

JEM

Journal of

EDUCATIONAL MANAGEMENT

A Bi-annual Publication of

**THE INSTITUTE FOR EDUCATIONAL PLANNING
AND ADMINISTRATION
(IEPA)**

University of Cape Coast, Ghana

ISSN 0855 - 3343

Vol. 5

Nov. 2008

IMPACT OF LABOUR TURNOVER ON ORGANIZATIONAL EFFECTIVENESS IN SELECTED INDUSTRIES IN LAGOS STATE, NIGERIA

D. I. Akintayo

Abstract

This study investigated the impact of labour turnover on organizational effectiveness in selected industries in Lagos State, Nigeria. This was with the view to determining the appropriate management strategies through which the problem of labour turnover could be reduced to the nearest minimum in work organizations in Nigeria. The survey research method was adopted for the study. A total of 640 respondents were selected for the study using proportionate stratified sampling technique. The major instruments used for the study were questionnaire and interview schedule. The reliability coefficient of 0.84 was obtained for the research instrument. The four hypotheses generated for the study were tested using chi-square and linear regression analysis statistical methods at 0.05 alpha levels. The finding of the study reveals that there was a significant relationship between labour turnover and organizational effectiveness. Also, a significant relationship was found between job dissatisfaction and labour turnover. There was a main effect of interaction of occupational variables and labour turnover on organizational effectiveness. Finally, a positive significant relationship was found among career mobility, labour turnover and organizational effectiveness. Based on the findings of the study, it is recommended that the working environment of the workers need to be

improved upon in order to reduce the alarming rate of labour turnover that impact organizational effectiveness. Also, career development and promotion opportunities have become a rare phenomenon in most of the organizations; individuals who feel their contributions go unrewarded often feel undervalued, which can lead to dissatisfaction and virtually an increase of unwarranted turnover.

Introduction

Early studies on organizational effectiveness particularly those conducted through the sixties tended to indicate that high rate of labour turnover leads to decrease and poor performance of the affected work organizations. In other words, increased employees rate of turnover is associated with increase in job dissatisfaction. Thus, for instance, the human relationists argued that employee's attitude has a significant relationship to employee performance, vis-à-vis organizational productivity (Ley, 1996; Marro, 1990, Steer and Mowday, 1981).

Onimode (2001) asserts that employee performance is a function of their attitude and commitment in the sense that employee high satisfaction or morale reduces turnover and cut down absenteeism and tardiness. This implies that productive efficiency which could lead to goal achievement will fluctuate with variations in employees' rate of turnover, interests and morale.

In this empirical study, Talacchi (1993) discussed the theory underlying his assumption concerning the relationship between job satisfaction, absenteeism, labour turnover and organizational size. He postulates in this respect that the degree of functional specialization varies concomitantly with size and structure. The author reported that functional specialization narrows the work content and responsibility of the job depriving it of non-material reward, such as pride, workmanship and recognition of achievement. This implies that interpersonal relation, increasing complexity of this kind together with the development of technical interests among departments and reduction in their interaction increases the potential for personal and group conflict. These factors observed by Talacchi were found

to have led to low level of job satisfaction and high levels of absenteeism and labour turnover which have interacting effects on organizational effectiveness.

Adewoyin (2003) in her study found out that labour turnover had significantly influenced low achievement of organizational goals. The author reported that organizational structure, occupational variables and job dissatisfaction were related to organizational goal achievement. This implies the causal factors of labour turnover could mutually influence non-achievement of organizational goals. In essence, there are potentially more linkages in large organizations than in small units and therefore adequate communication is less likely to be achieved which could definitely lead to reduction in the level of interpersonal attraction among members. However, with this decline in attraction, absence and turnover is likely to increase and reduction in the level of organizational effectiveness is likely to surface.

