CAUSES AND CONSEQUENCES OF EMPLOYEE TURNOVER IN A FINANCIAL INSTITUTION IN KENYA

Dissertation

by

DAN OBIERO

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

May 2011

Major Subject: Educational Human Resource Development

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Approved by:

Co-Chairs of Committee,	Fredrick M. Nafukho
	Homer Tolson
Committee Members,	Jia Wang
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ABSTRACT

Causes and Consequences of Employee Turnover in a Financial Institution in Kenya.

(May 2011)

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Employee turnover is expensive and disruptive to organizations. However not many employers appreciate the value lost in quality of human capital, and dollar value of lost productivity and time due to turnover. This study identified the causes and consequences of voluntary employee turnover in a financial institution in Kenya. The researcher established from the bank records that 80 employees resigned from the institution in the five-year period. The causes of turnover were identified and recorded as given in the separated employees' resignation letters held at the bank, and categorized as either avoidable or unavoidable. The quality of the separated employees was measured by academic qualifications, banking training, job performance ratings and years of work experience as recorded in the separated person's file. Turnover cost was computed based on the earnings of the separated employee and the associated administration costs, plus the cost of training and lost productivity due to the resignations. The turnover policies were reviewed. The data collected were coded and analyzed using the SPSS program version16. The quantitative data analysis was carried out using descriptive statistics. Non-parametric Chi-Square Goodness-of-Fit Test was used to test the research hypotheses. A thematic analysis of the narration by the HR director was done.

The reasons for the resignations were as follows: 65% better salaries offered elsewhere, 17.7% were due to family reasons, 13.8% went on further studies, 2.5% had problems with bank administration and 1.2% changed careers. It was further established that 71% of the separated workers had university degrees, 92% were either good or excellent job performers, 35% had more than ten years work experience and 80% had received bank training. The turnover cost per separated employee was 100% of the worker's annual salary. The total turnover cost comprised of 43.5% in lost productively due to the resignations; 30.9% on training and 25.6% on recruiting and hiring replacements. The researcher concluded that personnel turnovers had negative consequences for the bank in terms of loss of quality human capital and cost, and that management should act to resolve the problem since 67.5% of the turnovers were avoidable.

DEDICATION

To my parents

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INTRODUCTION

Human capital is the most essential resource for the success of any organization (DeNisi & Griffin, 2008; Marshall, 1949). Swanson and Holton (2001) defined human capital as the "knowledge, expertise and skills that one accumulates through education and training" (p. 109). Hitt and Ireland (2002) observed that organizations need to hire, develop and strategically use human capital as it is the most important resource in sustaining competitive advantage and performance. Gilbert (1978) and Becker (1993) noted that investment in human capital is critical to performance of individuals and organizations.

Organizations, banks included, are going-concerns and are set up for the purpose of fulfilling clear missions and objectives (Jex & Britt, 2008). Organizations, therefore, have the challenge of ensuring that they retain the human talents and capabilities they own to increase productivity and achieve the set missions. In the current knowledge-based global economy, human capital is the most valuable resource in all organizations (Hitt & Ireland, 2002). Human capital, when combined with structural and relational capital in organizations, form intellectual capital (Sveiby, 1997). Intellectual capital is the world's most important wealth creator (Stuart, 1996). Knowledge, both explicit and tacit, is fundamental in making organizations competitive (Nafukho, 2009).

Research on employee turnover has drawn much interest over many years with

This dissertation follows the style of *Human Resource Development Quarterly*.

scholars from multiple disciplines such as economics, education, human resource planers, organizational behavior, psychology and sociology studying the subject (Campion, 1991; Muchinsky & Morrow, 1980; Williams & Hazer, 1986). Economists have focused on labor wages and the resulting utility; human resource planners in job category, service and equal employment opportunity; sociologists in occupational groups; and psychologists in job satisfaction (Mobley, 1982). All these studies were aimed at explaining the causes of turnover and how it affects employees and organizations. Price (1977) and Muchinsky and Morrow (1980) proposed that researchers should explore turnover from multiple perspectives to make studies more comprehensive for planning in organizations. Multiple perspectives and causes of turnover are now being addressed as shown in the study of turnover and coworker contagion effects conducted by Felps, Mitchell, Hekman, Lee, Holtom and Harman (2009).

Nalbantian and Szostak (2004) observed that organizations invest more than one-third of their earnings on workers, but few can account for this investment. Measurement and reporting of human capital qualities is important for employee behavior counseling, managing the turnover process, and giving performance related reports to institution's stakeholders (Bates, 1999). Over the years, finance specialists' measure and aggregate outputs arising from the tangible assets of organizations, and reflect them in financial statements. However, they do not estimate and report value of intangible assets such as customer relations, business models, or computer systems (Kannan & Aulbur, 2004).There is growing recognition by institutional stakeholders to have other nonfinancial measures for organizational performance (Hall & Tolbert, 2005). Human resource development (HRD) professionals are challenged to think of new ways of measuring the knowledge assets in organizations, especially during financial meltdown and instability, as financial stability is a necessary condition for sustained economic growth (Nafukho, 2009). It is important to account for all the resources, both tangible and intangible, which are used in reaching organizational goals.

Employee turnover is defined as the number of people who leave employment or an organization (DeNisi & Griffin, 2008). Cascio and Boudreau (2008) remarked that a more precise way of defining turnover is to consider, not only the separation, but also the replacement of the departed employee. Price (1977) defined turnover as "the degree of individual movement across the membership boundary of a social system" (p. 4) and included individuals coming into an organization (or accessions) and those leaving the organization (separations). Hatcher (1999) observed that turnover not only has economic impact on organizations, it adversely affects training, organizational development, and other HRD interventions. According to Geroy and Venneberg (2003), "Questions such as, should we retain and retrain to develop the human capital capacity needed, fire and hire the capacity needed, or outsource the capacity, become common and critical human capital strategic choice questions" (p. 91). There is growing evidence that employee job attitudes and behaviors such as turnover have significant effect on business outcomes (Koys, 2001). Turnover in organizations has consequences to the individual, organization, and society (Muchinsky & Morrow, 1980).

Morrow and McElroy (2007), in their study of turnover and performance in a banking institution, noted that turnover created productivity inefficiencies in banks and the inefficiencies in turn affected the institution's performance both in financial and non financial terms. According to Hall (2007), the negative impact of employee instability in banks is well known to the executives of major United States of America (U.S.A) banks, such as Commerce Bank and Wells Fargo Bank and a number of smaller bankers would generally agree on this point. Employee instability impacts the bank-customer relationship and consequently affects the business performance. Mathew de Paula (2005) reported that high turnover at the Fleet Bank, now part of Bank of America, was one reason for the bank's poor consumer rating in the mid to late 1990's, and this negatively affected its business. Fleet Bank, then the nation's seventh largest financial holding, had not given attention to the high rate of turnover; ignoring the employee separations, which placed the bank's customer focused strategy at risk (Nalbantian & Szostak, 2004). Antonacopoulou (2006) remarked, "Banks do not only influence the economic, political and socio-cultural context in which they operate; they also affect it" (p. 458). It is important to manage turnover in banks and financial institutions for economic stability and improved organizational performance. Turnover can be expensive to institutions and it should be reduced (Autry & Daugherty, 2003).

