

The Impact of Labour Turnover on Organisational Integrity, Management Stability, Image Building, Employee's Confidence, and Job Performance

Dr. Nwafor E. Simon (M.Sc., DBA, Post-Doct.)

City University, Cambodia, Monrovia-Liberia Campus.

Corresponding author: drnwaforsimon66@gmail.com

Abstract

This paper looks at management of labour turnover as an essential managerial tool in advancing organisational image building, integrity (ethics), building HR confidence, job performances, and organisational stability in Nigeria organisations and the continent of Africa. The harsh economic realities in Nigeria, with the attendant policies has over the years been given less attention to recognition and management of acute labour turnover in major organisations, thus paving way for an ineffective human capital management. Labour turnover is one of the most important areas of study in the human resources plans. With today's high cost of labour, companies are not only aware of the problems, but should seek or identify the causes and attempt to remove or reduce them so that the organisation can function in harmony without too much human disruption. There has been growing research interest in labour turnover amongst human resources practitioners and company executives, but much need to be done in order to meet with the 21st century business challenges. The author however, suggests an effective labour turnover management plans for organisation's managers, which are often face with the complex issue of how to develop and validate the competencies required for these complex roles. In analysing this trend, therefore, the researcher concludes that company executives should as much as possible to fully utilise the talents of their most valued assets; by employing strategic synergy, teamwork and balanced approaches, and proper management of labour turnover will efficiently enhance organisational growth, competitive advantages in this 21st century competitive business world.

Keywords: Labour Turnover, Organisational Integrity, Management Stability, Image Building, Employee's Confidence, Job Performance.

Introduction

'Of all the decisions an executive makes, none is as importance as the decisions about people, because they determine the performance capacity of the organisation'. Peter Drucker

Have you pondered while in your office workers leave at any short time? What about a capable hand (colleague) that ordinarily shouldn't have exited the organisation but left as a result of retrenchment, or voluntary resignation occasioned by ill-treatment by the management? Honestly, Labour Turnover is a serious problem of organisations in all countries; a major problem in the area of industrial relations in Nigeria. However, a lot of

organisations invest resources to make them efficient and effective for improved performance. Thus, retaining the labour in firms are beginning to be challenging and because of certain reasons, employees don't seem to stay back after sometime, and this leave the firm with the stress of undergoing a recruitment process again (Ghulam, Syed, & Zainab, 2012). In every organisation, employees constantly join and leave for one reason or the other. The relation between the number of persons joining the organisation and leaving due to resignation, retirement, retrenchment, or nature to the average number of pay-roll is labour turnover. Labour turnover, also known as employee or HR turnover is the rate with which the employees or human resources leave their jobs in an organisation. It can be because of attrition, layoff or resignations. It is necessary, therefore, to measure employee turnover because it is an important indicator of the state of a workplace and also helps senior-level management to take measures to reduce it.

A lot of reasons account for this development in recent times. It is the responsibility of companies all over the world to engage the services of capable human resources to achieve designated objectives. Labour turnover is one of the most important areas of study in the human resources plans, and with today's high cost of labour, companies not only be aware of the problems, but should seek or identify the causes and attempt to reduce them so that the organisation can function in harmony without too much human disruptions. All through man history, it is evident that the rate at which employees come and leave the organisation is giving organisation's decision-makers a big challenge, and even in this 21st century economics. Thus, employees, undoubtedly strive to achieve personal goals such as fat pay, job security, reward for work done, responsibility in work places, positive interpersonal relationship and good working conditions.

The concept of labour turnover denotes the rate at which employees leave a business enterprise (Hedwiga, 2011). A number of other terms have been used interchangeably with employee turnover, and such terms include: quits, attrition, exits, mobility, migration or succession (Morrell, John & Adrian, 2004). According to Marisoosay (2009), It represents the relative rate at which a business enterprise gains or losses its employees. Kazi and Zedah (2011) describe employee's turnover as the regular changes of employees around the employment market among organisations, professions and career, and between the conditions of full employment and state 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).

It is practically the rate of change in the working staff of an enterprise during a given period of time. Labour turnover is a measurement of the extent to which old employees leave and new employees enter into the services of an organisation in a specific time period. Labour or employees who are not satisfied with their career in the present organisation may seek suitable employment in other organisations. Labour turnover may result into movements, shifting or migration of human resources from one unit to another or from one organisation to another.

In this paradigm, therefore, employment and job security play a big role toward the motivation of employees in all organisations as they all affect the productivity ratio. This is because it helps them to set their own goals and look for means of achieving them and they even help to satisfy their psychological contracts. Many organisations provide their employees with employment security whereas some do not. Those that give their employees employment security enjoys some benefits like improved productivity, setting goals and finding ways of achieving them and many others. This is likely to impact on the motivation of staff and the performance of the organisation.

