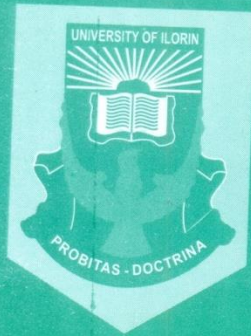


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INFLUENCE OF SOCIO-ECONOMIC FACTORS ON LABOUR TURNOVER IN NIGERIAN MANUFACTURING INDUSTRIES

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Abstract

In every organization, the need to motivate employees for higher performance has become imperative for management. Experience has shown that attempts to treat employees like other factors of production have always resulted in voluntary quits and low productivity. It is against this background that the present study seeks to investigate the socio-economic factors influencing labour turnover in Nigerian manufacturing industries. Questionnaires were used to collect data for the study. Multiple regression was used to analyze hypotheses formulated for the study. The findings of the study indicated that workers' salary and promotion were significant factors which affect variability of labour turnover. However, geographical location of workers is not a significant variable explaining changes in labour turnover. The study recommends that management should provide realistic salary for its workers and as well institute adequate promotion system that matches the capacities of individual to the demand of the work in order to reduce labour turnover.

Keywords: Labour Turnover; Organization; Employees; Manufacturing Industries; Incentives.

Introduction

The influence of socio-economic factors on labour turnover has been studied by many scholars (Mobley et. al., 1979; Fashoyin, 1980; Martin, 2003). When economic conditions are favourable, individuals may have more opportunities to change jobs to earn more money, do the kind of work

Influence of Socio-Economic Factors on Labour Turnover

they prefer, or reduce their commuting time. Conversely, when economic conditions are less favourable, fewer opportunities with such desirable characteristics may be available.

There are a number of economic factors that appear to be consistently linked to turnover. Research conducted on the link between dissatisfaction with pay and voluntary turnover appears to be inconclusive. Mobley et. al. (1979) concluded that results from studies on the role of pay in turnover were mixed but that often there was no relationship between pay and turnover. On the other hand, Campion (1991) suggested that the most important reason for voluntary turnover is higher wages/career opportunity. Martin (2003) investigated the determinants of labour turnover using establishment-level survey data for the UK. He argued that there is an inverse relationship between relative wages and turnover (i.e. establishments with higher relative pay had lower turnover).

Fashoyin (1980) contended that wage issues are predominant in bargaining but other issues like social welfare and security are likely to receive more of the attention of union people. As times goes on, employees want to see a change for better in their place of work. For example, a clerk will like to become a senior clerk or a supervisor. Promotion has a high motivating effect. Apart from bringing more money, it is a mark of recognition of individual performance.

In the past, most managers believed in Mc Gregor's theory X which contends that human beings are inherently lazy, have dislike for work and try to avoid it, avoid responsibilities and only seek security and so they have to be coerced and controlled to get them to put forth adequate efforts towards the achievement of the organization's objectives.

Today, experience has shown that attempts to treat employees like machines will result in voluntary quits and low productivity. In recent years, emphasis have been placed on the important role motivation plays in getting employees to put in their best efforts, and various findings have shown that people only put in their best if their needs are met (Aluko, 2001, Mullins, 1999; and Lussier, 2000). Management must be aware that employees have their values, attitudes and sentiments that affect their performance to a large extent, and that these values, attitudes and sentiments differ from one employee to another. To understand what motivate the individual worker, management must know their wants, needs and values and so, the factor that will induce people to contribute as efficiently and effectively as possible are

those that satisfy their needs. High labour turnover is dangerous as it affects the growth and productivity of the organization.

The present study is concerned with the economic factors influencing labour turnover in the Nigerian manufacturing industries.

The Meaning of Labour Turnover

The concept of labour turnover has been defined differently by various scholars. Human resource management literature has traditionally viewed labour turnover in a negative light. Human capital theories of labour turnover point to loss of firm-specific human and social capital (Dress & Shaw, 2001). Fapohunda (2000) defined labour turnover as the flow of manpower into and out of an organization. In this definition, inflow of manpower can be referred to as accession (replacement and new hire) while the outflow as separation (lay-off, discharge, quit, retirements, level of absence and death). Labour turnover literally refers to any permanent departure beyond organization boundary (Chang, 1999).

