

Labour Turnover and Performance of Micro, Small and Medium Enterprises in Akure South Local Government Area of Ondo State, Nigeria

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ABSTRACT

The study investigated the effects of labour turnover on the performance of selected micro, small and medium enterprises in Akure South Local Government Area of Ondo State, Nigeria between 2010 and 2014. The study sample consisted of 196 workers who were purposively selected from ten table water companies and ten bakeries respectively. These trades have high prevalence in the study area. Frequency counts, averages, percentages, Likert-scale rating and Relative Importance Index as well as Pearson Product Moment Correlation Analysis (r) and Chi-Square (X^2) statistics were employed for data analysis. The study revealed that all identified challenges of labour turnover had adverse effects on performance of the selected micro, small and medium enterprises. The study recommended an urgent need for micro, small and medium enterprises to engage in anticipatory strategic planning approaches to minimise the rate of labour turnover.

Keywords: Labour Turnover, Micro, Small and Medium Enterprises, Performance

INTRODUCTION

Business organizations appear to be established for customer satisfaction and profitability. However, the accomplishment of these goals and other organizational objectives depend totally on the quality of labour hired, their effectiveness and efficiency (Muogbo, 2013). Therefore, high productivity and performance of most organisations cannot be realised without employees' support and contributions (Samad, 2006). In addition, staff retention becomes

important since labour turnover is costly especially for lower paying jobs which typically have the highest turnover rates (Kwarfo, 2012). The cost element arises from such things as advertising the vacant position, selection processes and training of the newly employed.

Micro, small and medium organizations are the drivers of the nation's economy especially during the time of economic recession. Therefore, labour turnover in these organizations often attract attention because labour represents the life wire of an organisation (Kwarfo, 2012). Moreover, the stability of workers on the job equally matters since turnover appears to negatively affect a company's performance especially if skilled workers are often leaving and the population of the workforce contains a high percentage of inexperienced workers. In essence, incessant labour turnover in the micro, small and medium organizations irrespective of the causes can be a contributory factor to their demise within the five years of establishment. No wonder the public sector of the economy seems to experience stability than the private sector (Nduro, 2012). While human resource managers and employers of labour are making efforts at ameliorating labour turnover in organizations, particularly the private sector; there appears to be high turnover in micro, small and medium enterprises in Nigeria (Ongori, 2007). However, there seems to be dearth of research on labour turnover and the performance of micro, small and medium enterprises in Akure Local Government of Ondo State, Nigeria. Therefore, this paper evaluates the effect of labour turnover on the performance of these enterprises in Akure Local Government with a view to suggest some strategies on how to minimise the occurrence of such turnover and improve the performance of the enterprises in the study area.

LITERATURE REVIEW

Labour Turnover

Labour turnover is the voluntary or involuntary movement into and out of an organisation by the workforce and is the index of stability of workforce in an enterprise (Abassi and Hallman, 2000). Furthermore, they stated it can also be the net result of the exit of some employees and entrance of others to an organisation, which is the proportion of an enterprise workforce that leaves during the course of a year. A turnover rate is therefore the percentage of employees that a company must replace within a given period. Labour

turnover is one of the main issues that could extensively affect the overall performance of an enterprise. Workers do leave an enterprise and such enterprise may hire other workers to replace them, regardless of whether the enterprise itself is growing or declining Price (1977).

Tang, Kim and Tang (2000) opined that the most important reason for voluntary turnover is higher wages and career opportunity. However, Griffeth, Hom and Gaertner (2000) noted that pay related variables have a modest effect on turnover. They concluded that when high performers are insufficiently rewarded, they leave the enterprise for a better paid job. Therefore, identifying the causes of labour turnover in micro, small and medium enterprises in Akure Local Government and the effects on organisational performance would be beneficial to the organisations in the area.

