

**JIMMA UNIVERSITY
FACULTY OF BUSINESS
DEPARTEMENT OF MANAGEMENT**

**ASSESSMENT OF LABOUR TURNOVER STATUS IN
DEVELOPMENT BANK OF ETHIOPIA (DBE)**

**A RESEARCH PAPER SUBMITTED IN PARTIAL FULFILLMENT OF THE COURSE
*RESEARCH IN MANAGEMENT***

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Abstract

The Development Bank of Ethiopia (DBE) is one of the organizations in Ethiopia that is seriously affected by high voluntary staff turnover. During 1992/93-2000/01 about 457 employees left the bank due to various reasons out of them 252 were voluntarily resigned. This accounts for 55 % of the total turnover. Particularly the organization is highly affected by professional workers voluntary resignation than clericals. The survey result reveals that professional staff turnover. Accounts for 53% of the total turnover. Besides, 39% of the employees that terminate their job voluntarily have served the bank from 3 up to 6 years and ranked first followed by younger employees who served the Bank for less than three years accounting 34%. The remaining 27% covered by employees who have long experience and have served the bank for more than 7 years.

The findings of the survey conducted at DBE revealed that inadequate salary, inadequate promotion, poor human resource management, little transfer opportunity and the absence of clear regulations, policies and procedures of staff promotion and transfer were reported as the basic internal factors for voluntary resignation. On the other hand, the flourishing private financial Organizations in the market as a result of open market economic policy are found to be the major external factor and threat

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INTRODUCTION

Turnover is the net result of the exit of some employees and the entrance of the others. (Jhon M. Ivancevich, 1998).

In a market economy labour and capital are free to move from place to place where they can earn a better rate of return. (Bannock, Boxter and Rces, 1972)

Achieving zero percent turnover is not realistic and also it is not desirable for a couple of reasons. First, if all employees stayed and the organization grew steadily, most employees would be at or near the top of their pay ranges and salary expenses would be extremely high. Secondly, new employees bring new ideas, approaches, abilities and attitudes and keep the organization from becoming stagnant, however, turnover especially Voluntary, is often undesirable "an excessive high turnover rate compared to the industry standard is a symptom of problems with in the organization" (Gomez, mejia, Balkin and cardy, 1998). From individual point of view, turnover is the major way to improve employment opportunities. When such mobility results in improved income and /or satisfaction, society and individuals are both benefited. (Ihon M. Ivancevich, 1998)

Labour is one of the factors of production which provides valuable service to an organization An Organization employs workers of different skills to be involved directly or indirectly in the production of goods or services. Inturn, the organization has to pay them in the form of salary or wage for their services. (Bannock, Baxter and Rces, 1972). In most Organizations, effectiveness is measured by the balance of such complementary characteristics as reaching goals, employing the skills and abilities of employees efficiently and ensuring the flux and retention of

well-trained and motivated employees. People limit or enhance the strengths and weaknesses of the organization. (Jhon M. Inancevich),1998)

As any other organization Development Bank of Ethiopia (DBE) also needs a human resource or employees who are well trained and motivated to carry out its activities and to achieve its goals. DBE is one of the financial institutions engaged in providing short, medium and long-term development loans. Projects financed by the Bank are carefully selected and prepared, thoroughly appraised and closely supervised.

Since its establishment in 1970, The Bank has been playing a significant role in promoting the over all economic development of the country. (DBE Brucuer, 2000)

After the economic reform program, the Bank has encountered serious problem of high labour turnover

Labour turnover varies depending up on the location of the organization, type of work, age of the workers and sex . Even in a company with better salary scale, there is a condition where labour turnover would be high due to poor leadership and personnel management. (Henemeu, schwab, Possum and Dyer, 194)

There are numerous reasons Organizations experience problems with high turnover " high turnover is usually a function of negative job attitudes and or low job satisfaction, combined with an ability to secure employment elsewhere "(Oliver, 1998)

Generally the root causes of labour turnover can be classified in to two, Internal & external factors.