In Kenya, the country where this study was carried out, the Central Bank explained in the 2008 Banking Supervision Report that there was a significant increase in staff levels across the banking sector. The number of bank branches in the country increased by 20% in the year 2007-2008. Because of the rapid growth in the banking sector and use of information technology (IT), the number of customers being served by one bank employee every day increased significantly. The increased demand for employees and sophistication in IT increased competition for a qualified workforce to service the business effectively. According to March and Simon (1958), high levels of business activity in a sector is an indication of high turnover in an industry.

The rate of employee turnover in the Kenyan banking sector is potentially high, and it is for this reason that the 2008 Banking Supervision Report released by the Central Bank of Kenya (CBK), stated that "Human resources competencies have been identified as a cross cutting challenge. Basel II will require institutions to upscale their human resource base and a "talent war'' in the banking sector can be anticipated going forward" (p. 44). The "talent war" refers to the competition for the qualified personnel by banks working to attract well qualified staff from their competitors. Turnover could be to the benefit of individual employees and institutions that can attract and hold well qualified staff, but can negatively impact the performance of the other institutions in the industry. Banks that invest in developing their employees through training and do not reward them well are potential losers in this market as most of the banking skills acquired can be used in other banks. There is a lack of disclosure on employees' productivity and turnover in Kenya's banking system (Barako & Brown, 2008) which makes it difficult to evaluate the effects of turnover on organizational performance. The study of turnover is therefore becoming increasingly important to banks in Kenya since the results are important for strategic management decision making.

The researcher in this study aimed at establishing the causes and consequences of employee turnover in a financial institution in Kenya. The studied bank has multiple branches across the country and was ranked among the top ten banks in the banking industry in terms of financial asset size (CBK, 2008).

Statement of the Problem

The banking industry in Kenya is growing in customer base, employee numbers, financial products, business sophistication and being a player in the global financial market (CBK, 2008). It is becoming important to examine the human capital issues including reasons that affect human resource performance in banking institutions. Employee commitment is important and the causes and consequences of turnover must be evaluated to uphold organizational stability and sustain economic growth. The deficiencies in the human competencies have been noted by the Central Bank of Kenya, the organization that regulates the banks and a potential problem of talent management because of increased employee mobility predicted (CBK, 2008). Barako and Brown (2008) noted that there is an absence of disclosure of the human capital productivity and turnover in reporting organizational performance in the Kenyan banking industry. Reviews of relevant literature confirm that this important aspect of human resource management and development is ignored as there are few publications on this topic on record (Barako & Brown, 2008).

A detailed understanding of the antecedents and consequences of employee turnover in the banking industry is important. The researcher sought to formally identify the causes of employee turnover at the studied bank, how the turnover affected the bank's human capital capacities and investment in human capital. It is important to note that the quality of the human capital is of significance to the bank and the Kenyan financial sector in general. According to Kenya's Deposit Protection Fund Board 2009 Report, 38 banks failed in Kenya in the period 1985 to 2005. Capiro and Klingebiel (1997) and Obiero (2002) observed that poor management and staff competency were among the main reasons for the bank failures. The researcher addresses among others, the three basic parameters of turnover, which are, as stated by Cascio and Boudreau (2008), the number of movers, the value of the performance of the separating employees, and the costs incurred in the separation process. The focus of this study was on the organization rather than the individual's perspective of turnover.

Purpose of the Study

The purpose of this study was to establish the causes and consequences of voluntary employee turnover in a financial institution in Kenya. To achieve this purpose, the researcher specifically addressed the following research questions during the study:

Research Questions

1. What were the reasons for employee turnover at the bank and what proportions of the turnover were avoidable and what proportions were unavoidable?
2. Did employee turnover have an effect on the quality of human capital at the bank as indicated by resigning employees' (a) educational qualifications; (b) stage of training in banking practice; (c) banking work experience; and (d) job performance ratings?

3. What was the turnover cost to the bank as shown by cost of employee separation, replacement, and training of new hires?
4. What strategies are employed by the bank's management in addressing employee turnover?

Organizations can minimize employee turnover by acting to keep valued employees (Autry & Daugherty, 2003). Better pay, promotions, or better work environment have been cited as factors that encourage retention of employees (Abelson 1987, Felps et al., 2009). Retention of staff saves organizations on the financial costs of separation and loss of valued personnel (Casio, 2007; Flamholtz, 1999). The more an organization resolves the avoidable turnover, the less voluntary turnover will be experienced.

Research Hypotheses

The following research hypotheses were proposed and tested during the study.

As observed by Campion (1991), turnover can be avoidable or unavoidable depending on the circumstances compelling it. Management in organizations can always take the appropriate action to retain the staff they need in the organization to sustain the desired productivity levels. The researcher having observed the fact that worker productivity and employee turnover is not reported in the Kenyan banking system (Barako & Brown 2008) and that it is not a statutory requirement as per the Kenyan Banking Act, hypothesized that the management at the studied bank was not proactive as to identify avoidable turnovers and take appropriate measures to restrain it, and thus:

Hypothesis 1: The proportion of turnover due to avoidable reasons was significantly higher than the proportion of turnover due to unavoidable reasons.

Strategic management of the high value pivotal talent pools (Cascio & Boudreau, 2008) is important to the bank. Researchers have shown that when employees separate, especially from organizations that employ skilled and semi-skilled labor, the performance of the organization is negatively impacted (Hatcher, 1999). It is important to note that the banking sector mainly employs persons with specialized banking skills or provides the same to their employees upon employment and during employment (Antonacopoulou, 2006). There is a presumed relationship between turnover and performance as shown by skills level, and job performance capabilities, of the separating employees (Morrow & McElroy, 2007).