Theory of Labour Motivation and Labour Turnover

Motivation makes employees to do things as a result of their individual needs being satisfied so that they have inspiration to complete the task (Herzberg, 2006). Motivation creates awareness for employees that a specific goal needs to be achieved and urge to continuously direct employees at achieving the organisational goal (Maslow, 1970). The success of any enterprise depends among others, on the ability of the management of that enterprise to motivate the workers so that they could put in their best (Vnouckova and Klupakova, 2013). Therefore, human capital in an organisation should be stable in order to achieve the organisational goals. A firm with high labour turnover may not be able to achieve the much needed performance (Herzberg, 2006).

Among all business resources (human, financial, material and information), human resource is the most important and they are nurtured, cared for and supported; they will provide valuable contribution to the enterprise. This explained the reason why companies of various sizes and scopes invest lots of resources to make human resource efficient and effective for improved performance (Akinruwa, Ajayi and Akeke, 2014). However, Akindele (2007) stressed that firms are finding it difficult today to retain their employees, and this leaves a soaring experience which firms must bear to find a replacement. Consequently, labour turnover issue has been generating discussion in the literature for the past decades due to psychological dimension on

organisational significance and economic dimensions on nations (Long, Perumal and Ajagbe, 2012).

Over the years, there seems to have been outflow of employees in the micro, small and medium enterprises which could have immensely affected the performance of the organisations and reveal the constraints facing the micro, small and medium enterprises. This also suggests possible solutions to prevent such labour turnover. Empirically, employee replacement is a cost, negatively affects service delivery and has a significant level of effect on the organisation's performance (Akinruwa, Ajayi and Akeke, 2014).

Meanwhile, Ologunde, Asaolu and Elumilade (2011) in their research on labour turnover among university teachers in South-Western Nigeria, found that low morale, poor working condition of environment, lack of good incentives, poor fringe benefits, lack of training and development result to the teacher turnover. In their submission, they advocated for holistic approach of non-economic and economic factors as panacea to the problem of labour turnover.

Similarly, the research study of Dwomoh and Korankye (2012) showed a significant relationship between labour turnover and performance of banks in China. They argued that the complaints of customers have to do with the labour turnover in the financial institutions and that if banks are to remain competitive in the markets, the existing employees that have been trained and who have been satisfying the customers must be retained. It was further stressed that customers form different opinions whenever they see new recruited employees in the organisation and they doubt whether the new recruited employees will be able to deliver excellent service as the former employees. It is noted in this assertion that labour turnover and performance are significantly related.

This study deals with labour turnover and performance of selected micro, small and medium enterprises in Akure metropolis of Ondo State. This research enlightens the management of micro, small and medium enterprises on human resource management and how to reduce labour turnover in the selected organisations.

METHODOLOGY

The study was carried out in Akure metropolis of Akure South Local Government Area of Ondo State, Nigeria. Ondo State is located in the south-western part of Nigeria. This study employed cross sectional survey technique. A structured questionnaire was constructed for data collection. Interview guide and personal observation were also used. The population of this study comprised eighteen registered bakeries and thirty two table and sachet water firms in Akure metropolis of Ondo State. The sample size for the study consisted of twenty (20) micro, small and medium enterprises made up of ten (10) table and sachet water companies as well as ten (10) bakeries that were purposively selected. The respondents were made up of two hundred (200) workers of the twenty (20) enterprises who were equally selected using random sampling technique. These respondents were mixed in terms of educational qualifications, years of working experience and gender. Both descriptive and inferential statistics were used to analyse the data collected from the field. The descriptive statistics include frequency counts, measure of average tendency and percentages while the inferential statistics used were and Relative Importance Index (RII), Pearson Product Moment Correlation Analysis and Chi Square.