In the same vein, some degree of turnover is both inevitable and healthy but too much of it can severely reduce productivity, demoralise incumbents, damage an organisation's public image and sometimes antagonises actual or potential customers. On the other hand, too little mobility may shiftily ambitions and too little turnover results in a moribund organisation.

Labour Turnover Defined

Labour turnover, in human resource management context is the act of replacing an employee with a new employee. The concept of labour turnover or human resources denotes the rate at which employees leave a business enterprise (Hedwiga, 2011). It is defined as "the movement of people into and out of the organisation" and it is usually measured by recording movements out of the establishment on the assumption that a leaver will eventually be replaced by a new employee", and since employment rarely changes by more than 2-3% a year, this means that the movement of workers between jobs is much greater than changes in the number of jobs. A good understanding of labour turnover is therefore important for any analysis of the labour market. Partings between organisations and employees consist of retirements, deaths, inter-agency transfers, and resignations. An organisation's labour turnover is measured as a percentage rate which is called, 'Turnover Rate'. Turnover rate is the percentage of employees in a workforce that leaves during a certain period of time. Organisations and industries as a whole measure their turnover rate during a fiscal year or calendar year. Labour turnover is an important and pervasive feature of the labour market.

Scholars and company executives in this century have been looking out for ways to understand the psychological as well as the economic dimensions of labour turnover in modern organisations and its performance. Labour turnover, which is mainly concerned with the movement of employees from one organisation to another; this implies also the hiring of new employees by organisations and also dealing with exit of employees. A lot of positive reasons account for why labour turnover should take place in many organisations. This happens only when a low performing employee is replaced by a skilled employee and when an older employee is replaced by a talented younger one. Employee turnover, however, can be costly as it demands different costs to take into account; as recruitment, administrative costs, covering cost in such a period there is an opportunity of job, and new employee training cost (Ibrahim, Usman, & Bagudu, 2013). Labour turnover can therefore,

be controlled to a certain extent by the policies as well as the rules of the organisation. Also, there are certain factors that cause high turnover rate in the organisation, which can be costly to the organisation-such as firm instability, low level of pay and poor work situation. Such factors that bring about labour turnover are characterised with suddenness and untimeliness which then does not give the organisation the opportunity to prepare for the exit as well as the hiring of new employees. This then becomes a huge cost on the funds of the firm, a reduction in the human asset which can then affect the performance of the firm (Ghulam, Syed, & Zainab, 2012).

Labour turnover affects both workers and the organisation. Workers experience disruption-the need to learn new job-specific skills and find different career prospects. Companies suffer the loss of job-specific skills, disruptions in production and also incur the costs of hiring and training new workers, but incoming workers may be better educated, more skilled and have greater initiative and enthusiasm than those who left. The impact of turnover on workers is quite well understood. However, we know very little about the impact of turnover on organisations. This is due to limited availability of data, which has allowed only sporadic study of these issues (turnover and hiring costs have been studied by Burgess and Dolado, 1989, Hammermesh, 1995 and Hammermesh and Pfann, 1996, while Hutchinson et al, 1997, and Kersley and Martin, 1997, have analysed the impact of turnover on productivity). The theory used to explain the impacts of turnover on firms is mostly based on the well-known efficiency wage model of Salop (1979). In this model, there is no aggregate uncertainty but the context is one of labour market search and matching where workers have private uncertainty on differing job's attributes of firms, which they only learn upon becoming employed.

Hutchinson, S et al (1997), stressed that a company with low turnover is generally quite productive. This is because the employees know and trust each other and are better at their specific roles than a group of employees that sees more turnover would be. Employees are likely to be more loyal to the company and more willing to devote their personal energy, skills, and competencies to the job, while low turnover makes it easier for the company to focus its time and energy on the business.

The determination of what is seen as a high or low level of turnover may depend on the custom, culture norms and practice of the industry or the geo-political environment under consideration. In the same vein, the rule of 'thumb' is that an organisation should not have more than 2% to 3% labour turnover in any given year. This then, depends on certain variables that are likely to impinge on the activities of the organisation. This system therefore, discourages erratic movement of employees from one organisation to another.

Types of Labour Turnover

The study of labour turnover is the study of movement of human resources in and out of the organisation at a given time. Rajan (2013) observes that labour turnover may be categorised into five groups as follows, viz;

* **Functional and dysfunctional turnover:** Functional turnover is a turnover in which employees that perform poorly (unproductive and or indolent) leaves the organisation; meanwhile dysfunctional turnover is a turnover in which employees that perform excellently leave an organisation.