There are no statutory requirements to report turnover in Kenyan banks and there is also no requirement to report turnover related activities in financial statements to organizations stakeholders. The administration at the bank would have presumed, as shown in Griffeth, Hom, & Gaertner's (2000) meta-analysis of antecedents and correlates of employee turnover, in which high performers are shown as generally less likely to quit organizations than low performers that the bank would still hold the high performers over time. In case employees resigned, the bank administration may have been of the opinion that it could easily replace the separated employees by recruiting from the readily available labor stock of university graduates and train them to do the jobs at the bank: After all, the mobility in the financial sector in Kenya was observed to be high in the period 2007-2008 (CBK 2008). The management may have failed to fully appreciate that the employees who are well trained and are of the better skills if not well rewarded are likely to change their jobs more easily as they are marketable in the sector (Mobley, 1977). The Griffeth et al. (2000) analysis of other studies further observed that persons who are better job performers change their employments more easily, especially when the good performance is not rewarded well. Trevor (2001) remarked that the reliance on a labor market that had many potential employees to replace resigning staff, without regard to trying and manage the turnover, may result in substantial loss of the best employees in an organization.

The researcher further hypothesized that, the studied bank did not seriously consider the contingent effects of employee turnover in terms of the educational qualifications, banking skills, and job performance of the persons who were separating from the bank. The following four hypotheses were proposed for investigation:

Hypothesis 2(a): The proportion of separated employees with high academic qualifications was significantly greater than the proportion of separated employees with lower academic qualifications.

Hypothesis 2(b): The proportion of separated employees who had attended banking practice courses provided by the bank was significantly greater than the proportion of those who had not attended any banking practice training provided by the bank.

Hypothesis 2(c): The proportion of separated employees with more years of banking work experience was significantly greater than the proportion of those with less years of banking work experience.

Hypothesis 2(d): The proportion of separated employees who had good job performance ratings was significantly greater than the proportion of employees with poor job performance ratings.

Turnover, as shown by several researchers, comes with large costs to the organization, these include the cost of advertising for replacement, the replacement and training the new hires and the lag in productivity because of replacement (Cascio, 2007; Flamholtz, 1999; Smith & Watkins, 1978). Despite hiring well educated and trained workers, banks will have to spend time and money to train and induct new employees to bring them up to required standards of job performance; thus, training will always be a cost to the bank in case of separations. Cascio (2006) noted that, at times, turnover costs are simply not appreciated by employers. Given the two reasons of, no statutory requirements to report turnover and the possibility of not appreciating the turnover cost, the studied bank was presumed not to have done any cost computation of the employee turnover and therefore did not have a Kenya Shilling (or U.S.A. dollar) value on the financial impact of turnover.

The researcher computed the cost of turnover along with showing the educational qualifications, banking skills and job performance ratings of the employees who voluntarily resigned from the bank. A review of the bank policies on how administration manages turnover was also done based on the narrative of the director of human resource. These were aimed at making management more conscious of the impact of the turnover to the bank in both financial and non-financial terms.

Significance of the Study

The significance of this study is that the findings should sensitize the top executives and administration of the studied bank about the causes and consequences of voluntary employee turnover to the bank. The researcher elucidated the main causes for employee turnover at the bank, categorized the avoidable and unavoidable turnover thus showing management which areas to address to reduce turnover. The researcher presented the findings on the quality of the human capital and the human capital investments the bank is losing due to voluntary separations from the bank. This is important for strategic planning at the studied bank. The identified reasons of turnover should help the management appreciate issues of employee commitment and motivation and if the systems and processes are well aligned to enhance performance. The findings on the quality of personnel separating from the bank will be useful in employee succession planning, staff training and development, talent management and organizational development.

The researcher has computed the financial cost of turnover to the studied bank. The management at the institution can use the revealed detailed costing to plan for and manage employee salaries and benefits, and establish when to hold or encourage employee separation without compromising service provision to customers and its financial performance.

Many turnover researchers, especially in the banking sector, have not taken into critical analysis the quality of the separating staff by qualification, job performance and work experience while at the same time attaching a cost factor to the turnover process.

The computation of the turnover cost is a significant contribution that this study makes to practicing bankers as well as HRD practitioners and scholars. Strategic management of the high value, pivotal talent pools (Cascio & Boudreau, 2008) is important to the bank. Other scholars in HRD with interest in human capital management, talent management and turnover should find the results of this study useful. The study could be replicated in other commercial banks in the industry and inference made from several of such studies on the consequences of turnover across the Kenyan banking sector.

Theoretical Framework

The study of turnover has been both diverse and extensive and has been conducted by scholars in several disciplines such as psychology, sociology, organization theory, and economics (Muchinsky & Morrow, 1980). According to Lee and Mitchell (1994), the March and Simon's (1958) "decision to participate" proposition forms a critical basis in understanding employee turnover. The researcher in this study reviewed the theories of turnover, progressing from the thoughts of Barnard (1938), March and Simon (1958), through to Felps et al. (2009), and refers to each one of them as appropriate to inform the various aspects of the study.

Barnard (1938) proposed the "Inducement- Contribution Theory", in which he indicated that individuals are given inducements for the contributions they make to organizations. When inducements are equal to contributions, there is a state of equilibrium in the organization. Proponents of the theory suggest that when an individual perceives an unfavorable imbalance between contributions and inducements, the employee leaves the organization. Organizations motivate the employees by giving them sufficient inducements. According to Barnard (1938), employees and managers must cooperate to reduce conflict in organizations and increase productivity. However, Bernard (1938) believed that a lot of financial inducement was not a way of enhancing performance or reducing turnover but argued for indoctrinating employees, and encouraging existence of informal groups in organizations as a way of increasing cohesiveness among workers and commitment to the organization, and therefore reducing turnover.

March and Simon (1958) propounded the Decision to Participate Theory, which is closely related to the Inducement-Contribution Equilibrium Theory, but has important extensions to it. In the Inducement-Contribution Equilibrium Theory, the contribution and inducements are measured in terms of the utility they provided to both parties. Organizations have to pay the participants well for them to continue participating in making the contributions. This means participants had to stay motivated to participate. Participation continues as long as the utility from inducements are higher than contributions. The employee's utility or satisfaction are based on; the salary, the job being in conformity with the person's image, the predictability of the major job relationships and compatibility with the job and work roles. When the participant's considerations are not met, dissatisfaction is felt and often results in a desire to leave the organization. How easily a participant is able to leave an organization is a factor of the marketability of the employee in the job market, the availability of jobs, and the number of suitable organizations in which one will fit. The desire to leave, accompanied by the perceived ease of movement, leads to the actual separation. The two factors of desire to move and perceived ease of movement, considered together make up the Decision to Participate argument complete.

March and Simon (1958) remarked that when a change is made in an organization that alters the inducements to any group of participants or explicitly alters contributions made by them, or the organizations activities, it occasions change in participation. The effects of the change in participation can be measured in three ways; first, using the quantity of production by the individual worker; second, the absenteeism criteria; or third, the turnover criteria.