RESULTS AND DISCUSSION

Out of the two hundred (200) copies of questionnaire that were administered on the staff of twenty (20) micro, small and medium enterprises within Akure metropolis, one hundred and ninety four (194) copies representing 97.5% response rate were correctly filled and returned by respondents. The study sought to evaluate the effects of labour turnover on performance of the selected micro, small and medium enterprises which was measured on a relative importance index (RII). The result as presented in Table I showed a relative importance index of 0.97 on the engagement of employees in overtime jobs. This may likely affect the performance of the enterprises negatively. The result also revealed high (0.94) relative importance index of reduction in work productivity of the employee may likely affect profitability of the enterprises. The high rate of labour turnover revealed increased work load and stress for each employee (4.7), disruption in service delivery (4.3) as well as wasted time in training new staff member (3.95). Table 1 showed that high labour turnover

led to decline in service delivery (3.85), poor organisational team work (3.70) among others.

Table 1: Mean, Standard Deviation and Relative Importance Index (RII) of the effects of labour turnover on performance of micro, small and medium enterprises in Akure Metropolis

Statements	Mean	Std. Dev.	RII	Rank
Engagement of employees in overtime job	4.85	0.360	0.97	1
Reduction in work productivity	4.70	0.470	0.94	2
Increase in work load and stress for each employee	4.70	0.470	0.94	2
Disruption in service delivery	4.30	0.733	0.86	4
Wasted time in training new staff members	3.95	0.759	0.79	5
Decline in service delivery	3.85	1.531	0.77	6
The organisational team work is not affected when employees leave	3.70	1.218	0.74	7
The quality of product is not affected when employees leave the organisation	3.60	1.273	0.72	8
Reduction in quality of product produced	2.65	1.755	0.53	9

Source: Field Survey, 2015

Glebbeck and Bax (2004) earlier affirmed that when there is high rate of labour turnover, it creates problem and negative impact on the performance of an organisation. Brown *et al.* (2008) also found an inverse relationship between labour turnover and firms' performance. However, some respondents believed that the rate of turnover does not necessarily have negative effect on workers' productivity. Rather, it is an opportunity for the management of micro, small enterprises to introduce new ideas and skills into their organisations. The study further identified the causes of labour turnover in the selected micro, small and medium enterprises to be poor remuneration/salary of employees, work boredom, non-involvement of workers in decision making and that goal achievers are not recognised; no opportunity for career advancement; inadequacy of employees' training and development; and employees not satisfied with working conditions. Majority (116) of the respondents agreed that poor remuneration/salary of employees is the major cause of labour turnover and it was ranked as first in the severity Index of the causes of labour turnover. The second ranked factor was work boredom as agreed by 86% of the respondents. Many (45.4%) of the respondents agreed that there is no opportunity for career advancement in their various micro, small and medium

enterprises while they remain to work in the selected micro, small and medium enterprises. In all, 48.5% of the respondents affirmed that there is no room for career advancement within their respective micro, small and medium enterprises. Furthermore, the Table showed that 30.4% of the respondents strongly disagreed that the labour turnover was caused by employees not being satisfied with working condition. About 28% of the respondents claimed that they are satisfied with the micro, small and medium enterprise's working condition. However, about 38% claimed that not to be satisfied with the micro and small enterprise's working condition, while 3.1% of the respondents also strongly agreed with the non-workable condition of their micro, small and medium enterprises. However, only 1% of the respondents remain undecided with their opinions. If working conditions are substandard or the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees are likely not to be willing to put up their highest productivity at work. Employee's sense of belonging within an organisation is essential; it leads to high level of commitment and productivity. In terms of decision making, many organisations did not see the essence of involving their employees in the making process. The majority (40.7%) of the employees of micro, small and medium enterprises in Akure metropolis agreed that they are not involved in decision making process within the organisations. They opined that decisions are made mainly by the managers or owners of micro, small and medium enterprises, while a larger (58.2%) proportion of the respondents, 109 respondents disagreed with it. They responded that employees are not involved in the process of decision making within the micro, small and medium enterprises. Taking the time to listen to employees and making them feel involved will create loyalty, reduce turnover and allows for business growth. Moreover, employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of a training programme may cause workers to fall behind in their level of performance and feel that their abilities are lacking. The correlation between training and employee turnover had been found to be reciprocal probably due to other factors influencing staff turnover. Updating skills of workers through training and reinforcement develops a workforce that is competent, consistent, competitive, effective and efficient. Starting from the first day of work, providing individual with the necessary skills to perform their job is important and leads to high labour productivity.