In the same vein, Indik (1993), Adewoyin (2003), and Onimode (2001), presented a formulation similar to Talacchi's (1993) submission. They hypothesized that an increase in the

rate of labour turnover and absence of control and co-ordination mechanism tend to result in declined organizational performance. Also, an increase in the organizational size, structure and occupational variables increase the need for control strategies which result in the growth of bureaucratization. Impersonal models of control are however ineffective in maintaining individual 'attraction' to the organization, and as a result, levels of absence and labour turnover with interacting effects on organizational effectiveness will occur. Also, Adewoyin (2003) and Indik (1993) suggest that as size increases so does the level of role specialization; and that as a consequence, the decrease in the degree of job complexity reduces the level of job satisfaction and tends to increase absenteeism and labour turnover. This implies that there are potentially more linkages in large organizations than in small units in terms of organizational effectiveness and goal achievement.

However, the Action Society Trust Investigators (1988), and Onimode (2001) came to conclusion in their reports that there was no significant correlation between voluntary turnover rate and total absenteeism or with structure and size of the

organization. Hence, it looks as if the reasons that cause workers to quit their organizations are not those that cause them to stay with their organizations, whether for sickness, job-related factors or other reasons. In other words, the correlates of labour turnover are not the same as those of organizational effectiveness (Cook, 1995).

Meanwhile the problem of organizational effectiveness can best be understood in terms of the relationship between workers' level of communication and the types of expectation from work and the structure of potential rewards in the organization. In essence, the decision to leave or stay in an organization will be dependent upon the level of rewards an individual receives in the system. On the other hand, absence behaviour can best be understood by referring not only to the level of rewards, but also to the effectiveness of interpersonal as opposed to impersonal controls in determining the level of organizational identification with goal achievement of those employees who have decided to remain in an organization (Dalton and Toder, (1988), Dalton, Toder and Sylver (1994), Mobley (1999) and Starvan and Oldhem (1998).

Against the foregoing, the problem of specifying the exact nature of

relationship between organizational structure, reward system, occupational variables and labour turnover need to be further investigated. The bulk of the research on labour turnover had focused on causes and correlates, relatively less attention had been directed to the consequence of turnover on organizational effectiveness in terms of goal achievement. Although many researchers and writers such as Mobley (1999), Onimode, (2001), Talacchi (1993) and Wachter and Kim (1999) acknowledge that 'turnover is not all bad', most do not systemically deal with the individual or organizational consequences of turnover. Of the limited researches that deal with the consequences of turnover, few have been directed towards estimating the losses to the organization.

Statement of the Problem

Against this background, the study investigated the impact of labour turnover on organizational effectiveness in terms of organizational goal achievement in selected industries in Lagos State of Nigeria. This was for the purpose of determining the appropriate management strategies that could foster continuity of service and reduction in the rate of labour turnover in service and

manufacturing organizations in developing countries.

Specifically, the study sought to provide answers to the following questions:

1. To what extent does labour turnover influence organizational effectiveness?
2. Is there any relationship between job dissatisfaction and labour turnover?
3. What are the correlates of labour turnover?

Hypotheses for the study

The following four null hypotheses were generated for the purpose of the study;

- i There is no significant relationship between labour turnover and organizational effectiveness
- ii There is no significant relationship between job dissatisfaction and labour turnover.
- iii There is no significant relationship between occupational variables and labour turnover.
- iv There is no significant relationship among career mobility, labour turnover and organizational effectiveness.

Methodology

Research Design

The study adopted survey research design to establish the relationship between labour turnover and organizational effectiveness.

Population and Sample Selection

The target population for the study consists of all workers in selected industries in Lagos state. Actually, it was not possible to get the whole population of 5,328 workers responding to the questionnaire to be administered. Thus a sample size of 640 was selected for the study using stratified and proportionate sampling techniques.

The proportionate sampling method was utilized to select respondents based on the population of the selected industries. The respondents were selected based on the strata of banking, communication, power and brewing industries. The purposive sampling technique was used to select workers who had spent at least three years in the selected industries. The selected industries include: First Bank of Nigeria Plc, Nigerian Telecommunication Plc, National Electric Power Authority (now Power Holding of Nigerian Plc) and Nigerian Breweries Plc.

