

Determine the Antecedents of Employee Turnover and Its Impact on selected Service Sector in Ethiopia

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Abstract

The current investigation was focused on antecedents of employee turnover on educational institutions in East Gojjam zone and West Gojjam, Amhara Region. The purpose of the study was to Determine the antecedents of employee turnover and its impact on selected service sector in Ethiopia, on the prescribed private colleges. Quantitative and Descriptive research analysis was used and the data were quantified and described, compared, contrasted, analyzed and interpreted using these methods. While conducting this research, 123 sample respondents were selected by stratified random sampling method on proportional bases from the total population of 1120 mix of employees. The main findings of the research show cause of employee turnover are categorized as career, work environment, people, and personal factors. More specifically the most common causes are poor chance to improve skills, lack of promotional opportunities, poor chance of getting formal training, unsafe working conditions, and denial of workers' compensation, discriminatory practices, threat and absence of formal education. Employee turnover results in the following negative consequences on private colleges. High cost of training for new staff, diminishing productivity, competitive disadvantage, loss of customers, loss of the required return. The researcher has made the recommendations to the prescribed private colleges and the concerned policy makers.

Keywords: Employee turnover, causes, consequences

Introduction:

Overall, job satisfaction was concluded to be a strong predictor of turnover intention (Park and Min, 2020; Stamolampros *et al.*, 2019). For instance, job satisfaction influenced turnover intentions directly and indirectly but had a more significant effect via organizational commitment (Choi, 2006). In a later study, Yang (2010) confirmed the direct and indirect path to turnover intention, but affective commitment showed a stronger correlation with job satisfaction and turnover intention. Various studies, such as those by Jang and George (2012), Employee turnover is a significant organizational occurrence; and it is crucial to corporation, individuals, and society (Philip & Connell, 2003). Reducing unwanted turnover which involves thought or key leaders, top performers, top revenue producers, high potential workers, employees with business strategy critical skills, and individuals with major client relationships or other contacts, and innovators is the retention aim for every organization (Emerging Workforce Study, 2005). The structure of this study which looks into the factors influencing employee turnover in electrical and electronic (E&E)

manufacturing industry in northern Malaysia will be elaborated in this chapter. Another important objective is to study the employee commitment as mediating tool which affects the employee turnover. Employee turnover has adverse consequences for effective organizational functioning. As it is very much and clear that till how much time this crisis will go on, they are assuring but researchers around the globe they are testing the antidote for COVID-19 and they are sharing their valuable inputs throughout the world so that more and more scientist and researchers will contribute to that thing. The governments will take some appropriate steps to work for the benefit of business houses and to lift the unnecessary fixed charges with the business houses are paying to the government like the electricity, the bank interest loans, the taxes they have to pay during the time of lockdown. In terms of employee rewards, both promotions and pay increase were significant and negatively related to turnover. However, the effects of promotion on turnover was far larger than the effects of pay. As discussed in the methodology, the variable promotion was implemented as number of promotions per year of employee service to account for the fact that an absolute number of promotions does not give much information if it is not analyzed in regard to the years of service. Another factor to consider in analyzing the effects of promotions and salary increase on turnover is that a promotion can be a major factor in overall salary growth over time. Employee turnover is not just Human Resources issue, when an employee leaves a company; the employee takes with him knowledge and experience which cannot be monetarily measured and that cannot be easily recreated." That is one way of looking at the employee turnover, another way to look at it, is that it gives the company the opportunity to inject new blood in the organization veins. There are many positive elements about having an employee turnover. Some supervisors have to deal with a lot of unnecessary whining from employees who have been around for a long period of time. After a while, those experienced employees begin to feel as though they are in disposable and come to work whenever they want to. Their work performance no longer meets standards and they just don't care anymore. That type of overconfidence really hurts the moral in the work place. Employee turnover is a very delicate manner that requires deep intention and thorough understanding of its bits and pieces. In overall, it is a process that needs careful planning. Optimum turnover is to ensure ideal inflow of talent to organization and at the same time lower the outflow of good employees. Research has showed that turnover rates are rather higher in developing countries relatively to developed countries (Schaffner, 2001). According to Hay Group (2013), they had surveyed and anticipated Europe countries such as Germany and Belgium exhibit lowest turnover rate compared to other countries. Europe companies are more confident and capable to retain good workers and experience lower recruitment or training cost.