1. Internal factors

This factors includes job dissatisfaction and poor working environment Employees may be dissatisfied with the supervisor, policy and procedure including poor transfer and low Promotion opportunity etc. Inadequate salary inadequate benefit can be the reasons that forces employees to resign their job (Bannock, Baxter & Rces, 1972)

2. External factors

2.1. Labour market condition

If the demand of a particular job is high, the return for that particular job will increase. Then, workers will be attracted by the good salary scale else where and decide to quit their old job.

2.2. **Business Expansion:** This is again increases the demand for labour. To fulfill their (labour) requirement, new businesses offer better salary and benefit to attract employees. Consequently, employees would be attracted by the new salary will be forced to leave the old company.

2.3. **Economic policy:** In command economic system, labour mobility is highly restricted and job placement is usually done by government authorities, where as in market economic system labour is free to move from one job to another.

MEASURING TURNOVER

The Bureau of National affairs includes a measure of turnover as a part of its regular survey. An initial study found that most Organizations calculated turnover as:

$$\frac{\text{number of separations during month}}{\text{average number of employees on payroll during month}} \times 100$$

To obtain comparability, the Bureau all survey asks Organizations to include all permanent separations except that persons laid off are to be excluded from the calculations entirely Thus, although the measure includes mostly voluntary turnover (quits), it also includes some involuntary turnover (dismissals). Measuring turnover as recommended by the Bureau makes sense because of the comparative information available from their survely. (Heneman/ schwab/Fossum/Dyer, 1994)

OBJECTIVE OF THE STUDY

The main Objective of this study is to assess the extent of labour turnover in DBE through gathering information to find out the major causes of labour turnover in the DBE. Besides the study will try to suggest appropriate measures that are believed to enable the Bank to retain its qualified & experienced human resource.

STATEMENT OF THE PROBLEM

As it is previously mentioned after the economic reform program, the Bank is suffering in high labour turnover because of different factors. For the past nine years DBE confronted with a serious problem of employment termination through voluntary resignation and other different reasons. Especially, the turnover for newly hired young professionals employees was very high.

During the periods covering 1992/93-2000/01 about 457 employees were reported to terminate the jobs for various reasons. The lion share (50%) of job termination was reported to be voluntary resignation.
(DBE Administration department , 1992/93-2000/01)

JUSTIFICATION OF THE STUDY

In order to find the causes of high labour turnover, organization, as in the case of DBE, have to conduct staff opinion survey to the existenal staff or to the already resigned employees so that this study would give some clue for labour turnover and it may indicates the major factors affecting staff turnover. It also serve as a quide to take appropriate measure that are expected to enable the Bank to retain its employees.

Scope and Limitation of the study

The study was limited to the assessment of factors responsible for the existing high voluntary staff turnover within the Bank.

The staff opinion survey was conducted only at head office and some accessible branches such as Jimma, Dilla, Awassa, Dessie, Agaro and Mettu. The other branches remain untouched due to cost and time factor.

METHODOLOGY

DATA COLLECTION METHODS

- a) structured questionnaires were distributed to staff members in both Head office and accessible branch offices which are located in different towns to assess their opinion on the factor causing voluntary resignation.
- b) Unstructured interview and discussion made to the concerned and key persons that are useful to collect the needed data.
- c) Literature review - It was made to collect secondary data, particularly employee records of DBE over the past 9 years.

SAMPLING TECHNIQUES

The site of the study will be Addis Ababa and some judgmentally selected branches. The study population was also be the staff members of DBE who are professionals and clericals in both head office and accessible branch offices.

By using Judgement sampling and snowball sampling techniques questionnaires was distributed and unstructured interview and discussion conducted to concerned staff members

Data Analysis

Descriptive analysis is used in the form of tabulation, percentage, ratio and so on.