Table 1 below shows the distribution and stratification of the respondents by industries.

Table 1

Stratification of Respondents by Industries

Industries	Population	Sample Element	Percentage
First Bank of Nigeria Plc	1,216	156	24.4
Nigerian Telecommunication Plc (NITEL)	866	100	15.6
National Electricity Power Authority (now Power Holding of Nigeria Plc)	1,230	180	28.1
Nigerian Breweries Plc	2,016	204	31.9
Total	5,328	640	100

Table 1 shows the proportional representation of the respondents according to population of each of the industries selected for the study. The population consists of 387 (60.5%) male and 253 (39.5%) female respondents; 481 (75.2%) married and 159 (24.8%) single respondents; 366 (57.2%) graduates and 274 (42.8%) non-graduates, 200 (31.3%), junior staff, 262 (40.9%) senior staff and 178 (27.8%) management staff. However, workers who had spent at least three years in the selected industries participated in the study.

Research Instrument

The major instrument utilized for the study was a set of questionnaire titled Labour Turnover and Organizational Effectiveness Scale (LTOES). The questionnaire consists of three sections, A, B and C. Section A focused on demographic information, such as: Name of organization, age, sex, educational qualification, marital status, and position held in the industry. Section B focused on correlates of labour turnover. For instance, the following factors tend to influence labour turnover: Job dissatisfaction, occupational variables (nature of the job, condition of work and hour of duty)

and career mobility. Also, section C focused on consequences of labour turnover on organizational effectiveness. For instance; Labour turnover tends to: disrupt organizational goal achievement, reduction of organizational performance, reduction in workforce, disruption of job continuity, reduction in the pace of organizational productivity, etc. The modified Likert four-point response rating scale ranging from Strongly Agree (4 points), Agree (3 points), Strongly Disagree (2 points) and Disagree (1 point) was adopted for the study.

Validity of the Instrument

The instrument was standardized by using construct validity. The instruments were subjected to criticism by experts in Economics, Labour Relations, Sociology, Psychology, and Measurement and Evaluation. Their criticism and suggestions led to modification of some aspects of the items of the questionnaire.

Reliability of the Instrument

The reliability of the instrument was sought through the use of test-retest method. The instrument was

administered on sixty-five workers in an industry in Ibadan. The reliability co-efficient of 0.84 of the instrument was obtained using Kuber Cronbach co-efficient alpha formula at 0.05 level of confidence.

Administration of the Instrument

The instruments were personally administered by the researcher with the assistance of the personnel manager(s) of each of the selected industries in Lagos State of Nigeria. The researcher explained the purpose of the study. All aspects of the instruments were carefully explained to the respondents. The administration of the questionnaire took the researcher six weeks. All completed questionnaire were to be submitted to the office of the personnel manager(s) of each of the selected industries. This made possible for researcher to secure maximum co-operation of the respondents.

However, 670 copies of the questionnaire were administered but

656 copies were returned to office of personnel managers. Out of 656 returned copies of questionnaire, only 650 were completely filled. Thus, a total of 640 copies of the questionnaire duly completed which represent 95.5% of the total number of the administered questionnaire, were collected and utilized for the purpose of the study.

Method of Data Analysis

The data collected through questionnaire were collated and analyzed using frequency count and simple percentage for demographic information. The Pearson Product Moment Correlation and Regression Analysis methods were utilized to test relationship between or among variables of interest at 0.05 alpha levels.

Presentation of Results

H₀₁: There is no significant relationship between labour turnover and organizational effectiveness.

Table 2
Summary of Chi-Square Contingency Table of Analysis on
Relationship between Labour Turnover and Organizational
Effectiveness

Response	Observed Frequency	Expected Frequency	df	Chi-Square	Critical Value	Remark
Strongly Agree	281	160	15	161.62	25.0	<i>Significant</i> ($P < 0.05$)
Agree	206	160				
Strongly Disagree	97	160				
Disagree	56	160				
Total	640	640				

Table 2 shows that the chi-square calculated value of 161.62 is greater than the critical value of 25.0 which was significant at 0.05 alpha level. This indicates that there seems to be a significant relationship between labour turnover and organizational effectiveness. This implies that the rate of labour

turnover has had a deleterious effect on organizational effectiveness. In essence, the null hypothesis earlier postulated for the study was rejected.