Study identified that high employee turnover lowers productivity and drains organization profits which Employee turnover in direct cost is around 22.5% of total cost and approximately 77.5% is hidden cost such as losses in opportunity and productivity (Racz, 2000) Under the research by Emerging Workforce Study (2005), turnover represent cost that are greater than simple replacement cost because it is necessary to consider real cost when investment in employee in order to gain knowledge and experience. Somehow like the costs of losing a good performer or key player in one firm is hard to estimate.

Review of Literature:

To an organization in any business culture and industry, employee turnover is a widely known topic. Employee turnover causes some significant impacts to organizations and outcome has to be borne by HR. According to Khatri (1999), when employee is readily to change their current job which is based on own desire, this is the occurrence of turnover intention. Regardless what size an organization is, turnover intention among the employees is present and always is a key issue for organization to minimize or get rid of it. However, employee turnover is not a concern to certain organization such as hotel and fast-food

industry which is focusing on part-time employee (Cascio, 2006). Permanent getting separation or quitting from job is the basic definition of turnover (Zafar et al., 2012) while Brigham, Castro and Shepherd, (2007) define turnover as intention to exit. This particular act of quitting from an organization causes detrimental impact to the organization because both direct and indirect costs are involved as it influences morale, productivity, reputation, and survival of the organizations (Hinkin & Tracey, 2000). Recent study by Ponnu and Chuah (2010), they stated that the staff retention is the greatest challenges and issues which have to be resolved by HR in organizations. High churn rate not only incur direct finance cost involving employee replacement, but also trigger the chain effect as key skills, knowledge and experience will be vanished, operation will be interrupted and eventually morale in work condition is negatively affected. Not only impact on organization, employee turnover may also have a variety of effects on employee itself and society (Arokiasamy, 2013). Nowadays, Asia faces two serious problems which are the turnover and turnover intention (Khatri, 1999). Study by Percy and Kostere (2006) believed that there will be no particular reason for turnover intention to occur. But, employee with high skills from sectors such as finance, IT, E&E engineering are less likely to change career as reported by Harvard Business Essentials (2002). For many organizations, turnover is obviously a costly problem. Firms have not realized the actual magnitude of this expense because total direct and indirect costs of turnover are not often calculated by them (Hennessey 1989). Direct and indirect costs of turnover can cause critical impact on organizations efficiency (Abassi & Hollman, 2000). HR's budget as well as the organizations will be greatly affected by measuring cost of recruitment, training and severance. Research by Bozeman & Perrwe (2001) has indicated that there is correlations between job satisfaction, perception of organizational justice, and turnover cognitions as well which including quitting intention, thought of searching new job and turnover rate. Although there is an abundant literature on employee turnover, still there is not generally agree framework for why employees leave (Curran, 2012). In additional, the causes of employee turnover include organizational factors which affect employee turnover include culture, leadership, training, job expectation, economic factors and lastly work life balance.

Organization believes investment in training creating skilled workforce which represents a competitive advantage (Patel, 2010). This was proved by researcher Delaney and Huselid (1996) that effective practices by organizations related to staffing and training were positively related to perceived organizational performance, whereas in a study of nearly 1,000 companies, and documented that the use of high-performance work practices (including effective recruitment and selection, compensation systems, and training) predicted employee retention and performance as well as long-term measures of corporate financial performance. Firms that commit effort and finances to training programs and employee development do so with the objective of a pay-off in terms of increased skillsets, increased motivation, increased knowledge transfer (Pate & Martin, 2000), more positive psychological and organizational dynamics, as well as a measurable competitive edge. Notwithstanding the overreaching goal of staff retention, specific training initiatives have specific goals which include the improvement of employee job performance, employee development (Burden & Proctor, 2000), the development of skills, knowledge, and attitudes (Al-Khayyat & Elgamal, 1997), and a means of achieving a competitive edge (Hallier & Butts, 2000). Given the rapid obsolescence of technology and specific skills, a continual training is necessary to provide opportunities for employees to update their technical skill sets. Companies which fail to provide such training increase the chance of loss and these companies may pay more in the long run (Auer, 1995). Organizations must respond to demands for change while at the same time realizing that advances in technology and knowledge are rendering many traditional employee skills obsolete, while simultaneously developing needs for new ones (Read & Kleiner, 1996). Threat of obsolescence in knowledge force training

and retraining becomes a necessity and it is not only for employee to grow but also for organization to grow (Read & Kleiner, 1996). Muse and Stamper (2007) had found that when employer provides skill-enhancing program to their employee, it would establish strong employer employee's chain and create an excellent culture in organization. Hence, by these, turnover intention might be able to be prevented. Finding by Galunic and Anderson, (2000) indicated that the employees view that organization values them by investing to develop their skills and ability, subsequently creating loyalty towards the organization