According to Pritchard (1969), turnover can be looked at as part of Equity Theory in organizations. Employees see work returns as being inequitable when their input such as effort, skills and qualifications they bring to work are not being adequately compensated compared to others with similar qualities. The employees expected compensation is based on the market value of the services being provided, the skills, experience they have and not only how much their counterpart in the same organization is earning. However, when others in the same institution earn comparatively more, the effects of inequity are felt more. Underpayment is viewed in Equity Theory as the most common inequality (Jex & Britt, 2008). Employees address the inequality by asking for pay increases, reducing performance efforts, or leaving the organizations (Adams, 1965). The employees who voluntarily separate from institutions because of feelings of inequity are usually the ones who put in effort and have transferable skills. Equity Theory, though not directly developed as a turnover theory, has been used to explain employee turnover in many cases.

Porter and Steers (1973) proposed the theory of Met Expectations: This theory is based on the tendency of workers to withdraw from employment if their expectations at the time of joining the organization are not met over time. Proponents of this theory observe that there are four levels within which employee expectations may not be met. The first is at the organization level, which involves the policies dealing with salary, promotion and other benefits. The second is at the group level, which involves the relations with the immediate supervisor and coworkers. The third is the nature of the job one is doing. The fourth is the personal level of one's age and gender. The Met Expectation theory was used to propose that if employees' expectation from every level is clear at the beginning of the engagement and is met on employment, they will be satisfied and are likely to remain on employment. The theory of Met Expectations has empirical support (Muchinsky & Morrow, 1980).

Price (1975) theorized that four reasons: High pay, participation in primary groups that increase employees feeling of cohesion and belonging, high amounts of communication, and less centralization of authority, will reduce turnover in an organization. In his study, Price (1975) conducted several theoretical reviews and got empirical support to conclude that the propositions stated were supported.

Mobley (1977) developed a model that allowed for multiple evaluations of how psychological and economic reasons affect separation. Mobley (1977) observed that despite there being a significant negative relationship between job satisfaction and turnover, the correlation was not high, it was usually less than 0.4, and worked towards explaining the other reasons for separations. Mobley (1977) observed that, the employee would first evaluate the cost of quitting, which includes loss of seniority and other vested benefits at the current employment. If alternatives are found to be attractive, the employee would end up quitting. If the utility to quit is lower than staying, the employee usually stays on the current job. However, employees who are dissatisfied may resort to other forms of withdrawal on-the-job, such as absenteeism and passive job behavior. The withdrawal process started with the thinking of quitting and then the intention to leave will follow. To some extent, Mobley's model incorporated the March and Simon (1958) perceived ease of movement argument. Mobley's (1977) model has been considered to be an inclusive turnover model that covers both economic and psychological reasons and has received empirical support (Muchinsky & Morrow, 1980).

Beach (1990) propounded the Image Theory, which viewed a person as having three distinct but related images. The images come into play in a person's decision making processes. The first image is identifying what should happen given the person's values, morals, and ethics. The second is the kind of changes in terms of goals that one wants to achieve in a given time line. The third is the plan a person has to accomplish the goals, as well as projecting the chances of succeeding if they pursue the identified goals.

The proponents of the Image Theory, when explaining employee turnover, argue that there are several factors an employee would consider before separating with an organization. This would include personal goals, values, ethics, and availability of suitable alternative employment. The theory goes beyond job satisfaction as a main trigger for turnover and considers in part the arguments in the March and Simon (1958) Decision to Participate principle.

Lee and Mitchell (1994) proposed the Unfolding Model of Employee Turnover and looked at turnover from a broader view than just the affect-driven factor of job satisfaction which had dominated much of turnover research. They built on the Beach's (1990) Image Theory and viewed turnover from the construct of how well an employee was fitting in an organization in terms of one's job involvement, values and goals. Lee and Mitchell (1994) propounded that if an employee's system was shocked, it would trigger a psychological decision making process that may lead to a job quit. Shocks were said to be particular events that would happen to someone. It would make one reassess the commitment to the organization, the ability to achieve the personal goals if they stayed on, and if they could be attached and committed to another organization. This then determined whether one was going to stay or leave an organization.

Lee, Mitchell, Wise, and Fireman (1996), in empirically testing the Unfolding Model of Employee Turnover, observed that the earlier theories of turnover that had presumed that job dissatisfaction was the initiator of any turnover process and it led to alternative job search and eventually people evaluating the alternatives before leaving, was not necessarily correct. Lee et al. (1996) found strong basis in the reasoning put forward in the Unfolding Model that other factors could trigger the process of turnover as well. Lee et al. (1996) remarked that workers did not need to compare their alternatives nor do subjective utility evaluations before joining organizations. Once workers felt compatible with the new organization, they would join it.

Mitchell, Holtom, Lee, Sablynski and Erez (2001) introduced the new construct of job embeddedness in order to understand voluntary employee turnover. Job embeddedness was defined to include: the links between the people in organizations, how well they fit into the jobs they do, the community they work in, and what they would have to sacrifice to quit the jobs. Mitchell et al. (2001) demonstrated that job embeddedness was a significant predictor of turnover, in which less embedded employees tended to have a high likelihood of leaving their jobs.

Felps et al. (2009) developed and tested a model that demonstrated that turnover can be better explained by job embeddedness and coworkers' contagion effects. Felps et al. (2009) explained that, with embedded workers, turnover in organizations is low. When embedded employees quit, they do influence other employees to quit as well through a contagion effect. Felps et al. (2009) demonstrated that job embeddedness is a more powerful tool of explaining employee turnover intentions and reasons than job satisfaction and commitment combined. Organizations should provide conditions that facilitate embeddedness to reduce turnover. Embeddedness could be improved by facilitating employees' socialization processes, tailoring benefits to employee needs, enhancing work life benefits, and allowing employees input into the work environment (Holtom, Lee, & Tidd, 2002).

Smith and Watkins (1978) developed the general procedure of identifying and measuring employee turnover cost. It is based on the premise that turnover cost can be divided into three major components, the separation cost, replacement cost and training cost.

i. Separation cost = Cost of exit interview + administration work related to termination + separation pay + unemployment tax

ii. Replacement cost = communicating job availability + pre-employment administrative function + entrance interview + staff meetings + post-employment acquisition and dissemination of information + medical exam cost

iii. Training cost = informational literature + instruction in a formal training program + instruction by employee assignment.

The total cost of separation is then given by the summation of the three costs; separation cost, replacement cost, and training cost. That is;

Total separation cost = Separation cost + Replacement cost + Training cost

This costing guideline has been used in several studies and publications to identify and measure the cost of turnover in organizations (Cascio, 2000; Cascio & Boudreau, 2008; Flamholtz, 1999). The researcher used this costing basis in estimating the cost of turnover at the studied bank.

