America but it is considered equivalent to remuneration in Asia. Increase in labour turnover could also be as a result of lack of potential opportunity for promotions or elevations. As a rational being, employees would prefer employments which provide them with opportunity for higher position and higher remuneration packages (Rampur, 2009).

4.2 Costs and Consequences of Employees’ Turnover

Increased labour turnover is very costly for all business organizations (Amour, 2011). These include direct and indirect costs. The generally noticeable costs in connection with turnover are the amounts of funds expended on vacancy advertisement, headhunting fees, interview, recruitment and training of new hire, loss of productivity, and cost of inefficiency of the new staff. These costs have been estimated to range from thirty percent to as high as four hundred percent of a single employee’s annual salary, depending on the industry and job role being filled (Bureau of Statistics, 2008; Beam, 2009; Wangui, 2010).

Amour (2011) recognizes that there are other hidden costs related to employees’ turnover. Instead of an organization expending substantial amount of money and time trying to find replacements for disengaged employees; it could have dedicated such resources and energy in productive activities that will contribute towards moving the organization in achieving its objectives. This hidden cost of turnover is one that frequently gets ignored when considering approaches geared towards reducing employees’ turnover. Organizations that spend fewer amounts of time and financial resources on solving employees’ turnover problems could actually
focus on increasing productivity and improving customer satisfaction. This will culminates in higher long-term profitability and improved quality of service (Amour, 2011).

4.3 Strategies that Minimize Employees’ Turnover

There are strategies which could be put in place in every organization to address the problem of employees’ turnover. These measures may not totally eliminate employees’ turnover but surely it will reduce it to the barest minimum (Ngethe, Iravo & Namusonge, 2012).

4.3.1 Provision of Quality Leadership

Employees’ turnover can be reduced through the provision of quality management by management generally and by individual manager and team leader (Armstrong, 2004). Employees should be treated fairly, justly and with human dignity by managers, giving them due respect, devoid of harassment and embarrassment. This will create an atmosphere of mutual respect between managers and their staff, and in turn drastically reduce employees’ turnover (Shamsuzzoha & Shumon, 2010). Employees are likely going to stay with an organization if they are convinced that their managers show interest and concern for them, if they are familiar with what is expected of them, if they are given a role that fits their capabilities and if they receive regular positive feedback and recognition. The quality of relationship an employee has with his or her immediate managers elongates employee stay in an organization.

4.3.2 Creating Conducive Work Environment

Another strategy which can be utilized in addressing employees’ turnover is through the creation of conducive work environment for employees. Work environment is one of the factors that affect employee’s decision to stay with the organization (Ngethe, et al., 2012). The physical condition in the place of work should be such that it has crucial amenities that will motivate employees to do their best. Adequate provision of basic amenities such as health care services, air conditioning, office space, furniture, suitable lighting, and proper ventilation can encourage employees to remain with their employers (Shukla& Sinha, 2013). Similarly, employers should create an atmosphere that will reduce employees’ stress level at all times as this will further boost their morale to remain in the organization (Firth, et al., 2007). Working environment that is comfortable, relatively low in physical psychological stress, facilities and attainment of work goals will tend to produce high levels of satisfaction among employees.

4.3.3 Enhanced Remuneration Packages

Attractive remuneration package is one of the extremely essential factors of reducing employees’ turnover since through it employees’ financial and physical needs can be met. Employees will not likely want to quit their present job for a new one if they are convinced that their current remuneration packages are above average of what is obtainable in the same industry. According to Tettey (2006) satisfaction with salaries is one of the key factor facilitating the commitment of employees to their organizations and careers, and consequently their decision or intent not to leave.

4.3.4 Provision of Career Progression Opportunities

Employees’ turnover can be drastically reduced through the provision of avenues for career progression by employers. There should be opportunities for growth and promotion within the organization (Rampur, 2009). Employees look forward to working in organizations that make available to them opportunities to be promoted to new higher and more challenging positions. Dockel (2003) strongly argues that employees should not only be rewarded financially but they should also be provided with opportunities to grow within the organization. Employees who feel that they are making progress in their positions generally are motivated and will likely stay in fulfilling position. Promotion offers opportunities for growth and is also one of Herzberg motivators which can be used to enhance retention (Rampur, 2009).

4.3.5 Provision of Training and Development Opportunities

Training and development represent another strategy for reducing employees’ turnover in any organization. Training provides employees with specific skills or helps to correct deficiencies in their
performances, while development is an effort to provide employees with abilities the organization will need in the future (Chew, 2004). The purpose of training in the work context is to develop the abilities of the individual and to satisfy the current and future manpower needs of the organization. Dockel (2003) observes that opportunities for training and development are among the most important reasons why employees stay especially young and enthusiastic ones. Investment in training is one way to show employees how important they are. One of the factors that Hertzberg identifies as an important motivator is the advancement opportunities.

5.0 Conclusion and Recommendations

Employees’ turnover poses a recurrent challenge to most business organization globally. There is virtually no organization that is immune to employees’ turnover; be it small size or big size organizations, they are all exposed to employees’ turnover. Although, it may not be feasible for any organization to totally eliminate employees’ turnover due to several reasons, nevertheless it could be reduced to the barest minimum. Many of the prior studies only focused on the causes of employees’ turnover without considering the remedies. In bridging this gap, the current study examines the causes, consequences and prevention of employees’ turnover. The study provides theoretical foundation underpinning employees’ turnover. The causes of employees’ turnover are also provided among which we have poor work environment and poor remuneration packages. The study further indicates that employees’ turnover has cost implications to the organization; such costs include but not limited to vacancy advertisement, headhunting fees, interview, recruitment and training of new hire, loss of productivity, and cost of inefficiency of the new staff. Strategies that can help in addressing employees’ turnover include conducive working environment, and improved remuneration packages, amongst others.

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