Objectives of the study

- 1) To identify the causes of employee turnover.
- 2) To analyze whether the factors such as training, supervisor, pay and perceived organizational support influence employee turnover
- 3) To investigate relationships between employee obligation and employee turnover

Research Methodology:

Depending on the nature and objective of the study descriptive survey was applied and the data were described, compared, contrasted, analyzed and interpreted using this method. In order to generate data which can answer the research questions and/or Objectives of the study questionnaire having three different scales were employed. The study took into account twelve private colleges which were giving education & training service in the TVET (technical, vocational, educational and training) system in the study area. Based on the type of function, employees working in these colleges were stratified as (teaching staff, management body and supportive staff) and there were 1120 employees who were considered as the population of the study.

Data analysis

The data gathered from primary and secondary sources are analyzed and presented underneath. In the first part analysis of demographic data are presented, in the second part extent of turnover, in the third part causes of employee turnover and in the fourth part consequence of employee turnover are analyzed, discussed and presented in a form which is understandable.

Table 1: Mean, Standard deviation and percentage analysis of demographic data

Demographic variables	Number of respondents (N=123) 100%	Mean	Standard deviation
Gender	Male =74.8% and Female=25.2%	1.25	.436
Age	Years (18-45) =76.4% Years (46-65) = 22.0% Years (65 and above) = 1.6%	1.25	.472
Marital status	Single=61.8% Married=33.3% Divorced=2.4% widowed or others=2.4%	1.46	.668
Level of education	Illiterate=1.6%	5.77	.930

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	reading and writing= 0.8% high school (9-12) = 0.8% diploma=22.0% graduate (first degree) = 62.6% masters and above= 12.2%		
Occupation	Instructor=55.3% supportive staff=26.8% management body=17.9%	1.43	.772
Employment condition	full time=25.2% part time=6.5% permanent=56.1% contract=12.2%	2.55	1.002
Income level	<or =150=0.8% Br. 151to 650=4.1% Br. 651 to1400=15.4% Br. 1401 to 2350=37.4% Br. 2351 to 3350=17.9% Br. 3351 to 5000=16.3% >or=5001=7.3%	4.47	1.300
Years served	< 5 years=65.9% 5-9 years=23.6% 10-14 years=6.5% 15-19 years=3.3% >20 years=.8%	1.44	.824

From table 3 above 92(74.8%) of the respondents are male and the rest 31(25.2%) are female. (Mean=1.25, SD=0.436). The survey indicates that private colleges are dominated by male workers. From table above 94(76.4%) of the respondents lies in the age group of 18-45 years, 27(22%) of the respondents belong to the age group of 46-65 years, and the rest 2(1.6%) of them belong to the age category of 66 years and above. (Mean= 1.25, SD=.472). The majority of respondents (employees) in the subscribed private colleges are dominated by young age (18-45) which is 76.4% from the total. On the other hand, elder age group workers are almost none (1.6%). The above amplification depicts that the lion's share of private college employees is held by first degree holders and followed by diploma holders.

Causes of Employee Turnover

As shown in table below on average 54 employees leave private colleges. (Mean=43, SD=14.88). Taking in to consideration the last 5 years consecutive human resource records with unforeseen reasons around 215 employees left these private colleges.

Frequency, mean and standard deviation of employee turnover

	Year	Number of employees left colleges	mean	Standard deviation
1	2020	70	54	24.78
2	2019	49	-	-

3	2018	45	-	-
4	2017	40	-	-
5	2016	11	-	-
total		215	54	54.78

Source: Human resource management office of the twelve private colleges

Multiple regression and correlation analysis

correlation analysis of turnover with causing variables

By using Pearson correlation coefficient employee turnover has a significant relationship with poor communication of management, pursue formal education, personal or medical reasons, not enough recognition from Managers, denial of grievance or complain denial of accommodation, poor chance of getting formal training. Using Pearson correlation analysis specially, in between employee's turnover and poor communication of management there lies a strong relation i.e. ($r=.213$, $p<0.05$). but there is no any relation between turnover and workload heaviness. There is also a positive relationship between employee turnover with poor chance of getting formal