The theories reviewed in this theoretical framework indicated that there were a number of reasons that contribute to employee turnover in organizations. Employee job satisfaction and motivation are noted to be critical in understanding turnover. All the theorists propounded that once an employee is not satisfied, the intention to quit will be considered and this may end up in a separation depending on the availability of suitable alternative employment. Job satisfaction has been noted to relate to inducements or salary in most of the instances. Other factors such as: Work conditions and responsibilities, socialization at place of work, personal image, and job embeddedness, have also been noted to affect turnover. A negative relationship between level of satisfaction and turnover has been established. Turnover has also been shown to come with costs to the organizations.

The researcher's aim was to establish the reasons for turnover at the bank. The reasons were anchored from the reasons stated in the theoretical framework, and included, pay levels, work environment, employee relations and embeddedness. The researcher investigated the effects of turnover on the quality of separated human capital, based on their job performance rating, and the quality of training and experience possessed by the separating employees. Theorists argued that employees can only leave when they are marketable and getting better rewards or moving to better working conditions than what they currently have. This factor alludes to the fact that the separating employees are valuable and that is why they leave; therefore, the researcher in this study shows the effect the separations had on the banking institution studied and proposed what the organization can do to retain them. The theories reviewed also demonstrated that the separations have a potential effect of creating more separations and disrupting productivity. The cost of the separation in this study was estimated based on the cost computation theories reviewed. By taking this action, the researcher not only satisfied the requirements of the research questions, but also confirmed the theories as propounded and expanded the HRD knowledge sphere by creating literature for scholars interested in this important area of research.

Assumptions

The researcher made the following assumptions during the stage of planning and carrying out of the study.

1. The bank kept comprehensive personal and performance records of all employees and therefore the researcher would be able to obtain the data required to answer the research questions.
2. By using data from a single institution, the study benefited from homogeneity of work environment and polices. This provided the ability to control the study and make inference on turnover issues within the organization.
3. By studying a big multi-branched bank, the researcher was able to capture a variety of reasons that influence turnover. A large institution should also have the policies and resources to manage turnover.
4. The employees required skills set were similar and transferable from one institution to another, and therefore other banks in the sector were the main rivals in the talent war.

Scope of the Study

This study was carried out in a commercial bank that has multiple branches in Kenya. The researcher extracted data from the files of employees who had voluntarily resigned from the bank in the five year period of June 30, 2005 to June 30, 2010. The review period was considered long enough to obtain a meaningful amount of data for analysis and to make plausible conclusions. The researcher concentrated on the voluntary staff turnover since this was the turnover that the bank's management had not planned for and was likely to affect its performance. The targeted information related to: reasons for resignations, the qualifications, training and job performance of the employees who had resigned, and the related financial cost to the bank. The information related to employee turnover at the bank's branch offices were accessed from the head office since the employees' personal and work related data was centrally maintained. The managers and supervisors of the employees who separated from the bank were interviewed to collect their evaluation of the effects of the separations. The main aim was to establish the antecedents of turnover at the bank, and how turnover affected the bank's human capital investments, quality and finances.

Limitations of the Study

The following were the limitations of this study:

1. The findings in one commercial bank may not be confidently inferred across other banks in the Kenyan banking industry. Banks have different organizational systems and policies and these may affect the turnover differently. The inference is therefore limited to the participating bank.
2. Banks handle confidential personal and business information which may not by law be shared, but would have relevance to the conclusions drawn by the researcher.
3. The other indirect costs at the bank, such as frauds and effects of loss of customers to the bank due to turnover, were not covered in this study.

Definition of Terms

Avoidable turnover: A case where the organization can take action that may lead to employees intending to separate to be retained (Campion, 1991).

Bank: "A company which carries on, or proposes to carry on, banking business in Kenya and includes the Co-operative Bank of Kenya Limited but does not include the Central Bank" (Banking Act Chapter 488 of Kenya Laws, 2010, p. 5).

Banking business: "The accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice; the accepting from members of the public of money on current account and payment and acceptance of cheques; and the employing of money held on deposit or any part of the money, by lending, investment or in any other manner for the account and at the risk of the person so employing the money" (Banking Act Chapter 488 of Kenya Laws, 2010, p. 6).

Basel II: Basel II compliance requirement of 2004 issued by the Basel Committee on Banking Supervision (http://www.baselcompliance.net).

Dysfunctional turnover: An organization loses an employee whom it still needs (Dalton, Krackhart & Porter, 1981; Hollenbeck &Williams, 1986).

Employee, participant or worker: A person employed for gainful earning from the organization.

Financial institution: "A company, other than a bank which carries on, or proposes to carry on, financial business and includes any other company which the minister may, by notice in the gazette, declare to be a financial institution for the purpose of the Banking Act" (Banking Act Chapter 488 of Kenya Laws, 2010, p. 7).

Functional turnover: Employee whom the organization can do without when they separate with the organization (Dalton, Krackhart & Porter, 1981; Hollenbeck & Williams, 1986).

Human capital investments: Investments made in training or education that increases an individual's value in organizations (DeNisi & Griffin, 2008).

Intangible assets: Human resources, innovation and reputation resources an organization has (Hitt, Ireland & Hoskisson, 2009).

Tangible resources: The physical assets, financial resources, technological and organizational resources (Hitt, Ireland & Hoskisson, 2009).

Quality: The degree of excellence or distinguishing attributes (Merriam-Webster dictionary, 2004).

Quality of human capital: The degree of excellence or distinguishing attributes of the employees, in this case education level, training and years of banking work experience.

Turnover consequences: The effects or impact of turnover on the organization.

Unavoidable turnover: An organization can do nothing to stop the separation (Campion, 1991).

Utility: The perceived value of the employee to the organization (Boudreau & Berger, 1985).

Summary

The introduction and the background of the research work that was carried out have been presented in this chapter. The purpose and significance of the study has been explained and the theoretical framework elaborated. The scope and limitations of the study have also been outlined. In chapter II is the literature that was reviewed, it covered the types of turnover, determinants and consequences of turnover and how turnover is measured. Turnover in education, nursing and banking sectors were reviewed. The gap the study is contributing to is also explained. In chapter III the methodology of study is explained. This covers the research design, population to be studied, and the instruments used. Data collection procedures and data analysis techniques that were used are explained. In chapter IV the findings of the study are presented. In chapter V the researcher presents the conclusions made from the findings and makes recommendations to the bank's management and researchers interested in studying the topic of employee turnover.

CHAPTER II

LITERATURE REVIEW

Introduction

In the literature review on causes and consequences of turnover to organizations, the researcher first presents and explains the various types of employee turnover. The causes of turnover across various sectors of the economy and organizations are reviewed and put in perspective. The methods that are used to measure turnover are explained. The consequences of employee turnover to organizations, beginning with how it relates to performance are explained. A brief overview of turnover in the education and nursing sectors is presented to reiterate how multidisciplinary and important the topic of turnover is to organizations and to HRD scholars and practitioners. Turnover in the global banking sector is explored to show the extent to which the topic is of concern in the global banking community and why it needs to be monitored and managed. The relevant literature on the banking system in Kenya, where the study is carried out, is presented. The gap to be filled by this study is then presented to justify the study.