Labour turnover is that element of separation, avoidable or unavoidable as well as the instance of producing employees into the organization within a given period of operative time. Separation or withdrawal of services is a common occurrence in the history of contractual agreement of which the relationship between organization and employees is no exception. People leave the organization at will or are compelled to do so depending on the circumstance surrounding the cause. Be that as it may, replacement into the seats occasioned by separation becomes inevitable. The frequency at which this occurs within a given space of time determines the level of labour turnover in the organization (Adeponle, 2002).

Turnover in organizations arises from both voluntary and involuntary factors (Akinwale, 2007). Voluntary turnover arises from either resignation or retirement. Factors responsible for resignation and retirement include age, attraction by high wages, better career prospects, interpersonal conflicts, work under or work overload, pregnancy, marriage and allied factors. Involuntary turnover, on the other hand, arises from death, dismissal or retirement.

Morton (2005) explained that management typically views labour turnover, especially, the voluntary type as undesirable. However, he recognized that a certain amount of turnover is a major means by which improved employment opportunities are obtained. When such mobility results in improved income and or satisfaction, society as well as individual

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ultimately benefits. Managerial activities necessary to control involuntary turnover are very different from activities required to control voluntary turnover. Moreover, activities differ depending on the type of involuntary turnover. For example, if management finds itself dismissing a large number of employees it might look for several factors. If the terminations are due to rule infractions, and examination of the policies that lead to termination might be reviewed.

Empirical Studies on Labour Turnover and Organizational Factors

Many factors are responsible for labour turnover in the work place. Studies have shown that certain factors are persistent, as they keep re-occurring as causes of labour turnover in organizations. One of the reasons why employees are voluntarily leaving the organization according to Pigor & Mayer (2003) are: to seek a better job elsewhere; having difficulties with transportation, working conditions, shift assignments, supervisors or fellow employees or they feel they are not getting anywhere. Others are; leaving for reasons having nothing to do with work, e.g. illness in the family which needed their attention at home, reopening of school, marriage, pregnancy, spouse moving to another locality, etc.

A meta-analysis of some 800 turnover studies was conducted by Hom & Griffith (1993) and updated (Griffith, et. al. 2000). Their analysis confirmed some well established findings on the causes of turnover. These include: job satisfaction, organizational commitment, comparison of alternatives and intention to quit.

Many studies have also reported a significant association between organizational commitment and turnover intentions (Lum et. al., 1998; Tang et. al., 2000). For instance, Tang et.al. (2000) confirmed the link between commitment and actual turnover. Griffith et. al.'s (2000) analysis showed that organizational commitment was a better predictor of turnover than overall job satisfaction. Again, the relationship between satisfaction and turnover has been consistently found in many turnover studies (Lum et. al. 2008; Mobley et. al., 1979). Mobley et. al.'s (1979) study indicated that job satisfaction is negatively linked to turnover but explained little of the variability in turnover while Griffith et. al. (2000) found that overall job satisfaction modestly predicated turnover. Boxell et. al. (2003) found that the main reason for people leaving their employer was for more interesting work elsewhere. It is generally accepted that the effect of job satisfaction on turnover is less than that of organizational commitment.

Griffith et. al. (2000) noted that pay and pay-related variables have a modest effect on turnover. Their analysis also included studies that examined the relationship between pay, a person's performance and turnover. They concluded that when high performers are insufficiently rewarded, they leave. They cited findings from Milkovich & Newman (2009) that where collective reward programmes replace individual incentives, their introduction may lead to higher turnover among high performers.

Taplin et. al. (2003) conducted a large-scale turnover study in the British clothing industry. Two factors emerged as the most significant reasons for employees leaving because of fears related to long term future of clothing manufacture in the UK. In this study, turnover rates were higher among the most skilled workers. The study also examined the role of payment systems in turnover. The researchers found that where there were flat-rate payment systems alone, average turnover exhibited a statistically significant difference from the industry mean (i.e. they were 4.5 per cent lower). However, most firms in the clothing industry adhered to piece rate payment systems findings it to be the most effective way of regulating the effort bargain.

