# AN EVALUATION OF EMPLOYEE TURNOVER RATES: CAUSES AND EFFECTS IN COMMERCIAL BANKS IN NIGERIA

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**Abstract**

*Labour turnover is one of the forms of industrial conflict that affects firms. It has become a perennial problem for banks in Nigeria. This paper explained in details, the rates, types, causes and impacts of labour turnover in Nigerian banks. Fredrick Herberg's two factor theory was applied in further explanation of labour turnover in Nigerian banks. Recommendations were made on a fair and equitable pay system, introduction of flexible work schedule and rest periods, and appropriate policies to enhance workers welfare in the areas of working hours, target setting, workload, and job security, exit interview was further recommended for all bank managers, to enable them ascertain the reasons why workers leave.*

*Key Words: Labour turnover, Industrial conflict, Policies, Exit interview, Nigerian banks.*

## Introduction

The Nigerian banking system has been in a state of anxiety and frequent movement of workers in and out of the organization. The movement of bank staff from one bank to another or from banks to other organizations has been a persistent and frustrating problem that Nigerian banking industries face in recent times. This puts the bank at risk of losing its well trained and talented staff at all times to other organizations. High rate of employee turnover indicate lack of stability in the labour force, which in turn may be considered unconducive to the productivity of labour (Amaugo, Ifeanacho & Abu 2018, Zera 2012 & Smith 2010) .It is essential that labour turnover remains stable over a period of time. Most bank workers decide to move out from banks after several years of working with bank in search of a better paying, less stressful and more secured jobs within and outside the banking industry. This calls for serious attention. The dynamic nature of the banking sector constitute problem for the employees, as it is relatively common to quit the system every year either through voluntary or involuntary means. Several Researchers have found out that Nigerian bankers rarely grow with a particular bank in their employment pursuit (Amaugo et. al, 2018, Jack, 2016, & Denga 2012).

Turnover particularly arises from unhappiness and dissatisfaction from job place. Employee turnover is the exit of workers from the organization where they are working. It is the rate at which people leave the organization (Denga 2012). Fako (2010) aptly notes that there is high rate of employee turnover in Nigerian banks. Most times, it is the people banks wish to retain that are often the ones most likely to leave. David (2014) thus pointed out that turnover among highly productive employees is costly. In as much as turnover may have both positive and negative consequences, Samuel (2014) argued that the negative consequences far outweigh the positives. This is so because it is not only low-skilled work force that leaves organizations but more often, it is the valued employees that leave more. Banks in Nigeria, invest a lot in their employees in terms of training and retaining. Banks allocate huge budget to these training to improve the skills and knowledge of their employees (David, 2013) ,despite all that employees often display a propensity to leave. Wilson (2013) argued that the banking industry in recent times has not been promoting a conducive climate for its workers. Banks rarely retain their employees, and this leaves a soaring experience which firm must bear to find a replacement.

**Understanding the Concept of Employee Turnover**

In human resource terms, employee turnover is a measurement of how long your employees stay with your company and how often you have to replace them. Any time an employee leaves a company for any reason, they are called turnover. The world turnover is used to mean "voluntary" cessation of membership of an organization by an employee of that organization (Nwaeke, 2005) Fako (2010) defines employee turnover as the ratio comparison of the number of employees a company must replace in a given time period to the average number of the total employees. It is the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period. Onu (2007) states that employee turnover means the rotation of workers around the labour markets between organizations, jobs and careers. This rotation could result in a transfer between organizations, a change in the job position and occupation or sometimes a shift between two states of employment and unemployment. Frequently, managers refer to turnover as the entire process associated with filling a vacancy (David 2014).Turnover may be a function of negative job attitude. It is a retreat by employees usually from unsatisfactory situations. It is one of the unorganized forms by industrial conflict. Employee turnover includes resignations, termination and retirement. Employee turnover refers to the rate of change in the workforce of an enterprise during a given period of time. This results from hiring, releasing and replacing. It is a measure to the extent to which old and new employees leave or enter the service. Some workers quit, accepting alternative jobs offering superior terms and conditions of employment, while some quit for other reasons without having alternative jobs to go to. Turnover is a normal part of organizational functioning, but excessively high turnover may be dysfunctional. Persistently high levels of labour turnover are costly to individuals, organizations and the economy as a whole.