Table: Correlation analysis of turnover with causing variables

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Variables	1	2	3	4	5	6	8	9	10	11	12	13	14	15	16	17	18	19	
Frequent Turnover	--																		
Poor Use Of Skills	.071	--																	
Poor Chance To Improve Skills	.048	.140	--																
Lack Of Promotional Opportunities	.015	.245**	.357**	--															
Poor Chance of Getting Formal Training	.309	.454**	.056	.282**	--														
Workload Too Heavy	.000	.446**	.077	.269**	.669**	--													
Unfair Overtime Practices	.093	.291**	.040	.056	.454**	.512**	--												
Lack of Equipment	.054	.388**	.072	.100	.479**	.441**	.332**	--											
Unsafe Working Condition	.015	.165	.224*	.100	.308**	.272**	.200*	.283**	--										
Denial of Accommodation	.370	.297**	.058	.001	.465**	.435**	.406**	.439**	.421**	--									
Denial of Workers' Compensation	.031	.353**	.002	.279**	.579**	.442**	.347**	.417**	.372**	.533**	--								
Denial of Grievance or Complain	.876	.228*	.114	.026	.445**	.318**	.281**	.291**	.217*	.528**	.481**	--							
Not Enough Recognition from Managers	.642	.260**	.106	.042	.517**	.431**	.256**	.295**	.265**	.433**	.451**	.274**	--						

No Direction from Management	.014	.355**	.041	.123	.605**	.574**	.305**	.456**	.280**	.524**	.413**	.300**	.538**	--				
Poor Communication of Management	.213*	.144	.020	.044	.139	.295**	.133	.179*	.129	.170	.098	.123	.146	.182*	--			
Threat	.011	.132	.030	.064	.251**	.160	.245**	.247**	.129	.220*	.230*	.176	.298**	.259**	.047	--		
Pursue Formal Education	.364	.193*	-.026	-.068	.195*	.277**	.157	.166	.046	.191*	.250**	.111	.200*	.322**	.009	.021	--	
Personal or Medical Reasons	.446	.246**	-.100	-.008	.319**	.246**	.317**	.239**	.274**	.397**	.359**	.446**	.378**	.252**	.233**	.118	.283**	--

*. Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

training, denial of workers' compensation, lack of promotional opportunities and unsafe working condition. However, on the other hand schools that had better wages, supervision and good working conditions had a low rate of teacher turnover, most of the responses from our respondents revealed that there is a positive relationship between employer related factors like poor pay, poor supervision style and general poor working conditions and teacher turnover in private secondary schools in Wakiso District(Candle,2010).

Correlation analysis of employee turnover and its consequences

Items	1	2	3	4	5	6	7
Frequent Turnover	.04						
High Cost of Training New Staff	.002	--					
Low Productivity	.072	.434**	--				
Competitive Disadvantage	.013	.333**	.686**	--			
Difficulty of Survival	.062	.049	-.011	-.076	--		
Loss of Customers	.082	.235**	.448**	.402**	-.027	--	
Loss of The Required Return	.013	.202*	.502**	.542**	.002	.667**	--

*. Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation result between turnover and low productivity is (r=.072, p<.05). there is a positive and direct relationship in between frequent employees turnover and low productivity, in the same way the correlation result between employee turnover and difficulty of survival is(r=0.62, p<.05),so there is a

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positive correlation ship. Loss of customers and employee turnover also have positive correlation ($r=.082$, $p<.05$). but, high cost of training new staff, competitive disadvantage, and loss of the required return have no correlation with employee turnover as the result lies in between negative 0.3 and positive 0.3.

Conclusion & Future directions:

The research also shows that majority of the respondents' monthly salary is below birr 4,500 which is very discouraging payment compared to the average industry payments. 65.9% of the employees have served their college not more than five years. The research result also shows that 82.9% of employees' turnover took place on voluntary basis. Teaching staff of the college personnel are highly vulnerable to employee turnover which constitutes 75.6%.

Hence, from career related factors, absence of chances to improve skills greatly affected employees' turnover to take place which constitutes 78%. Lack of promotional opportunities affected employee turnover to the great extent which was assured by 85.4% of the respondents. On the other hand, 45.5% of the respondents view that turnover occurred to the great extent which was resulted from poor chance of getting formal training. Therefore, poor chance of getting formal training and self-development is one of the root causes of employee turnover in private colleges.

Work environment related factors also had a great share in threatening employee turnover. So, the first and foremost environment related factor is unsafe working conditions which is the main cause of employees turnover to take place. 72.4% of turnover was resulted because of unsafe working conditions. The second most important Work environment related factor is denial of workers' compensation and it Caused employees to leave private colleges to the great extent. In order for the employees work with their full potential, the work environment should be attractive. In other words, colleges should create a safe working conditions and the remuneration (compensation) strategy has to be similar or better than competitors.

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