For some individuals, pay will not be the sole criterion when people decide to continue within an existing job. In their study of mental health professionals, Tang et al (2000) examined the relationship among attitude towards money, intrinsic job satisfaction and voluntary turnover. One of the main findings of this study is that voluntary turnover is high among employees that place high value on money regardless of their intrinsic job satisfaction. However, those who do not value money highly but who also have low intrinsic job satisfaction tended to have the lowest actual turnover. Furthermore, employees with high job satisfaction and who put a low value on money also had significantly higher turnover than this second group. The research also found that placing high value on money predicted actual turnover but that withdrawal cognition (i.e. thinking about leaving) did not.

Martin (2003) detected a complex relationship between turnover and training. He suggested that establishments that enhance the skills of existing workers have low turnover rate. However, turnover is higher when workers are trained to be multi-skilled, which may imply that these types of training enhance the prospect of worker to find work elsewhere. Literature on the link between lower turnover and training as found that off-the-job training is associated with higher turnover presumably because this type of training impacts more generously (Martin 2003).

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Lee and Mitchel (2004) 'unfolding model' of employee turnover presented a significant departure from the previous labour market and psychological oriented turnover literature. This model is based on the premise that people leave organization in different ways and it outlined decision pathway describing the different kinds of decision to quit. Morrel et. al (2004) tested the unfolding model by studying the voluntary turnover of nurses in the UK. Their findings indicated that shocks play a role in many cases where people decide to leave. Furthermore, they found that shocks not only prompted initial thoughts about quitting but also typically had a substantial influence over the final leaving decision. They also noted that decisions to quit prompted by a shock are typically more avoided.

Kirschenbaum & Mano-Negrin (2009) indicated that turnover is affected by organizational size, with size being the key mediator of an organization's internal labour market. They suggested that organizational size impacts on turnover primarily through wage rates but also through career progression paths. Developed internal organizational labour markets produce lower departure rates since promotion opportunities have a strong negative influence on departures for career-related reasons.

Martin (2003) looked at the effect of unions on labour turnover and found clear evidence that unionism is associated with lower turnover. He suggested that lower turnover is a result of the ability of unions to secure better working conditions thus increasing the attractiveness for workers of staying in their current job. According to Martin (2003), the relationship between lower turnover and unionization has been well established by researchers using both industry-level and individual data.

Kirschenbaum & Weisberg (2002) in their study of 477 employees in 15 firms examined employee's job destination choices as part of the turnover process. One of their main findings was that co-workers intention has a major significant impact on all destination options; the more positive the perception of their co-workers desire to leave, the more employees themselves wanted to leave. The researchers suggested that a feeling about co-workers' intentions to change jobs or workplace gets a form of social pressure or justification on the employee to make a move.

Adebayo & Oladeji (2001) concluded that the longer tenure could be a response to increasing insecurity in the labour market and harsh economic environment that Nigeria's have been experiencing since the late 1980s. In addition, the reasons for quitting previous employment and most significant factors are: better remuneration; desire for better conditions of services and

large firm size, larger firms are usually considered to be well established and are believed to provide better job security; plant closure and operational instability which may lead to involuntary mobility; retrenchment of workers; mobility due to retirement age. Other reasons include: loss of technical skills, closeness to home town, distance to residence, change of employment, delay in salary payment, excessively long working hours and family problems.

On the consequences of labour turnover, Obisi (2006) believes that labour turnover is a mixed blessing. If it is a normal process of replacing old employees, it is acceptable but if it is as a result of non-performance on the part of the worker or the organization then, it is bad news because the worker's career growth is affected. It would lead to disequilibrium.. However, it becomes more harrowing when the labour turnover is one sided where employees leave and no new ones are coming in as is the case today. Unnatural and avoidable labour turnover is a curse on advancement and should be avoided. The consequences of labour turnover in an organization, according to Obisi (2006) are:

It is an enormous waste in terms of training and retraining of new employees; Process of acquiring new employees like selection, recruitment, placement etc. would have to be revisited; It is unsafe as newly employed workers may be prone to accidents due to non-adjustment to work; It leads to low productivity due to lost man-days; It leads to the under-utilization of material resources; It could affect customer services in terms of supplies.