**Types of Employee Turnover**

There are two main categories of turnover: Voluntary and Involuntary turnover. Voluntary turnover occurs when an employee leaves by his or her own choice, and that can be caused by many factors. It could be due to finding a better position or job at another organization, a conflict with a supervisor, harsh working conditions or a personal reason, such as needing to stay home with a family member. In most cases, the decision to leave is a combination of having attractive alternative opportunities and being unhappy with aspects of the current job. Voluntary turnover occurs when an employee initiates the termination of their employment of their own free will. Expectations play on essential role to determine whether an employee is satisfied with the current job. Voluntary turnover, remain one of the most persistent and frustrating problems that Nigerian banks face today. This can be averted. For the purpose of this paper, the major focus will be on the voluntary turnover.

Involuntary Turnover: - Involuntary turnover are those departures from employment initiated by the employer. This occurs when an employee is fired or laid off. Involuntary turnover may occur for reasons which are independent of the affected employed such as the perceived need to cut costs, restructure or downsize/right size.

Involuntary turnover involves redundancies or dismissal. It could also be because of an employee criminal act (such as theft) which normally leads to termination of appointment. Involuntary turnover results in very serious and painful decisions that can affect the organization and the employees who lost his or her job. It is usually against the wishes of employees. It is one in which employee has no choice in the termination as it may be due to long term sickness, death, or employee-initiated termination (Onu, 2007)

**Turnover rates in Nigerian banks**

Empirical studies (e.g Amaugo et al 2018, Jack 2016 & Denga 2012) revealed that most bank workers in Nigeria do not retire as bankers. They either resign or are sacked. Banks forcefully terminate the appointments of employees in their attempts to meet up and as such find it difficult to retain employees. Amaugo et al (2018) opined that at least 40-50 bank workers lose their jobs every year, in each bank in Nigeria. Banks terminate some appointments, while some bank workers voluntary resign, especially when the stress is too much (Denga 2012, Jack 2016). James (2013) explained that the rate of turnover in Nigerian banks is very high. Fako (2010) argued that 70% of bank workers who are still working with different banks will resign if they are provided with better jobs. The absence of alternative job, force them to stay pending the time there would be slightest better opportunity. This was equally supported by the views of Youndt, 2013 and Ibok 2012) Half (51%) of the workers surveyed by Youndt complained that they work under anxiety and stress and would resign if better opportunities come. According to Ige (2010) the most vulnrerable to job insecurity are the bank workers. Many of these bank workers are employed as contract staff, or as part time or temporary staff. They are sacked at every slightest mistake. Most times they resign, when a full time job comes.

**Causative Factors for the High Rate of Employee turnover in Nigerian banks.**

There are several reasons why people quit from one organization to another. Denga (2012) listed the following as cause of voluntary turnover in organizations. Lack of training and support to reach potential, harsh working conditions, lack of appreciation, long working hours, lack of control over work, low pay, bad relationship with management and colleagues, and lack of opportunity for advancement. Workers resign when they are dissatisfied with what they see around them. However, causes of voluntary turnover vary in different companies. James (2013) noted that despite changes in banks, such as faster promotions intended to retain employees, many banks in Nigeria are still in danger of losing highly skilled workers. Samuel (2014) envisaged that economic factors are the main reasons why employees leave their jobs in banks. His study on the relationship between salary and turnover revealed that good performers, who are not rewarded sufficiently, easily leave their jobs in banks.

According to Jack (2016), labour turnover in banks is caused by poor practice of human resource policy, job insecurity, lack of training opportunities and professional development, inequity of salary scales structure and prolonged working hours without extract pay. David (2014) revealed other factors which caused labour turnover in banks to include poor working conditions, low wages, nature of work, less opportunity for advancement and poor incentives.