* **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.

* **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 high risk to the organisation while leaving. Therefore, turnover for skilled and educated professionals incur replacement costs as well as competitive disadvantage of the business.

* **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.

* **Internal and external turnover:** Internal turnover happens when employees send-off their current position and getting a new position within the same organisation. It is related with the internal recruitment exercise where organisations filling the vacant position by their employee or recruiting within the organisation.

According to Deery and Shaw (1999), the analysis of labour turnover is linked with cultural perspectives; noting that within the sector, there has developed a phenomenon which is in it a culture, that is, a labour turnover culture. They proposed that a turnover culture is typified by the acceptance of labour turnover behaviour by peers, by management and by the organisations themselves. Deery (2002) reports further that a set of variables influence the intention of an employee to leave their employment- such as their commitment to the organisation, the promotional opportunities, work difficulties and job satisfaction and productivity. If workers are not faced with consequences for poor performance, laziness, then productivity margins can easily shrink at a divesting rate, and this action will not be good the organisation, and the society at large.

Causes of Labour Turnover

Labour turnover is mainly concerned with the movement of employees from one organisation to another; this implies the hiring of new employees by organisations and dealing with exit of employees.

* **State of the labour market:** Studies have shown that labour turnover tends to fall in times of higher unemployment.

* **State of the economy as a whole:** Turnover tends to fall in times of economic depression, but in times of economic boom, turnover tends to rise tremendously. Donner (1973) argued that quit is a function of excess demand in the economy (as cited in Nwafor, 2017).

* **Length of service:** Another reason some employees quit is in relation to their services in the organisation. There's a strong belief that those who have served an organisation for

relatively longer periods do not leave easily but those who have spent relatively shorter periods are prone to leave much more easily.

* Age of employees: Research evidence confirms that younger persons are higher leavers. They are generally seen as persons who have not made up their mind to stay on the job. They are said to still be shopping around.

However, shopping becomes a more pronounced tendency in times of economic boom, but in times of serious economic depression, even the so-called young employees tend to do their jobs more tenaciously than ever. In fact, you can shop around only when there are goods and there is money to spend. The older ones become both chronologically on the job; the less iterant one become in terms of job mobility. When we become older in age, our ability to bargain for certain types of job diminishes. Employers are also skeptical in offering employment to certain persons whose ages fall within or above certain brackets. Older employees therefore, do not spend too much of their time shopping around to get jobs as younger ones will want to do.

* Level of skills of employees: The argument here is rather explosive and tendentious. One view is that the more skilled an employee is, the higher the tendency for him to leave for other jobs. This assertion sounds logical and acceptable but if one's skill is firm or industry-specific, then, mobility becomes difficult and restrictive. But if the skill in question is a general and transferable skill, then, mobility becomes higher (Becker). The other argument is that the less skilled you are, the lower the propensity to leave or to even attempt to look for jobs elsewhere. This may be true if one is in a competitive labour market where there are a lot of highly skilled persons.

* Sex of employee: There is the general notion or belief that women are very prone to leaving their jobs. The reasons are perhaps obvious. Most working women are housewives, and they may want to become nursing mothers sometimes in their lives. This therefore, required leaving their jobs and staying at home to look after the children, or quitting their jobs to join their husband in his location. Another possibility is that as weaker sex, women may not possess the physical attributes demanded by certain jobs.

* Place of residence in relation to place of work: It has been argued that those who live too far away from their places of work are generally higher leavers. Dubrin (1974) argued that most workers stay away from, or invariably quit their jobs due to stress encountered from stimulus/stimuli experienced from their work environment. Note that living too far away from ones place of work also lead to a higher level of absenteeism, and physical torture due to long-distance travels.

* Inequalities in wages: Pay is a very strong and motivating factor of work. Those who regard salary or wage as the focal point at work may be prone to leaving their places of work if they were not evenly and fairly treated as their colleagues or counterparts. Discriminatory practices in terms of remuneration at work-place could disillusion the worker who feels that equity and fair play was not used in the administration of wages and salaries are bound to quit.

This point was also amplified by both Pencavel (1970) & Parsons (1972) in their human capital studies, even though they adopted different theoretical frameworks, they both indicate that the relationship between quits and wages is consistently negative.

* Stagnation: One important reason why people go to work is advancement on their jobs. Advancement or promotions, therefore, could be seen as an incentive to staying on the present job and also a base for working harder but stagnation could lead to a high level of turnover in organisation.