Types of Turnover

There are two types of turnover: Voluntary and Involuntary turnover:

Voluntary turnover

Voluntary turnover is when an employee separates from an organization out of one's own initiative. It includes employees who leave to seek better employment opportunities, work conditions and rewards, retirement, health reasons, changing careers, or even moving families (Campion, 1991).When organizations lose employees they require and cannot avoid or control the separation, it is unfavorable and dysfunctional to the organization (Dalton, Todor, & Krackhardt, 1982).

Involuntary turnover

Involuntary turnover, on the other hand, is when the organization initiates the separation process. Involuntary turnover takes the form of layoffs because of business reengineering or poor employee performance (Campion, 1991). Involuntary turnover can be functional to an organization because the management plans to separate with the employee and management is normally prepared to handle the work the employee was performing at the organization.

Determinants of Turnover

There are several reasons for turnover in organizations and these include: The state of the national economy, organizational factors, and individual variables that are work and non-work related (Mobley, 1982). To manage turnover, executives in organizations must understand why employees leave.

Economic environment

March and Simon (1958) categorically stated that, "the most accurate single predictor of labor turnover is the state of the economy" (p. 100).When the economy is doing well and jobs are available, the voluntary turnover is high. However, March and Simon (1958) refined the proposition to note that, the level of activity in a particular sector of the economy may influence the turnover level, despite the status of the overall national economy. Mobley (1982) observed that the economic environment in which an organization is operating and the state of the employment in the particular market segment had much impact on turnover. According to DeNisi and Griffin (2008), when the economy is doing well, voluntary turnover is expected to be high. The state of the national economy is therefore an important indicator of what the overall turnover patterns are at a particular point in time.

The U.S.A. economy, for much of the year 2008-2009 was in a recession. The unemployment rate was high at 10.1% in October 2009 (United States Bureau of Labor Statistics, 2010). Millions of jobs were lost in many areas of the economy, with manufacturing and construction industry taking big hits. Voluntary turnover was low as job opportunities dwindled. However, the nursing, technology, and education professions had demand for professional personnel and voluntary turnover was being experienced in these sectors. According to United States Bureau of Labor Statistics (USBLS) 2010 Report in October 2009, the healthcare sector had a job increase of 29,000, when other sectors of the economy were losing jobs. The education and health services sectors were reported to have increased the job openings by about 597,000 in the period mid 2008 to October, 2009. This showed the importance of considering the market sector in which one is functioning when reviewing issues of turnover.

Job satisfaction

Job satisfaction has captured much interest in turnover studies (Felps et al., 2009). Job satisfaction is the employees' cognitive view of the job they are doing; it may be favorable or unfavorable (Jex & Britt, 2008). Personal perceptions and situational reasons in the work environment influence job satisfaction. The specific factors affecting job satisfaction include: Job responsibilities and scope, salary, seniority, and size of organization, and these influence employee turnover (DeNisi & Griffin, 2008; Judge & Bono, 2001). Dissatisfied and uncommitted employees may stay on the job just to earn a salary if they do not have suitable substitute organizations to join (Jex & Britt, 2008). It is therefore important that organizations, banks included, closely monitor job satisfaction issues and motivate their workers so as to retain them. Researchers have shown there is a consistent positive relationship between job satisfaction and voluntary turnover in organizations (Felps et al., 2009; Griffeth et al., 2000).

Researchers have shown that employees are unlikely to leave an organization if their work is recognized and feedback is given in appreciation of their work (Muchinsky & Morrow, 1980). Carson, Carson, Griffeth, and Steel (1994) noted that when employees are promoted, which is recognition of performance, their motivation and job satisfaction increase and they are unlikely to leave an organization. Dobbs (2001) remarked that employees who have managers with good human relations and leadership qualities are less likely to quit as this is an indication of a healthy work environment.

Training

Organizations that train and reward employees well will keep them and get higher performance in return (Hitt & Ireland, 2002).Training and development opportunities provided by organizations lead to staff commitment and reduces the turnover in organizations (Martin, 2003). This is because the employees feel the organization cares for them, and thus, they respond by staying on and performing better. According to Taylor (1999), employees get more committed to organizations that assist them to upgrade their skills, become more marketable and develop a career. Price (1977) noted that turnover is higher among blue-collar employees, lower skill levels and in non-managerial levels. In these grades, the organizations have not spent a lot of money in training the employees. The higher one moves in the organization hierarchy, the lower the turnover. Management should therefore identify core staff and train them to strengthen commitment and performance.

Earnings

According to the meta-analysis of the antecedents and correlates of employee turnover by Griffeth et al. (2000), turnover research has showed that there is a strong relationship between pay levels and the rates of turnover. The more one earns in salary and benefits, comparable to earnings in similar jobs in the industry and job requirements, the lower the chances of an employee leaving an organization. Morice and Murray (2003) remarked that employee earnings and other monetary incentives play a major role in retention. The study by Lawler (1971) was definitive that good pay is a deterrent of turnover.

Demographics

Age and tenure are inversely related to turnover. Younger employees are likely to change jobs more often (Muchinsky & Morrow, 1980). According to Mobley, Griffeth, Hand and Meglino (1979), the longer a person stays at an organization the lower the chances of leaving. Length of service is therefore observed as a good indicator of turnover. The longer people stay in an organization and get more embedded, the less the turnover rate (Mitchell et al., 2001).

According to Muchinsky and Morrow (1980), in cases where the designated head of the family is a male, the family size is negatively related to turnover and this also holds when the designated family head is a female. Family size was noted to be positively related to turnover for female employees who were not designated head of households. This relationship may suggest that stability of household earnings has a relationship with turnover.

Management in organizations should strive to keep employees satisfied to increase commitment and performance. This can be achieved by increasing the motivation levels through more job responsibility, good work relations and competitive pay to keep workers satisfied. Providing training and development opportunities is also important in increasing commitment and performance.

Measurement of Turnover

Turnover rates

Price (1977) suggested the two most reliable ways of measuring turnover rates in organizations are: By using, first, the crude separation rates, and second, the average tenure of the people who leave the organization.

$$\text{The crude separation rate} = \frac{\text{Number of members who left during the period}}{\text{Average number of members during the period}}$$

The crude separation rate shows the volume of turnover in an organization as a whole.

The average tenure of leavers = Median tenure of all members who leave during a period.