Employee training and development had been confirmed to influence labour efficiency and productivity (Adegbite, 2010; Dada, *et al*; 2015). It is however interesting in the study that majority (55.7%) of the respondents either strongly disagree or disagree that labour training and development was inadequate in the selected firms. This may likely be due to the fact that the employees do not know or understand the importance of such training and development to organisational outputs. However, more than 26% of the respondents agreed on the inadequacy of training and development of the employees. This suggested a reason for high labour turnover in the selected micro, small and medium enterprises in the study area.

Work boredom is also one of the major causes of labour turnover within the micro, small and medium enterprises in Akure South Local Government which majority (44.4%) of the respondents asserted that work boredom can adversely affect employee turnover. More than 36% of the respondents revealed that there is little or no such compensation for goal achievers within the micro, small and medium enterprises in study area. This may also inform the reason for high level of employee turnover in the study area. It is however interesting that more than 53% of the respondents disagree on the issue. Their responses may be due to fear of losing their jobs or the respondents may fall within the categories of those who had benefitted from the firm's compensation in the past. Compensation for outstanding performance can act as a motivation for an employee in an organisation. It can also be used as a strategy for retaining workers in micro, small and medium enterprises. Inequity in pay structures or low pay can be a great cause of dissatisfaction and can drive some employees to quit. Again, a new worker may wonder why the person next to him is receiving a higher wage for what is perceived to be the same work. Employees' motivation and compensation is a key issue in retaining the micro, small and medium enterprises workforce. This is further corroborated by the opinions of the study respondents.

Employees were not satisfied with the level of payment in the micro, small and medium enterprises in the study area. This was confirmed by the majority (59.8%) of the respondents. However, more than 36% of the respondents adequately paid by the management of micro, small and medium enterprises in the study area. The causes of voluntary labour turnover to non-competitive

compensation, high stress, unpleasant physical and interpersonal conditions, monetary and poor direct supervision.

Although, labour turnover increases organisational cost, disrupt organisation plan, ongoing projects and cause untold hardship to organisation, but there are some advantages of such turnover. These advantages are replacement of separated employees with new ones who could bring experiences, knowledge, practice and skill. Turnover can be driver to organisational renewal. Although high turnover is expensive, low rate can be cost saving. Also competent ones with lower remuneration could replace employees with higher remuneration. The organisation can undergo some form of restructuring, merger of some positions, which can improve bottom line. Turnover can enable organisation eliminate poor performances, unmotivated workers and people who are difficult to get along with.

A further analysis was carried out to test the hypothesis on the significant relationship between labour turnover and performance of micro, small and medium enterprises in Akure metropolis. A Pearson Product Moment Correlation Analysis was adopted to test the hypothesis.

Table 2: Severity indices (SI) of causes of labour turnover in micro, small and medium enterprises in Akure metropolis

	Mean	Std. Dev.	SI	Rank
Poor remuneration/salary of employees	3.32	1.44	0.664	1
Work boredom	3.15	1.079	0.63	2
Non-involvement of workers in decision making	2.89	1.221	0.578	3
Goal achievers are not recognised in the organisation	2.87	1.238	0.574	4
No opportunity for career advancement	2.84	1.331	0.568	5
Inadequacy of employees' training and development	2.68	1.008	0.536	6
Employees not satisfied with working conditions	2.55	1.343	0.51	7