H₀₂: There is no significant relationship between job dissatisfaction and labour turnover

Table 3
Summary of Chi-Square Contingency Table of Analysis on
Relationship between Job Dissatisfaction and Labour Turnover

Response	Observed Frequency	Expected Frequency	df	Chi-Square	Critical Value	Remark
Strongly Agree	232	160	15	96.64	25.0	<i>Significant</i> ($P < 0.05$)
Agree	208	160				
Strongly-Disagree	160	160				
Disagree	40	160				
Total	640	640				

Table 3 above shows that the chi-square calculated value of 96.64 was greater than the critical value of 25.0 which was significant at 0.05 alpha level. This indicates that there is a significant relationship between the job dissatisfaction and labour turnover. This implies that job dissatisfaction is a determinant of labour turnover. It tends to predict whether a worker will stay or leave an organization. In essence, the null hypothesis earlier postulated for the study was rejected.

H₀₃: There is no significant relationship among occupational variables, labour turnover and organizational effectiveness. The result of the linear regression as

indicated in Table 4 suggests that there was a joint prediction of organizational effectiveness by occupational variables and labour turnover ($f(3,636) = 21.68; P < 0.05$). All the variables independently predicted organizational effectiveness. The highest independent contribution was labour turnover ($\hat{\alpha} = .22$) followed by occupational variables ($\hat{\alpha} = 0.68$). The hypothesis was therefore partially supported.

H₀₄: There is no significant relationship among career mobility, labour turnover and organizational effectiveness.

Table 4
Summary of Linear Regression Showing the Relationship among Occupational Variables, Labour Turnover and Organizational Effectiveness

Variable	Beta	T	Remark
Occupational variables	0.68	2.26	Significant $P(< 0.05)$
Labour turnover	.216	4.23	Significant (< 0.05)
Organizational effectiveness	0.16	2.11	Significant (< 0.05)

Table 5
Summary of Linear Regression Showing the Relationship among career mobility, labour turnover and organizational effectiveness

Variable	Beta	T	P
Career mobility	0.91	1.62	< 0.05
Labour turnover	.321	5.15	< 0.05
Organizational effectiveness	0.26	4.32	< 0.05

$$R^2 = .30, f. (3,636) = 39.50; P < 0.05$$

The result of the linear regression in Table 5 reveals that there was a joint prediction of organizational effectiveness by career mobility and labour turnover, $F(3,636) = 39.50$; $P < 0.05$. All the variables independently predicted organizational effectiveness. The highest independent contribution was labour turnover ($\hat{\alpha} = .32$) followed by career mobility ($\hat{\alpha} = 0.91$).

Discussion of Findings

The first hypothesis predicted that there is no significant relationship between labour turnover and organizational effectiveness. The findings of the study revealed that a significant relationship exists between labour turnover and organizational effectiveness. This

suggests that the rate at which people are moving in and moving out, has a deleterious impact on organizational effectiveness in terms of goal achievement. This finding corroborates Mobley, Griffen, and Hand (1999) who found out that retaining worker in an organization is a key to effective management and achievement of the goal of the organization. In essence, as the rate of labour turnover increases, the level of organizational goal achievement decreases. The finding of the study also tallies with Adewoyin (2003) and Oladeji (1992) who reported that labour turnover has a negative implication on organizational goal achievement. The implication of this finding is that labour turnover, if not well controlled could possibly make workers performance

effectiveness vis-à-vis organizational goal achievement impossible.