Price (1977) believed the two complemented one another well. The leavers' tenure shows where in the institution the turnover is taking place. And the crude method shows the volume of turnover, which the levers' tenure does not show. Thus the use of the two measures shows the volume and location of turnover in an organization.

Cascio and Boudreau (2008) computed turnover rates as

$$\frac{\text{Number of turnover incidents per period}}{\text{Average workforce size}} \times 100$$

Other than calculating turnover rates, Campion (1991) noted that measurement of turnover has been appraised from two standpoints. The first being the individual choice motivated by job satisfaction and personal fulfillments; and the second, focusing on the consequences to the organization. The focus of this study is on the second position, which is the consequence to the organization.

According to Campion (1991), turnover can be measured based on turnover reasons of avoidability, functionality, voluntariness and utility. The reasons for turnover are usually used to define the measure (Abelson, 1987):

Avoidability

Turnover can be avoidable or unavoidable depending on the circumstances compelling it (Campion, 1991). Avoidable turnover is when an institution can take some action that leads to employees not to separate from the institution. Unavoidable turnover is when an institution can do nothing to avoid the turnover. In this case, it is unfavorable since the institution still needs the services of the employee but it cannot meet his or her wants (Abelson, 1987).

Functionality

Turnover can be functional or dysfunctional. Abelson and Baysinger (1984), Dalton et al. (1981), Dalton et al. (1982), and Hollenbeck and Williams (1986) looked at functionality by the organizations evaluation of the individual. The individual's performance, ease of replacement and ability to rehire given an opportunity, determined how functional turnover was. The loss of an employee who is a good performer and difficult to replace is dysfunctional and bad for the organization. Turnover among experienced workers disrupts the provision of service values and norms to new staff that is essential for continuity in providing high quality service (Schlesinger & Heskett, 1991).

Utility

According to Boudreau and Berger (1985a), organizations can measure turnover by the utility of the employee who separates compared to the replacement. The utility analysis is done in terms of the productivity or utility of the new employee in comparison to the utility of the person they are replacing. Boudreau and Berger (1985a) remarked that utility measure is the cost difference between the separating employee and the new hire based on the salary and benefits, the cost of transactions in processing the termination, and hiring the new employee. The turnover is good if the organization is getting a better performer at a lower pay and cost to the institution.

Consequences of Turnover

Muchinsky and Morrow (1980) stated that "Turnover is not an end product in itself, but rather it in turn has consequences for the individual, organization, and society" (p. 278). According to Felps et al. (2009), turnover has economic, social and psychological effects. Economists estimate the financial impact of separation. Psychologists focus on the behavior of both the separating and staying employees.

Sociologists focus on how turnover affects institutional changes within and across industries. Turnover is not always negative as some turnover may benefit organizations (Abelson & Baysinger, 1984). However, most turnover actions have negative impact on organizations (Staw, 1980; Jex & Britt, 2008; Felps et al., 2009).

Turnover and performance

There are nine performance variables that are interdependent and responsible for the overall performance of organizations (Rummler & Brache, 1995). The nine performance variables arise from combining three levels of performance and three performance needs. Performance, according to Swanson and Holton (2001), can be viewed as the "valued productive output of a system in the form of goods and services" (p. 89). The system in this case refers to the organization as a whole and each part of the organization must function well for productivity to be realized. The performance levels according to Rummler and Brache (1995) are at the organization, process and job or performer level. The three performance needs are: Goals, design and management. At the organization level, the variables are organization goals, design, and management. At the process level are the process goals, design and management. At the job level are the job goals, design and management. Understanding turnover in the organization is important as it affects each of the performance variables; therefore, it cuts across the organization. One cannot ignore the effects of turnover on organizational performance.

Employee turnover in sectors that employ skilled and semi-skilled workers is a systemic performance problem (Hatcher, 1999). Banking is a specialized sector that relies on skilled workers and turnover in the banking industry can be viewed as a systemic performance problem. Organizations with high rates of turnover have been observed to perform at lower output levels compared to their rivals in the same industry (Hatch & Dyer, 2004). As a result, proper management of turnover is important for an organization's continued good performance.

High performance is the eventual goal of any organization's stakeholders and it is key (Swanson, 1995).The performance of any organization is contingent upon the quality of its human capital, and institutions should invest and retain their employees. This can be achieved through executive coaching and education, training, mentoring, and closely monitoring the benefits that accrue from these interventions. Organizations that invest, use, and suitably reward human capital, eventually experience higher performance (Hitt & Ireland, 2002).

Organization culture and integration

Ravisi and Shultz (2006) defined organization culture as "a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behavior for various situations" (p. 437).Higher amounts of turnover lead to lower integration in the organization or participation in the primary groups. The remaining members of the organization feel a loss of one of their own especially if they were close and their participation in the group was valued (Price, 1975). This eventually affects performance of the remaining members and the organization.

According to Felps et al. (2009), when an embedded employee quits or is thinking of quitting an organization, their action affects their colleagues through social contagion effects. The results are that other employees are likely to follow and leave the organization. In cases where the separating employee is forced out because of conflicts, the colleagues remaining in the organization view themselves as less desirable and have lower morale and this may trigger more turnovers (Staw, 1980; Felps et al., 2009). The arising turnovers may have a negative impact on the organizations performance. Departures of embedded employees should be strategically handled to ensure that work and productivity are not affected (Crossley, Bennett, Jex & Burnfield, 2007).

Staffing

Turnover creates greater flexibility in staffing as chances of promotions are created. If an organization has a good internal succession plan, a management exit opens opportunity for multiple promotions from lower levels. This may lead to a cost saving for the organization as it may not need to hire, but promote from lower ranks (Staw, 1980). This carries the benefit of motivating staff and increasing organizational performance. Such turnover may be considered to be functional (Abelson & Baysinger, 1984). Availing promotion opportunities to staff may contribute to them staying longer (Nalbantian & Szostak, 2004; Spector, 2006). Turnover affords organizations an opportunity to redesign and enrich jobs. The new hires get into a job that is more productive and this has the potential of improving performance.

The arguments for the benefits of turnover to existing staff work from the presumption that there are employees with the relevant skills within the organization who are available to take up the responsibilities with minimal disruptions. Where such expertise is lacking, turnover triggers a disruption in productivity and performance. The organization will have to take time to hire competent replacements. These replacements take time to learn and settle on-the-job (Jex & Britt, 2008). The hired people need to socialize, learn the organization's culture, and job to reach the desired competence; this takes time (Chao, O'Leary-Kelly, Wolf, Klein & Gardner, 1994).

HRD practitioners should work closely with organizations to design training and career development programs that will aid in developing strategic core staff that can always be available to take over for the purposes of smooth continuity in work.

