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The Effect of Employee Turnover on Organizations (Case Study of Electricity Company of Ghana, Cape Coast)

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Abstract

This study focused on the effect of employee turnover on organizations with reference to the Electricity Company of Ghana (ECG). High employee turnover rates may jeopardize efforts to attain organizational objectives. In addition, when an organization loses a critical employee, the effects on innovation, consistency in providing service to customers and timely delivery of services to customers may be negatively affected. The research design used in this study was the quantitative approach, which allowed the researcher to use structured questionnaires in collecting data. The simple random sampling technique was used to select forty respondents from all levels of management in the company. A high response rate of 95% was obtained using the personal method of data collection, based on which the analysis was made using the frequency tables. The study found that lack of promotion was the primary cause of employee turnover in ECG. Turnover, however, had dual effects on the organization; positive and negative effects. Whiles employee turnover introduced new ideas and skill into the company; it's also led to difficulties in attracting new staff. To reduce the rate of turnover, management should review condition of service for employees; and also ensure that the working environment is conducive.

Keywords: Employees' turnover, Promotion, Job security, Skilled manpower, ECG, Ghana.

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1. Introduction

Employee turnover is understood by human resources professionals to be the rate at which an organization's work force terminates employment and requires replacement Kreitner (2003) Most organizations have been successful because of the organisation's ability to retain employees. Keeping staff rather than losing them, however, is not achieved on a silver platter. Successful organisations in this area are the ones that are whose managements have identified and put in place measures such as reward, training and development and other forms of motivation so as to encourage the employees to work whole heartedly and stay in the organization for a longer period of time. This helps to ensure consistency in the output of work.

Contrary to this, organizations which cannot identify the effort of their employees and reward them as such end up in losing them to other organisation. This goes a long way to affect the productivity, growth and increases the organisation's cost of recruiting new staff; and training and developing the new staff to occupy such vacancies. High turnover, therefore, naturally affects performance Kreitner (2003) .

Furthermore, Nugent (2009) concluded that employee turnover can be defined as a percentage figure which shows the rate at which employees move in and out of the organization. However, this figure most likely represents both controllable turnover (controllable by the organization) and uncontrollable turnover. Controllable turnover is ''voluntary'' by the employee, while uncontrollable turnover is ''involuntary'' (For example, retirement, death, or spouse transfer). Turnover may be functional, where the employee's departures produce a benefit for the organization, or dysfunctional, where the departing employee is someone the organization would like to retain.

High performers who are difficult to replace represent dysfunctional turnovers; low performers who are easy to replace represent functional turnovers. The crucial issue in analysing turnover, therefore, is not how many employees are leaving but the performance and replaceability of those who are leaving versus those who are staying. Kreitner and Kinicki (2007) also concluded that as a business manager, staff turnover is one area to keep an eye on throughout the year.

1.1. Statement of Problem

According to Grobler *et al.* (2006) a certain amount of turnover is expected, unavoidable and considered beneficial to the organization. New employees may inject fresh blood into the firm by introducing new ideas and methods and innovative, more effective ways of doing thing. In addition, turnover may help rectify poor hiring and placement decisions. Such turnover is referred to as functional turnover. Thus some turnover renews a stagnating organization. But excessive turnover creates an unstable workforce and increases human resources (HR) cost. This study seeks to assess the effect of employee's turnover on organisations.

1.2. Objectives of the Study

The research achieved the following objectives:

1. To determine the causes of employees turnover in organizations.
2. To analyse measures put in place by organizations to reduce employee's turnover.
3. To assess the effect of employees turnover on organizations.

2. Review of Literature

Employee's turnover can be very problematic for large, medium and small organizations. All organizations can expect some degree of employee's turnover. Indeed a certain degree of employees turnover may be desirable since it creates opportunities to the introduce competence, new ideas and experience to the organization, as well providing career development opportunities for existing workers. Though employee's turnover is however, is costly both to individual organizations and the economy as a whole. It also affects moral, profitability, efficiency and productivity as well. Durbin (2000)

Meyer (2001) also said that employee's turnover may be due to a particular cause but they can also be an indication of more fundamental organizational problems. Establishing the cause and working out for a solution may, therefore, calls for re –examination of the organization policies and procedures. It may be difficult for those within the organizations to conduct this with the degree of rigour and objectives required, and therefore it is advisable to involve someone or a group of people outside the organizations to undertake this task.

Armstrong (2011), argues that the prospect of getting higher pay elsewhere is one of the most obvious contributions to turnover. This practice can be regularly observed at all levels of the economic ladder, from executives and generously paid professionals in high-stress positions to entry-level workers in relatively undemanding jobs.

Employees' turnover tends to be higher in environments where employees feel they are taken advantage of, where the feel undervalued or ignored, and where they feel helpless or unimportant. Clearly, if managers are impersonal, arbitrary and demanding, there is a greater risk of turnover (Hom and Griffeth, 2001).

Allen (2000) pointed out that employees turnover can be expensive, although the actual costs are difficult to estimate. To get indication, organisations can start adding up the most obvious expenses: those of advertising, recruitment and supervisory time.