However, there are environmental factors that cause labour turnover as narrated by Ibok (2012). Environmental factors such as local markets, inflation, unfriendly work environment, location, promotions and supervisory level. Amaugo et al (2018) asserted that bank workers in Nigeria quit their jobs because of stress emanating from job insecurity, long working hours, high target setting, heavy workloads and harsh working conditions. Akinguola (2010) argued that voluntary turnover is more probable among people who experience more stress. Bank managers create a culture characterized by tension, fear and anxiety. Women experience sexual harassment in their bid to attract customers to their banks (Belle, 2010) .Women who had experienced a higher level of harassment was more likely to resign. However, the influence globalization has in the contemporary environment of bank organization is well recognized (Jack 2016). This phenomenon has promoted escalating domestic and global competition and the rapid movement of financial markets (Wilson 2013; James, 2013). Accompanying these global trends is the demand for high organizational performance that necessitates tougher competition, rapid changes in information technology, and increased productivity (Wilson, 2013). The consequence of operating in such an increasingly complex global environment is the potential for the worker to experience increased strain and work stress. Workers are required to perform many and varied tasks, work as team members, self-manage, and learn new work tasks rapidly as the bank organization changes to remain competitive. Timothy (2011) in his study revealed that in Nigerian banks, workers resign due to poor communication, poor/inadequate feedback about performance, ambiguous conflicting goals and job stress. In addition to the onslaught of globalization, the development of rapidly changing technologies has influenced the working environment. These advances in technology have resulted in the downsizing of many organizations as tasks that were undertaken by manual labour have become automated. Technology has enabled a profound increase in the automated monitoring of performance in the workplace (Denga, 2012), thus increasing performance pressure. Some studies revealed that negative behavioral reactions by workers to some of these technological changes are usually resignation.

Furthermore, Alkinson (2011) argued that there are other factors in the employee's personal life such as family issues, personal economic problems, and inherent personality characteristics that could result to one's resignation. Timothy (2011) pointed out that there are personal problems that employees bring with them to the job. Live changing events like recent, marriage, physical illness or birth of a child causes a process known as life readjustment (Harris and Paul: 2015). When any of these events occur to an employee of a bank, it gingers stress related behaviors, which eventually leads to voluntary turnover.

Zera (2012) added that in Nigerian banks workload is the major cause of voluntary turnover. Employees are presented with multiple roles and tasks; this creates unusual high levels of demand, which aptly culminates to stress and high turnover in banks. The workload is perceived to cause the greatest strain for the bank workers (Parsons 2013).Employees assume multiple roles and tasks which cause considerable wear and tear in individuals. The wear and tear is shown in form of fatigue, headaches, insomnia, increased heartbeat and cardiovascular disease. When the workers can't cope, they quietly resign and look for a better less stressful job elsewhere.

Jack (2016) emphasized that high target setting in Nigeria banks result in the prevailing high employee turnover. Samuel (2014) carried out a research at Abuja. The purpose of the study was to determine the causes and preventive strategies of Labour turnover in banks. Descriptive survey design was adopted for this study and the population of study comprises 1900 bank workers. The result showed that the most common causes of labour turnover are target setting (54%), workload (20%) and long working hours (32%) .The bank workers are given high targets of 11-20 million a week if not achieved they are sacked .Zera (2012) noted that the unreasonable targets given to bank workers have resulted to desperate employees who would go to any length to raise the money needed. When they can't achieve it, they resign. Smith (2010) argued that over reliance on public funds which are unstable by nature have forced their female marketing staff in unwholesome conduct to meet unjustifiable targets in deposit mobilization. Because of the pressure to meet the unrealistic targets, some bank workers have been tempted to engage in sexual activities with prospective customers (Zera, 2012, Smith 2010 & Onu 2007). They resign most often while trying to escape being sacked for not meeting up with targets.

**Impact of Voluntary Turnover in Banks**

The impact of replacing an employee varies based on many factors, including the difficulty of filling the position, the amount of training required for new employees and specific cost, such as recruiter fees or advertisements. Furthermore, when a company's highly skilled personnel leaves, a tremendous amount of skill and knowledge will leave, this can affect the business negatively for years to come (Ibok, 2012). A high rate of turnover in banks generally results in a serious instability that is caused by employees leaving the jobs. When employees leave and have to be replaced by others, time and money would be needed to recruit and train new staff. In the interim, the production level will most probably decrease, entailing some loss of revenue for the organization. In effect, this may result as uncounted expenses (Zera 2012).

Furthermore, high turnover give bad image to the work organization in question. There may be less people willing to apply to work in such organization. Zera (2012) revealed that high turnover rates lower the organizational productivity and increase running costs by recurrent recruitment costs, production disrupting and broken clients relationship (Cobb 2012). Apart from grave economic consequences of declining performance and productivity, other effects of labour turnover include loss of experienced employees, poor quality services, shift of customers to other banks, and low employee morale.

James (2013) viewed turnover as a serious problem having a strong bearing on the quality of products and services and incurring considerable replacement and recruitment costs.