* Marital status: Usually, people who are married and have family commitments are found to be more stable employees. One reason advanced by writers is the fact that married persons have children and perhaps loans and other credit facilities such as mortgage, etc. to defray. It then means that married persons who may have children and fewer commitments therefore are likely to leave much faster.

* The induction crises: A very important cause of labor turnover is what has been popularly described by writers as to induction crises. The induction crises occur amongst new recruits into an organisation within the first few weeks/months of their employment. It has been a theory, perhaps with some shifting basis that a new comer to an organisation is a high turnover risk person until he had become acclimatised to the physical environment in which he must work. The theory says-once acclimatised, the worker is often remarkably tolerant to unpleasant conditions.

* Management running down of staff: Some labour turnovers are described as voluntary while others are involuntary. The voluntary turnover is often described as the pull process and the involuntary turnover as the push process. Turnover resulting from management running down of staff falls under the push process. The employee is forced to leave through no fault of his. The push process has not attracted much attention from researchers and writers on labour turnover partly, perhaps because most writers and researchers feel that labour turnover problems emanating from deliberate management action constitutes only a negligible fraction and because it is management umpire and not regarded as labour turnover.

Other reasons have been advanced also by scholars as determinants of turnover: Donner (1973) argued that quit rate is a function of excess demand in the economy. Pettman (1973) has extended still to include factors such as industrial relations within the firm, the intelligence of employees and the effects of locality. Curren (1978), points out an interesting argument that turnover is a function of job characteristics and labour market characteristics. In a rather unfamiliar and less popular fashion, however, Chaplin (1968) argued that the rate of turnover in an organisation is determined by cultural problems; differing cultural heritage could make some workers leave their organisations in search of cultural peace.

Walker & Guest (1952) in the vein attributed high turnover rate to industrialisation-hazardous work environment, particularly for shop floor workers, but Goldthorpe & Lockwood (1969) argued that workers whose jobs are instrumentally rewarding are satisfied with their jobs. However, Daniel (1972) has 'counter punched' this argument by

saying that if the views of Goldthorpe & Lockwood are accepted, it then means that instrumentality performs the role of an anesthetic. Daniel therefore, concluded that it is the opportunity to use mental ability and experiences in problem-solving and learning that are the main sources of satisfaction on the jobs.

The Ethical Ways Management Can Treat Employees to Eschew Excessive Labour Turnover

According to Michael Armstrong (2010) in Boxall et al (2007), while human resource management does need to support commercial outcomes, it also exists to serve organisational needs for social legitimacy. In this paradigm, therefore, the following are the ethical requirements needed by organisations to eschew high labour turnover;

- * Treat people equally in terms of the opportunities for employment, learning and development provided for them.
- * Treat people according to the principle of procedural justice, that is, the ways in which people are managed are fair, consistent, transparent, and properly consider the views and needs of employees.
- * Treat people according to the principles of distributive justice, that is, rewards are distributed to them according to their contribution and they receive what was promised to them.
- * Treat people according to the principles of natural justice: individuals should know the standard they are expected to achieve and the rules to which they are expected to conform, they should be given a clear indication of where they are failing or what rules have been broken, and except in cases of gross misconduct, they should be given a chance to improve before disciplinary action is taken.
- * Treat people with respect.
- * Avoid treating people as mere factors of production.
- * Be concerned with the well-being of employees as well as the pursuit of commercial gain.
- * Offer as much security of employment as possible.
- * Provide a working environment that provides the health and safety of employees and minimises stress.
- * Act in the interests of providing a reasonable balance for employees between their life and their work.
- * Finally, protect employees against harmful practices at work, such as bullying, harassment, discrimination, and poor management policies, etc.

Conclusion

Labour turnover is one of the most important areas of study in the human resources plans, and with today's high cost of labour, companies not only be aware of the problems, but should seek or identify the causes and attempt to reduce them so that the organisation can function in harmony without too much human disruptions. All through man's history, it is evident that the rate at which employees come and leave the organisation is giving

organisation's decision-makers a big challenge, particularly in the present day economics. We are witnessing high labour due mainly to harsh economic policies, high cost of production, multiple taxation, etc. Also, the deteriorating environment, inflation that render salaries useless, the globalisation process that has removed geographical barriers among other factors has rendered current motivational factors inadequate in keeping workers on their jobs. Proactive management of labour turnover gives organisations favourable image both within and outside the industries community, and at the same time helps to strengthen its leadership position. In this case, therefore, there is also the need to come up with appropriate policies to reduce labour turnover among the organisation staff by studying and understanding how this group of workers can be motivated.