Ethical consideration

The respondents were encouraged to give their opinion freely without documenting their name on the questionnaires and interviewed as their interest i.e. in private or in-group to increase their confidence and to collect more reliable information.

Result

Development Bank of Ethiopia (DBE) has 198 clerical workers & 340 professionals. To assess the factors of voluntary job termination 95 questionnaires distributed and 80 were returned and the remaining 15 were not. Out of the 80 returned questionnaires 17(21%) were not properly responded.

The survey result reveals the existence of high voluntary labour turnover in DBE due to different reasons.

**Table 1 Reasons given by employees for voluntary resignation
in DBE**

	Reasons	No of Employees (frequency)	Percentage
1	Dissatisfy with pay	65	81
2	Dissatisfy with working condition	27	34
3	Poor Supervision	1	10
4	Inadequate Promotion	53	66
5	Little transfer opportunity	36	45
6	Attractive Salary	31	39
7	Inadequate benefit	20	20
8	Ineffective human resource mgt	37	46

In the above table the respondents can give more than one reason for resignation.

The result of the survey show that all the reasons specified on the questionnaires could taken as a cause for high labour turnover but dissatisfy with pay, inadequate promotion and ineffective human resource mgt are ranked first, second and third respectively, however, at branch level little transfer opportunity was considered as a third serious reason for high voluntary staff turnover.

**Table 2 Status of Voluntary job termination DBE from
1992/93 to 2000/01**

Year	Total no Of staff	Voluntary Resignatio n	Turnover Rate
1992/93	757	22	3
1993/94	375	28	4
1994/95	793	18	2
1995/96	824	32	4
1996/97	868	28	3
1997/98	835	28	3
1998/99	778	26	3
1999/00	806	40	5
2000/01	807	30	4

As the above table indicated DBE faced voluntary turnover throughout the 9 years. The least rate of turnover is recorded during 1994/95 2% and the highest turnover is 5% which was occurred in 1999/00

An attempt was made to compare the rate of turnover witnessed in DBE with other governmental institution in the country. Thus, Jimma University academic and administration voluntary staff turnover rate is taken for comparison purpose. Forinstance, the average number of Workers in Jimma university in 1999/00 was 1036. Out of them only 18 Voluntarily terminate their Job. i.e 2%

When we compared it with DBE in the same year, 5% of 806 average workers (40) quit their Job voluntarily. Therefore, regardless of the difference in their total number of workers, the comparison of the two Organizations turnover rate can show the existance of high labour turnover in DBE.

Discussion

The three main reasons for voluntary Job termination are discussed below.

a) Dissatisfaction with pay

The output of the survey showed that the respondents of the questionnaires & some of employees with whom interview were held explained that the payment of DBE is unsatisfactory & unattractive, especially, when it is compared with the other similar financial institutions in the industry. Generally the payment is insufficient to cover employees cost of living.

The emergence of new private banks in the financial market has become a factor that increased the demand for experienced workers with relevant skills. Emerging private Banks prefer to hire experienced employees with better salary for efficiency & training cost minimization purpose.

In Survey, the attractive salary of the other similar financial institutions has been mentioned by almost all respondents. They have also suggested that DBE should revise and adjust its salary scale according to the existing market condition to satisfy & retain its experienced employees and to attract the new one as well.

b) Inadequate promotion

As per the survey, promotion has also been found out to be the second most important factor for voluntary staff resignation. Discussion and interview held with some selected employees revealed that some supervisors consider seniority as a major criteria for promotion, others give more emphasis to job performance. There are also some cases where supervisors consider personal relation in staff promotion. Therefore, the absence of definite rules & regulations has created problem to process promotion fairly and equitably. Thus, employees are discouraged with a delay in promotion execution. Since there is few chance of promotion for newly hired employees, they are forced to look for other job opportunity.