Voluntary quit represent an exodus of human capital investment from organizations and the subsequent replacement process entails manifold costs to the organizations. These replacement costs include for example, search of the external labour market for possible substitutes, selection between competing substitutes, induction of the chosen substitutes, and formal and informal training of the substitutes. Until they attain performance levels equivalent to the level of the individuals who quit (Amaugo et al 2018, Wilson 2013).

Several researchers have found out that high turnover rates have negative effects on the profitability of organization. It leads to low performance and ineffectiveness in organization (Samuel 2014, Age, 2010)

James (2013) argued that high turnover in banks damage quality and customer service which provide the basis for competitive advantage, thereby inhibiting business growth. Turnover of employees disrupts teams, raises costs, reduces productivity, and results in loss of knowledge. Wilson (2013) opined that people who leave are usually those who are most talented and skilled, as they are the ones likely to get an opportunity elsewhere.

Other impacts include impaired quality of service, loss of business opportunities, an increased administrative burden and employee demoralization (Belle, 2010). Voluntary turnover therefore, remain one of the most persistent and frustrating problems that banks face. It is desirable and pertinent that management accord special attention to prevent turnover and put in place a sound strategy for improving staff retention.

**Theoretical Underpin of Labour Turnover in Nigerian Banks**

**Fredrick Herzberg's (1959) Two Factor Theory**

Herberg's (1959) two factor theory explained what satisfies or dissatisfies employees and hence, serves as an important framework for labour turnover, because turnover is related to job satisfaction. A worker, who is dissatisfied with an organization where he works, may likely resign. Understanding the different dimensions of a job may increase satisfaction or at least, reduce dissatisfaction. In the context of employee turnover, the framework of job context and job content can be used for studying the reasons why employees leave the organization they are working for. Herzberg's theory explained that there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. They are the motivators/satisfiers and the hygiene factors/dissatisfies. The hygiene/dissatisfies are the job context. These hygiene factors are those factors when adequate in a job pacify the employees and do not make them dissatisfied. They are extrinsic to work, which include status, job security, company policies and administration, salary, benefits, working conditions, promotions, relationship with co-workers, and quality of management. If workers in banks are paid well and are promoted as at when due they will not be dissatisfied and may not leave the organization. Pay structure should be appropriate and reasonable. The company policies should be fair and clear. There should be flexible working hours in the banking sector, attainable target setting, less workload and job security. This will go a long way in reducing dissatisfaction and in retaining workers, but when the reverse is the case; workers will be dissatisfied and thus leave the organization to a better organization.

In addition, Herzberg pointed out the second factor known as the motivators/satisfiers are the ones related to the job content. These factors motivate the employees for a superior performance. Employees find these factors intrinsically rewarding the motivators symbolize the psychological needs that are perceived as additional benefits.

Motivational factors include recognition, achievements, responsibility, and quality of work itself, advancement and recognition. The result of satisfiers is a high level of job satisfaction which will create a positive attitude to work. To encourage high commitment and retention, the employees should be praised and recognized for their accomplishments by the managers. There should be growth and advancement opportunities for the employees. Employers must motivate workers through meeting their needs for employees to truly commit themselves to workplace goals. Failing to meet employees' needs may create lack of fulfillment in employees' professional lives, causing them to eventually try to fulfill these needs on their own, possibly by finding a new employer who provides better opportunities.

**Conclusion and Recommendations**

Labour turnover poses a threat to business growth and in recent times is on the increase and evident in the banking environment. This paper revealed that work pressure, personal problems, organizational policies, job insecurity, low pay, high target setting, heavy workloads were the major causes of Nigerian banks. Labour turnover can be controlled in several ways. Turnover is related to job satisfaction, matching an employee's expectations of rewards and satisfaction to what is actually provided by the job may help reduce turnover problems. A good way to eliminate turnover is to improve selection and the matching of applicants to jobs.

Furthermore, a fair and equitable pay system can help prevent turnover. An employee who is underpaid relative to employees in other jobs with similar skills may leave if there is an inuring alternative job available. Management should measure employee turnover and calculate its costs in order to forecast future losses for planning purposes and to identify the reasons why people leave the organizations. Commercial banks in Nigeria should have stable and fair policies. There should be flexible working hours in the banking sector, attainable target setting and less workload. The working conditions should be fair to avoid stress. Banks should determine the current staffing levels so that staffs are not overloaded. Managers should be conducting exit interview. The exits interview will enable banks to know the reasons why people leave the banking industry. The information from exit interview can be used to develop strategic plans that will reduce high turnover.

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