The second hypothesis predicted a negative relationship between job dissatisfaction and labour turnover. The finding of the study revealed that a positive relationship existed between job dissatisfaction and labour turnover. This implies that lack of workers motivation and virtually, dissatisfaction with condition of service had great impact on their decision to stay or leave the organization. Also, as workers become dissatisfied, management should deem it fit to recruit any available competent hands to replace the leavers. This finding corroborates Talacchi (1993), Onimode (2001) and Adewoyin (2003) who assert that workers tend to quit the service of their industries if they felt dissatisfied with their jobs. Also, the managers could not afford to create vacuum due to some workers leaving their organizations, hence recruitment and selection of new workers to replace the leavers (Lumdonest, 1998; Morro, 1990).

The third hypothesis predicted a negative relationship among occupational variables, labour turnover and organizational effectiveness. The finding of the

study revealed that occupational variables in terms of nature of job, condition of work and hours of duty had affected the interest of workers to stay in the selected organizations. In essence, occupation variables have had a significant influence on the rate of labour turnover which has also had an interacting effect on organizational effectiveness. The finding of the study emphasized the fact that the nature of job motivation and content of the job are correlates of labour turnover. This finding corroborates Porter and Steer (1993) and Indik (1993) who reported that occupational factor is a strong determinant of labour turnover since commensurate skills, knowledge and experience are required from the worker for effective job performance. The attributes if not found on the part of the worker could affect organizational effectiveness since instability of the labour could positively lead to organizational instability and ineffectiveness (Price, 1992; Steer and Mowday, 1981)

The fourth hypothesis predicted negative relationship among career mobility, labour turnover and organizational effectiveness. The finding of the study revealed that there was a strong positive relationship among career mobility,

labour turnover and organizational effectiveness. This implies that occupational mobility resulting from nature and marketability of the workers professional qualification, skills, expertise and experience has been found to have had a significant influence on the rate of labour turnover and organizational effectiveness. The implication of the finding of the study is that retention of workers predicts continuity of service and organizational stability that could engender effective service delivery. In other words, the higher the social demand for a profession in an industrial society, the higher the chance of leaving one organization for others in order to seek greener pasture. More so, the more workers move out of organization, the more the vacuum created which could render organization ineffective in terms of organizational goal achievement.

The finding of the study buttressed Locke (1996) and Ley (1996) who assert that occupational expertise and social demand for workers in a certain profession could influence decision of workers to move in and out of organization. This implies that once the profession in which the workers fell are socially accepted, viable and demanded, such workers tend to move in and out of the organization where economic reward is not worthwhile while in

search for better organization that provides for equitable reward system.

Summary of the study

This study investigated the impact of labour turnover on organizational effectiveness. This was for the purpose of determining appropriate management strategies that could lead to reduction in the rate of labour turnover in any work organization in Nigeria.

The researcher adopted survey research design for the purpose of the study. The sample elements for the study were selected from four industries in Lagos State, namely; First Bank of Nigeria Plc, Nigeria Telecommunication Plc; National Electric Power Authority (now Power Holding of Nigeria Plc) and Nigerian Breweries Plc. The sample size of 640 was selected for the study using stratified and proportionate sampling techniques. The major instruments used for the study were questionnaire and interview schedule. The reliability co-efficient of 0.84 at 0.05 alpha was obtained for the instrument using Kuber Cronbach coefficient Alpha formulae. The data collected were collated and analyzed using chi-square and linear regression analysis statistical methods. The four null hypotheses generated for

the study were tested. The finding of the study revealed that:

- i. A strong positive relationship exists between labour turnover and organizational effectiveness.
- ii. Job dissatisfaction was found to have had a significant influence on labour turnover with its attendant implication on organizational effectiveness.
- iii. There was a significant relationship among occupational variables, labour turnover and organizational effectiveness.
- iv. There was a main effect of interaction of career mobility and labour turnover on organization effectiveness.

Conclusion

This study established the cause-effect relationship between labour turnover and organizational effectiveness. The study established the consequential effects of labour turnover on organizational effectiveness in terms of goal achievement.

The implication of the findings of the study is that given multiple causes and consequences of turnover, it has been established that, no single policy, practice or procedure could be sufficient.