Methodology

The data used for this study were collected from primary sources. These data were obtained through questionnaire. In order to arrive at a biased-free research study, a systematic random sampling was used in selecting 261 workers from the various categories of staff. The questionnaire involved fundamental analysis of opinions aimed at eliciting information about factors that influence labour turnover in Nigerian manufacturing industries. There were 25 items on the questionnaire which were made up of both close-ended and open-ended questions. Multiple Regression Analysis was used to determine the statistical significance between factors and labour turnover in Nigerian industries. The Multiple Regression Model for the study is shown below:

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$$Y_t = B_0 + B_1 X_1 + B_2 X_2 - B_3 X_3 + U_t$$

Where:

Y_t = Labour Turnover

X_1 = Worker's Salary

X_2 = Promotion

X_3 = Geographical Location

B_0 = Intercept of the Model

B_1, B_2 & B_3 = Slopes of the Model

U_t = Stochastic (disturbance) error term representing all other variables apart from the aforementioned ones that may determine labour turnover.

Hypotheses

The following hypotheses were formulated for the study;

- H_0 : There is no significant relationship between worker's salary and tendency to change job.
- H_0 : There is no significant relationship between promotion and intention to quit the job.
- H_0 : There is no significant relationship between geographical location and labour turnover.

Results and Discussion

A total number of two hundred and sixty one questionnaires were administered to the respondents, out of which 250 were returned and 29 (11.1%) of these were invalid leaving a total of 221 (84.7%) valid questionnaires.

Table 1: Worker's Satisfaction with their Job	Frequency	Percentage
Strongly disagree	4	1.8
Disagree	25	11.3
Strongly agree	45	20.4
Agree	147	66.5
Total	221	100
Table 2: Monthly Salaries Match with Workers' Job		
Strongly disagree	19	8.6
Disagree	69	31.2
Strongly agree	51	23.1
Agree	82	37.1
Total	221	100
Table 3: Tendency to Change Job if Salary is not Adequate	Frequency	Percentage
Strongly disagree	2	0.9
Disagree	11	5.0
Strongly agree	118	53.4
Agree	90	40.7
Total	221	100
Table 4: Promotion System in the Company Encourages Workers to Remain on the Job	Frequency	Percentage
Strongly disagree	23	10.4
Disagree	58	26.2
Strongly agree	46	20.8
Agree	94	42.5
Total	221	100
Table 5: Promotion Influences Worker to Quit the Job	Frequency	Percentage
Strongly disagree	16	7.2
Disagree	51	23.1
Strongly agree	79	35.7
Agree	75	33.9
Total	221	100
Table 6: Geographical Location Influences Workers to Change Job	Frequency	Percentage
Strongly disagree	11	5.0

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Disagree	25	11.3
Strongly agree	90	40.7
Agree	95	43.0
Total	221	100
Table 7: Absence of Unionism can Lead to Turnover		
	Frequency	Percentage
Strongly disagree	14	6.3
Disagree	63	28.5
Strongly agree	65	29.4
Agree	79	35.7
Total	221	100
Incentives given apart from fixed wages		
Bonus	118	53.4
Overtime	48	21.7
Housing allowance	42	19.0
Others	13	5.9
Total	221	100
Table 8: Motivational Incentives that best Motivates People to Work		
	Frequency	Percentage
Salary	52	23.5
Promotion	89	40.3
Overtime	36	16.3
Training	40	18.1
Others	4	1.8
Total	221	100

Sources: Researcher's Fieldwork, 2011.