Regarding Promotion, having clear & distinct rules & regulations and promoting employees on time are recommended as a solution by respondents.

C) Poor human resource management

This is considered as a third factor responsible for the existing high staff turnover. The inconsistencies concerning the criteria of promotion can show poor human resource mgt.

Regarding salary most respondents compared their salary with other organization salary scale which is better than DBE so that the workers do not hesitate to leave the bank in search of better salary.

Some interviewed staff are reported that irrelevant supervision & lack of recognition by these supervisors resulted in lack of confidence and job dissatisfaction

The respondents suggested the importance of job rotation in order to avoid Borden. Providing training to update the abilities of employees and giving further education opportunity can motivate employees and create belongingness.

d) Little transfer opportunity

Little transfer opportunity is indicated as a third important factor for voluntary termination at branch level.

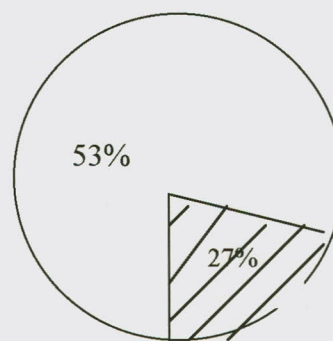
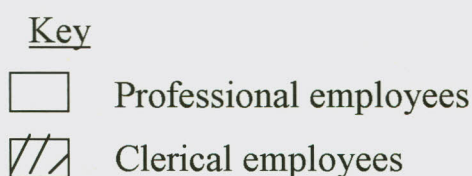
There is no limited period of time to serve in a particular branch office so that many employees were unable to get transfer from branch to branch or branch to head office. Therefore, instead of staying in one place they would like to look for alternative job after having some work experience .

Respondents forwarded that the bank should have a definite period for transfer and it has to improve transfer allowances to keep its experienced employees.

Voluntary resignation by professional and clerical staff

The bank has been seriously affected by voluntary job termination of professionals compared to clericals.

The pie chart below indicates voluntary turnover rates for professionals & clericals 53% and 27% respectively.



Voluntary job termination by service year

Regarding the service year of workers who left the bank voluntarily, 34 % served the bank for less than three years, 39% for 3-6 years and the remaining 27% served for more than 7 years. Thus, the majority of employees who voluntarily left the Bank were better experienced. Younger workers who served the bank for less than three years were ranked second to resign their job. **(please refer the table below)**

Table 3 1992/93 - 2000/01

1	Year of service	< 3 years	3-6 years	>7 years	Total
2	No. of employees	90	101	70	261
3	Share (%)	34	39	27	100

**Table 4 DBE crude Annual staff Turnover rate
1992/93 - 2000/01**

Year	Total no. of staff	Total no of staff left the bank	Annual turnover rate (%)
1992/93	757	32	4
1993/94	753	46	6
1994/95	793	52	7
1995/96	824	50	6
1996/97	868	61	7
1997/98	835	52	6
1998/99	778	72	9
1999/00	806	45	6
2000.01	807	47	6
Average	447	51	6

In the above table the crude annual turnover rate is expressed as the ratio of total number of employees leaving the Bank to the total number of employees in the year.

The highest no of job termination was recorded in 1998/99 which was 72 with a turnover rate of 9%. The average annual rate of turnover for the past nine years is 6%.

Similarly, the crude annual turnover rate of Jimma university workers for the year 1999/00 has been taken to compare with DBE's rate for the same year. The total number of staff who left the University due to different reasons are 27 with the rate of 3% but in DBE 45 works were left the Bank & accounting 6%.

Like that of voluntary turnover rate comparison in the two organizations, the comparison of the crude annual turnover rate showed that the existance of high labour turnover is DBE than Jimma University.