Source: Researcher's Survey, 2015

As shown in Table 3 below, labour turnover had no significant ($r = -0.128, p \leq 0.05$) relationships with the performance of the enterprises in the study area. Hence, the null hypothesis (H_0) was accepted. This was also confirmed using a chi-square analysis. The result implies that although there is a negative relationship between labour turnover and performance of micro, small and medium enterprises but labour turnover had no significant relationship with the performance of the enterprises in the study area. In a society where the rate of unemployment is very high, labour turnover is usually low (Nduro 2012). Even though people are not satisfied with their jobs, they will be less likely to quit if there are few alternatives. The relation between job satisfaction and employee turnover is reciprocal to each other and this relationship is high when unemployment rate is low in the society and similarly low when unemployment rate is high. Although, labour turnover increase organizational cost, disrupt organisation plan, ongoing projects and cause untold hardship to organisation, but there are some advantages to it. These advantages are replacement of separated employees with new ones who could bring experiences, knowledge, practice and skill. Turnover can be driver to organizational renewal. Although high turnover is expensive, low rate can be cost saving. Also competent ones

Table 3: Pearson Product Moment Correlation Analysis of the relationships between labour turnover and organisational performance in Akure Local Government

		Labour Turnover	Performance of micro, small and medium enterprises in Akure Metropolis
Labour Turnover	Pearson Correlation	1	-0.128
	Sig. (2-tailed)		.906
	N	20	20
Performance of Micro Enterprises in Akure Metropolis	Pearson Correlation	-0.128	1
	Sig. (2-tailed)	.906	
	N	20	20

With lower remuneration could replace employees with higher remuneration. The organization can undergo some form of restructuring, merger of some

positions, which can improve bottom line. Turnover can enable organisation eliminate poor performances, unmotivated workers and people who are difficult to get along with.

CONCLUSION

The study showed that there was high level of labour turnover which were mainly caused by poor remuneration, work boredom and non – involvement of staff members in decision making. Others were goal achievers were not recognised in the organisation, no opportunity for career advancement, inadequacy of employees' training and development and unsatisfied working condition. It also revealed that labour turnover have no significant relationship with performance of micro enterprises in the study area. The study revealed that the employees are engaged in overtime job as a result of high turnover rate. They all agreed that excess and overtime work saddled on the employees was as a result of shortage of staff and the inability of the micro enterprises to fill the vacant positions due to financial constraints. Reduction in work productivity and increase in work load and stress for each employee are both effects of high labour turnover on organizational performance of micro enterprises in Akure metropolis.

The study confirmed that human capital is a major valuable in organisations and the contribution of human resources to organization performance is significant. Based on the findings of this study, the following conclusions were drawn that labour turnover apart from its cost implications can negatively affects firms. It has its consequences apart from its cost implication of recruiting new staff and hiring replacements. The study also concluded that micro enterprises need to engage in anticipatory strategic planning and approaches to minimise employees' turnover rate. This can be done by using employee training, mentoring programme and feedback to employees, recruit within the organisation, provision of conducive working environment, recognition and good reward system for employees' performance. It is a well-known fact that employees' performance of any sort is improved by increased in motivation. Going by the findings of this study, it can be easily inferred that workers' reward package matters a lot and should be a concern of both the employers and employees.

Employers are continually challenged to develop pay policies and procedures that will enable them attract, motivate, retain and satisfy their employees so that they can stay longer on their jobs. Micro enterprises firms should learn to recruit and train employees within the firm (internal recruitment). Employees should be given additional training and opportunity to go for further studies. The micro enterprises should provide positive working environment for its employees for the betterment of their work and employees who are diligent with the firms should be identified and rewarded for their hard work.

This study further recommended that competitive and adequate compensation should be given to the employees of micro enterprises in order to maintain stable workforce. Micro enterprises should ensure that there are no discriminations in labour remunerations. The employers of micro enterprises should offer a challenging job to their workers and hope for future prospects to workers in order to increase their loyalty and commitment to the organisation because loyal and committed staffs hardly leave an organisation. Workers should be treated fairly to maintain a stable workforce and reduce turnover in the organisation. Employers should attach interest in providing good supervision, reduce stress and provide interpersonal working conditions to their workers in order to reduce turnover.

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