Table 1 above shows that 4 (1.8%) of respondents strongly disagree, 25 (11.3%) of respondents disagree, 45 (20.4%) of respondents strongly agree, 147 (66.5%) of respondents agree that they are satisfied with the job in the company. As shown in Table 2, 19 (8.6%) of the respondents strongly disagree, 69 (31.2%) of the respondents disagree, 51 (23.1%) of the respondents strongly agree and 82 (37.1%) of the respondents agree that their monthly salaries match their job. Table 3 indicates that 2 (0.9%) of the respondents strongly disagree, 11 (5.0%) of the respondents disagree, 118 (53.4%) of the respondents strongly agree, 90 (40.7%) of the respondents agree that they will change their job if pay is not good. As shown in Table 4, 23 (10.4%) of the respondents strongly disagree, 58 (26.2%) of the respondents disagree, 46 (20.8%) of respondents strongly agree, 94 (42.5%) majority of the respondents agree that promotional system of the company encourages them to remain in the company. Table 5 shows that 16 (7.2%) of the respondents strongly disagree, 51 (23.1%) of the respondents disagree, 79

(35.7%) of the respondents strongly agree and 75 (33.9%) of the respondents agree that promotion influence workers to quit their job. Table 6 shows that 11 (5.0%) of the respondents strongly disagree, 25 (11.3%) of the respondents disagree, 90 (40.7%) of the respondents strongly agree, and 95 (43.0%) of respondents agree that geographical location influence workers to change job. As shown in Table 7, 14 (6.3%) of the respondents strongly disagree, 62 (28.5%) of the respondents disagree, 65 (29.4%) of the respondents strongly agree, 79 (35.7%) of the respondents agree that absence of unionism can lead to turnover. Table 8 shows that 118 (53.4%) majority of the respondents were given bonus, 48 (21.7%) overtime, 42 (19.0%) housing allowance, and 13 (5.9%) others. Finally, Table 8 shows that 52 (23.5%) of the respondents were motivated with salary, 89 (40.3%) majority of the respondents were motivated with promotion, 36 (16.3%) of the respondents were motivated with overtime, 40 (18.1%) of the respondents training, and 4 (1.8%) others.

The results of the Multiple Regression Analysis (see Appendix 1) shows the model summary with R-square value of 0.102 (10.2%). This implies that about 10.2% of variability in the dependent variable (Labour Turnover) can be explained by the three independent variables (Geographical location, Worker's salary and Promotion).

Again, the computation of Analysis of Variance (ANOVA) (see Appendix 2) shows that the F calculated value is 8.10 while the critical value obtains from statistical Table at 0.05 level of significance is 3.48. Since the F calculated (8.10) is greater than the critical value (of 3.48), it is concluded that the fitted model is significant.

Lastly, the computation of the Regression Coefficients (see Appendix 3) indicates that while both worker's salary and promotion significantly affect turnover, geographical location does not. However, the level of significance shows that the worker's salary affects labour turnover. Equally, the level of significance of promotion also affects labour turnover.

Conclusion and Recommendations

From the findings of the study, the paper concludes that worker's salary and promotion are the two major factors that affect labour turnover and that geographical location does not affect the rate at which people leave a job for the other. The study therefore recommends that organizations should always give favourable wages and salaries to their workers. Also promotion

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should be used to appreciate the efforts of workers who remain in service for some reasonable period of time.

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Appendix 1: Results of Computation of Multiple Regression

Table 3.0 **Model Summary**

Model	R	R square	Adjusted R square	Std. Error of the estimate
1	.319 ^a	.102	.089	.69632

- Predictors: (constant), Geographical Location, Worker's Salary, Promotion

Appendix 2: Statistical Computation Using ANOVA

Model	Sum of squares	Df	Mean square	F	Sig
1 Regression	11.898	3	3.966	8.180	.000 ^a
Residual	105.215	217	.485		
Total	117.113	220			

- Predictors: (constant), Geographical Location, Worker's Salary, Promotion.
- Dependent Variable: Labour Turnover

Appendix 3: Computation of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (constant)	2.025	.264		7.680	.000
Worker's salary	.111	.050	.154	2.230	.027
Promotion	.234	.071	.230	3.287	.001
Geographical location	.008	.058	.009	.135	.893

Dependent Variable: Labour Turnover.