Effective management of labour turnover requires examination of the entire human management process including recruitment, selection, early socialization, job design, compensation, supervision and career planning for sustainability of any result-oriented organization.

Recommendations

Based on the findings of the study, the following recommendations were made:

- (i) The working environment of workers needs to be improved upon in order to reduce the rate of labour turnover that impact organizational effectiveness.
- (ii) Career development and promotion opportunities have become rarer in most of the organizations in Nigeria, individuals who feel their contributions go unrewarded often feel undervalued which could lead to dissatisfaction and virtually an increase in unwarranted turnover. Performance management systems should therefore be seen as objective and fair in order to avoid allegation of nepotism.

- (iii) Also, workers should be made to understand the performance criteria against which they are measured, otherwise they will become dissatisfied and consequently quit the organization. Effectiveness motivation strategies should therefore be designed towards equitable reward system in order to sustain the interest of the workers and retain them in the organization.

References

- Action Society Trust Investigators (1988). A technique for measurement of attitudes. *Archives of Psychology*, p 40.
- Adewoyin, F. A. (2003). Labour Turnover and Organizational goal achievement in selected industries in Oyo State. *An Unpublished PhD Thesis*, University of Ibadan, Ibadan.
- Cook, P. H. (1995). Labour Turnover Research. *Journal of the Institute of Personnel Management*, vol 33, 124-133.
- Dalton, D., Toder, S. & Sylver, T. (1994): Labour turnover and organizational development theories. *Journal of Social Psychology*, (11), 66-73.
- Dalton, D. & Toder, S. (1995): Functional approach to labour turnover analysis. *Academy of Management Journal*, 14, 17-19.
- Indik, B. P. (1993): Some effects of organizational size on member attitude and behaviour. *Human Relations*, 3, 14-21.
- Ley, K. (1996): Industrial relations and labour turnover in goal-oriented organizations. *American Journal of Managerial Psychology*, 14, 41-46.
- Locke, E. (1996). The nature and causes of job satisfaction. In Dunnette M. (Ed). *Handbook of Industrial and Organizational Psychology*. Chicago: Rand Mc Nally 1297-1349.

- Lumdonest, A. (1998). Absenteeism and job turnover as a consequence of unfavourable job adjustment. *Acta Sociological*, (3), 89-96.
- Mobley, W., Griffen, R. & Hand, H. (1999): Review and conceptual analysis of the employee turnover process. *Psycho Bull*, 86, 493-552.
- Mobley, W. (1999). Employee turnover, absenteeism and the paradox of low productivity. *Journal of Applied Psychology*, (12), 92-103.
- Morro, D.O. (1990). Effects of organizational structures on labour turnover. *Journal of Applied Psychology*, 13, 101-114.
- Onimode, B. (2001). Labour economics and problem of turnover. *Journal of Economics Studies*, (4), 26-31.
- Oladeji, S. I. (1992). Labour turnover and organizational stability in contemporary Nigeria. A preliminary study. *An Unpublished Individual Research Project*, Dept. of Economics, NISER, Ibadan, Nigeria.
- Porter, L. & Steer, R. (1993). Organizational, work and personal factors in employee turnover and absenteeism. *Psychology Bulletin*, 80, 151-176.
- Price, J. L. (1992): *The study of Turnover*. IOWA: The IOWA State University Press Ames.
- Starvan, P. A. & Oldhem, C. K. (1998). Assessment of causal factors and consequences of employee turnover. *International Journal of Social Work*, vol. 9, 121-129.
- Steer, R. & Mowday, R. (1981). Employee turnover and post decision accommodation process. *American Journal of Psychology*, 10, 11-21.
- Talacchi, J. O. (1993). Employee turnover and leadership behaviour. *American Journal of Applied Psychology*, 12, 1-18.
- Watcher, T. L. & Kim, D. A. (1999). Influential role of technology and the rate of labour turnover. *Journal of Management*, 16, 48-61.