Conclusion

Turnover is a symptom of a problem. It is not problem by itself we may blame turnover for morale, customer dissatisfaction & lack of team work often the reverse is true. The event called "turnover" is due to ineffective management or supervision, inadequate training, lack of procedures that result in low morale, Customer dissatisfaction and lack of team work. Ineffective management causes low moral and the result (or symptom) is turnover. However because we do not want to point to figures or blame the manager, we say that turnover causes the problem. Turnover is an indicator that something is not right, but it doesn't cause events. (Internet)

Therefore, the prevalence of high staff turnover in DBE shows the existence of problem in the Bank which dissatisfy the staff of the Bank. This has been proved by the result of the survey.

Inadquate salary, inadquat promotion, poor human resource management and little transfer opportunity are find to be as the major problems in the bank and have caused high voluntary staff turnover.

Any organization which is suffering in labour turnover costs a significant amount is due to a person leaving. According to (AMACOM, November 2000), two-third of 1,290 managers were unable to quantify the cost of turnover when asked in recent poll. The cost of hiring and training a

new employee can vary greatly. Estimates of turnover cost may range from 25% to almost 200% of annual.

Therefore, to avoid or minimize costs of labour turnover management has to focus on retention of employees. "Managers hold most of the keys to keeping the right talent". One of the recent study should that 50% of the typical employee's job satisfaction is determined by the quality of her/his relationship with the manager (AMACOM: Nov,2000)

The survey reveals that the human resource management of the bank should focus on the identified causes of turnover and needs to formulate policies and strategies in order to overcome or minimize the problem. However, certain factors are truly beyond the control of managers. These factors may affect the entire society.

Recommendation

Based on the findings of the survey, the following points are recommended as a solution to overcome the prevailing high labour rate in the organization.

1. The bank has to revise its salary scale as per the market condition in short period of time.

DBE is profit and development oriented organization hence it earns some amount of profit annually. For instance, in 2000/01 unaudited profit of DBE was Birr 50.7 million (Annual report, 2000/01). However the salary increment scale is constant irrespective of the profit earned. Thus, the bank should revise the remuneration system.

2. Fair promotion system should be executed and developing appropriate rules and regulations to carryout promotion equitably.
3. Formulating clear policies and procedures of transfer. In the distributed questionnaires the respondents suggested the importance of on time transfer to motivate employees and one of them recommended the proverb "giving on time is equivalent to giving double of the same".
4. Creation of good working environment and friendliness among workers and supervisors. Hearing the complains of employees and finding solution together can create belongingness & satisfaction.
5. Providing employees training and educational opportunities. In doing so the management motivate its employees. To do so, regular training on human resource management must be prepared for supervisors in order to up grade their managing skill and capacity.

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annex I

**JIMMA UNIVERSITY
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MANAGEMENT DEPARTMENT**

Dear Respondents:

The Objective of the study is to assess the inflow outflow of employees in DBE. The purpose of the survey is purely for academic exercise. Therefore, respondents are kindly requested to fill out the questionnaire openly with out any hesitation

Thank you,

Instructions

- I. Put a tick (✓) mark on the box of infront of your answer.
- II. If necessary you can use more than one box or you can have more than one answer.
- III. You can use the question below space for open ended questions.
 1. Sex Male Female
 2. age _____
 3. would you mention your position in the organization ?
 4. How long have you worked in DBE? _____
 5. Have you seen employees leaving the Organization Voluntarily?

Yes

No
 6. If your answer to Q 5 is yes, what types of employees are mostly terminating their job voluntarily?

- Professionals

- Clericals

Annex II

7. If your response to Q 6 is professionals, what kinds of professionals Usually resign their job?

- Accountants
- Agroeconomist
- Management
- Others (please specify)

8. Would you mention the reasons why employees leave the organization voluntarily?

- dissatisfy with pay
- dissatisfy with working condition
- Poor supervision
- Inadequate promotion
- Little transfer opportunity
- Attractive salary
- Inadequate benefit
- Ineffective human resource mgt
- If others specify _____

9. What do you suggest as a solution for this problem? Please specify



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