3. Methodology

The research design of this study was through a case study approach, Electricity Company of Ghana. The simple random sampling technique, which is a probability sampling technique, was used to select respondents from the various departments in the organization. The target population chosen by the researcher for this study was made up of management and both the senior and junior staff of Electricity Company of Ghana. The total number of population that the questionnaires were administered was forty (40), of which thirty-eight (38) was retrieved.

4. Results

Table-1. Overview of Respondents:

Details	Frequency	Percentage
Gender:		
Male	22	57.89
Female	16	42.11
Age:		
18 - 28	5	13.16
29 – 39	18	47.37
40 – 50	10	26.32
50 - 60	5	13.16
Educational Background:		
Diploma / Higher National Diploma	14	36.84
Frist Degree	18	47.37
Masters	6	15.79
Status of Respondents:		
Top	6	15.79
Middle	14	36.84
Lower	18	47.37
Work Experience:		
Below 5 Years	18	47.37
5 – 10 Years	10	26.32
10 – 15 Years	8	21.05
15 and Above	2	5.26

Source: Field Data 2014.

Table-2.1. Causes of Employee Turnover:

Details	Frequency	Percentage
Demographic and personal Characteristics of employees	3	7.9
Job dissatisfaction	9	23.7
Organization and work environment	4	10.5
Lack of promotion	11	28.9
Alternative Employment	5	13.2
Job security	6	15.8
Total	**38**	**100**

Source: Field Data 2014.

Table 2.1 shows the causes of employee turnover in the organization. The causes includes; lack of promotion (28.9%), job dissatisfaction (23.7%), job security (15.8%), alternative employment (13.2%), work environment (10.5%) and personal characteristics (7.9%).

Table-2.2. Measures Adopted by the Organization to reduce Employees Turnover

Measures Adopted	Frequency	Percentage
Develop people	8	21.1
Recognize good performance	16	42.1
Build trust	13	34.2
Others	1	2.6
Total	**38**	**100**

Source: Field Data, 2014.

Table 2.2 represents measures adopted by ECG to reduce employee turnover. The measures involves; recognizing good performance (42.1%), building trust (34.2%), developing people (21.1%) and other measures available to the company (2.6%).

Table-2.3. Effect of Employee Turnover
Table-2.3.1. Positive Effect of Employees Turnover

Impact	Frequency	Percentage %
Opens up promotion channels for employee	-	-
It helps in reducing redundancy in the organization	-	-
New ideas and skills are introduced into the organization	-	-
Replacement of poor performers	-	-
All of the above	38	100
Total	38	100

Source: Field Data 2014.

Table 2.3.1 depicts positive impact of employee turnover on the organization. All the respondents chose all the alternatives.

Table-2.3.2. Negative Effects of Employee Turnover

Impact	Frequency	Percentage
Additional costs of replacement recruitment	8	21.1
Poor quality of work	4	10.5
Difficulties in attracting new staff organization	2	5.3
Loss of skilled manpower	10	26.3
All of the above	14	36.8
Total	38	100

Source: Field Data 2014.

Table 2.3.2 also depicts the negative impact of turnover. The respondents chose all the alternatives (36.8%).

5. Discussion

- Objective one was to find out the causes of employees turnover in organization''. The study found out that, as indicated by Table 2.1; (Arranging from higher to lower Percentage): lack of promotion, job dissatisfaction, job security, external environment (alternative employment), organization and work environment, and due to demographic and personal characteristics of employees cause them to leave the organization.
- Objective two was to find out measures being put in place by organization to reduce employees' turnover". The study found out that, as depicted by Table 2.1; in order to reduce turnover, the organisation have to put in place the following measures: recognize good performance, build trust, and develop people and others (the organization should hold regular sessions).
- Objective three was to find out the effect of turnover; the study found out both positive and negative effects as showed by table 2.3.1 and 2.3.2. The positive effect includes: new ideas and skills are introduced into the company, it opens up promotion channel for employees, it helps in reducing redundancy in the organization and it also helps in replacement of poor performers. And the negative effect involves; loss of skilled manpower, additional cost of replacement recruitment, poor quality of work and difficulties in attracting new staff affect the organization most. All the respondents agreed to the positive effects but options were checked for the negative effects.

6. Conclusion

It can be said that employees leave or quit the organization simply because, they are not satisfied with their working conditions and this affect the organizational efficiency greatly in the sense that experienced workers leave and the organization has to spend money and time to hire, recruit, select and train new employees to replace those who have left.

Despite the fact that employees turnover has negative impact on the organisation, it also has a positive impact that should not be overlooked. The positive effects outweigh the negative effects based on the study. It brings certain benefits to the organisation so employee turnover should be allowed but kept at an average rate.

7. Recommendation:

- Management should ensure that salaries polices are reviewed frequently to boost employees moral.
- Management should develop an overall strategic compensation package to employees to serve as a motivational tool for employees.
- The organization should ensure that, there is conducive working environment to enhance efficiency.

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