References

- Abbasi, S.M., Hollman, K.W. and Hayes, R.D. (2008). Bad Bosses and How Not to Be One. *Information Management Journal*, 42(1), 52-56.
- Armstrong, M. 2011. *Human Resource Management Practice*. London: Kogan Page.
- Alogoskoufis, G, Bean, C, Bertola, G, Cohen, D, Dolado, J and Saint Paul, G, 1995, *Unemployment: choices for Europe*, CEPR, London
- Beatson, M, 1995, "Labour market flexibility", Research Series 48, Employment Department, Sheffield
- Beach R., Brereton D. & Cliff D. (2003), *Workforce turnover in FIFO mining operations in Australia: An exploratory study*, Centre for Social Responsibility in Mining, University of Queensland & Sustainable Minerals Institute.
- Boxall P., Macky K. & Rasmussen E. (2003), *Labor turnover and retention in New Zealand; the causes and consequences of leaving and staying with employers*.
- Burgess, S and Dolado, J, 1989, "Intertemporal rules with a variable speed of adjustment: an application to UK manufacturing employment", *Economic Journal*, 99, pp. 347-65
- Clark, K, 2004, "The Job Openings and Labor Turnover Survey: what Initial Data show, *Monthly Labor Review*, November, pp.14-23
- Cole, G.A. 2002. *Personnel and Human Resource Management*. London: Book Power.
- Davis, S and Haltiwanger, J, 1992, "Gross job creation, gross job destruction and employment reallocation", *Quarterly Journal of Economics*, 107, pp. 819-63
- Gautier, PA, van den Berg, GJ, van Ours, JC and Ridder, G, 2002, "Worker turnover at the firm level and crowding out of lower educated workers", *European Economic Review*, 46(3), pp.523-38
- Garcia-Serrano, C, 1998, "Worker turnover and job reallocation: the role of fixed-term contracts", *Oxford Economic Papers*, 50(4), pp.709-25
- Hammermesh, D, 1995, "Labour demand and the structure of adjustment costs", *Economic Journal*, 105, pp. 620-34
- Hammermesh, D and Pfann, G, 1996, "Turnover and the dynamics of labour demand", *Economica*, 63, pp. 359-68
- Haskel, J and Martin, C, 2001, "Technology, Wages and Skill Shortages: Evidence from UK Micro Data", *Oxford Economic Papers*, 53, pp. 642-58
- Hedwiga, A. (2011). *Causes of employee turnover in Micro Finance Institutions in Tanzania: The case of Presidential Trust Fund*. A dissertation for the award of MBA (HRM) degree at the Open University of Tanzania. Dar Es Salaam, Tanzania.
- Hutchinson, S et al. (1997), 'Effects of High Turnover in a Serial Assembly Environment', *International Journal of Production Research*

- Hutchinson, S, J Villalobos and Beruvides, M, 1997, "Effects of high turnover in a serial assembly environment", *International Journal of Production Research*, 35, pp. 3201-23
- Ioannides, Y, Rosenthal, S, 1994, "Estimating the Consumption and Investment Demands for Housing and their Effect on Housing Tenure Status," *Review of Economics and Statistics*, 76, pp.127-41
- Kazi, G. F., & Zedah, Z. F. (2011): The contribution of individual variables: Job satisfaction and job turnover. *Interdisciplinary Journal of Contemporary Research in Business*, 33(5), 984-991
- Koontz, H. and Weihrich, H. 2005. *Management: A Global Perspective*. New Jersey: McGraw-Hill.
- Martin, C, 2003, "Explaining Labour Turnover: Evidence from UK Establishments", *Labour*, 17 (3), pp. 291-412
- Marisoosay, S. (2009). *The Role of Employee Turnover between Employee Job Satisfaction and Company Performance in the Penang automation*, University of Saints, Malaysia.
- Morrell, K. M., John, L. C., & Adrian, J. W. (2004). *Organisational Change and Employee Turnover*. *Personnel Review*, 33(2), 161 – 173
- Rajan, D. (2013). Impact of nurses' turnover on organisation performance. *Afro Asian Journal of Social Sciences*, 4(4), 1-18
- Salop, S, 1979, "A model of the natural rate of unemployment", *American Economic Review*, 69, pp. 11725
- Taplin, IM, Winterton, J and Winterton, R, 2003, "Understanding labour turnover in a labour intensive industry: evidence from the British clothing industry", *Journal of Management Studies*, 40 (4), pp. 1021-46
- Toulemonde, E, 2003, "The interaction between efficiency wage theories and labour turnover costs", *Bulletin of Economic Research*, 55(2), pp.203-8 - 29
- Theodossiou, I, 2002, "Factors affecting the job-to-joblessness turnover and gender", *Labour* 16(4), pp.729-46