Replacement cost

Replacement cost is the cost of the process of replacing an employee who has separated from an organization and is made up of cost of advertising the job vacancy, the administrative cost of conducting the exit and entry interviews, and hiring the replacement staff (Smith & Watkins, 1978). With departure of employees, organizations incur costs that can be large depending on the positions being filled. Cascio (2006) placed the turnover cost at between 150% and 250% of the annual salary paid for the job. Bliss (2004) estimated the cost of turnover to organizations to be about 150% of the annual pay of the separating employee. At Ernst & Young, the cost of replacing a young auditor is about 150% of the employee's salary (Hewlett & Luce, 2005). This is taking into account the cost of replacement and training the new hire. The economic cost of turnover is real and substantial to organizations as observed in the literature reviewed.

Training and development cost

Employee training cost is a major factor that comes with turnover in organizations (Flamholtz, 1999). The newly employed people are inducted into the new job and trained to deliver to the performance standard of the separated employees

(Bluedorn, 1982). Even when employees are promoted from within the organization, there is need to train the people taking over the new responsibilities and this takes money and time. The training cost includes valuing the time taken by the supervisors and managers to bring the new person up to the required task level (Cascio & Boudreau, 2008). Bluedorn (1982) observed that training a single U.S. Air Force pilot, which is a highly specialized job, costs about $800,000.00, the total cost of training pilots would therefore be significant to the Air force if several pilots were to quit. This implies that the cost of training a banker would be significant given that it is also a specialized job, and banks should carefully manage turnover of valued employees. Creery (1986) observed that the cost of hiring and keeping well trained bankers is high. Training cost is high if the turnover is high or depending on the segment of the labor market (Bliss, 2004).

The exits of valued employees who have high quality training and business experience adversely affect an organization. Some of them move away with valued customers; while others leave with valued information that should not get into the hands of competitors.

Lost productivity

Productivity is the positive contribution towards organizations goals. Employee turnover leads to depletion of the organizations inventory of skills and forces management to hire replacements to sustain productivity (Jex & Britt, 2008). When new hires join organizations, it takes them time to learn and perform tasks to the desired productivity level set by the organization. There is empirical evidence that even very good workers experience a drop in the level of job performance following initial employment (Boswell, Shipp, Payne & Culberston, 2009). This implies that the productivity of the organization will reduce upon arrival of new hires. According to Cascio (2000), the reduced new hire productivity is the highest cost of turnover to organizations. New employees, other than producing at level below the required productivity, draw full salaries from the organizations, thus being a double liability to organizations in the short run (Jex & Britt, 2008).

Huselid (1995) observed that there is a negative relationship between turnover and worker productivity because of inefficiency of replacements. The productivity of those who remain on-the-job also declines because of interdependence of roles in an organization. Turnover among experienced staff disrupts essential service provisions needed for business continuity, as new employees may also bring with them baggage or job attitudes that negatively impact the organizations (Boswel et al., 2009).

Employee turnover negatively impacts organizations in several ways. The organizational culture and norms are disrupted and some of this affects the worker's productivity as the climate in the organization is readjusted. The organization is forced to incur additional staff training and development costs to effectively replace the separated employees. The organizations pay for underproductive workers for a period of time as the new hires undergo orientation and training. Employee replacement costs are incurred and loss of skilled workers is experienced. Organizations should effectively manage turnover to sustain and grow the organizational performance.

Turnover in Education

Turnover is also an important issue in the education sector as it impacts the performance of students. The U.S. National Commission on Teaching and America's Future (NCTAF) 2003 observed that teacher retention is a major problem in several school districts. Turnover, as noted by the U.S. Department of Education, National Center for Education Statistics (1997), has serious negative implications on the standards of education when schools have to increase class sizes to take care of lost teachers or hire less qualified teachers

Imazeki (2005) remarked that turnover has been identified as a problem in schools and the teachers are moving to other jobs or school districts that offer better terms of service or salaries. Some senior teachers also moved just because they resented the fact that they were not recognized for the time they had put in-service and that they were getting the same pay raise as those who have newly joined the profession. Other reasons that influence teachers' turnover include: Family commitments and relocations, gender, age and location of schools (Imazeki, 2005). Theobald and Gritz (1996) recommend that, other than salaries, policy makers should also look at issues such as differences in school districts and gender in planning school staffing. Female teachers are noted to be less mobile.

Podgursky, Monroe, & Watson (2004) noted that college graduates who achieve high ACT scores and get jobs in the teaching profession have their students perform better. Graduates who had high ACT scores do not most of the time seek jobs in public schools because of the pay and work conditions. The graduates who teach math and science subjects demand higher pay and change jobs more easily, even out of teaching. Podgursky, Monroe, and Watson (2004) concluded that there is a need to pay this category of teachers more to be able to attract and retain them to preserve quality of K-12 education.

Using a nationally representative sample of public schools teachers, Player (2009) noted that there is a close relationship between good quality teachers and student performance. The good quality teachers also get higher salaries and are attracted to those locations that provide both good pay and work conditions. Researchers have consistently shown there is always a positive correlation between teacher experience and student performance.

It is important that educational organizations identify issues that will help attract and keep good staff to be able to provide quality education to students. Every school district and school must identify reasons for turnover and take immediate action.

Turnover in Nursing

Retention of nurses is a topic of international interest and many studies have been carried out. The high rate of turnover is because of low job satisfaction, poor work environment, stress, and management in organizations (Coomber & Barribal, 2007). Gauci-Borda and Norman (1997) pointed out that turnover significantly affected institution’s performance and the morale of the remaining staff.

McNeese-Smith and Crook (2003) carried out a study to find out what managers should do to reduce turnover in the nursing industry. They found that one of the most important reasons for nurses to stay on their jobs was having good relationships with their supervisors. The good relationship with the administration and leadership of the organizations gave nurses a sense of security which was important for their life styles. The effect of having good working relationships with the leadership of an organization is consistent with findings in other turnover studies. Entry-level nurses were observed to be attracted more by salary or earnings, but this was not a major reason why the more senior nurses joined or remained in the profession. McNeese-Smith and Crook (2003) inferred that managers have to work hard to reduce the job stress levels if they wanted to keep the nurses. They proposed that managers regularly meet with the nurses to address some of these concerns in order to retain them.

Acree (2006) proposed that nurses, management, HRD and organizational development experts should come together to resolve some of the turnover issues in the nursing profession. This is because turnover in hospitals affects service quality and should be minimized.

Turnover in Banking Industry

Banks and financial institutions, like other organizations, depend on human capital to grow and continue their businesses. Antonacopoulou (2006) noted, “banks realize that it is necessary to develop policies that will ensure that once skilled people are in position, they are retained and grown to meet the future need of the business”(p. 458). The stability of employees in the banking industry impacts the bank-customer relationships and in turn affects the bank’s capacity to mobilize more business. The negative impact of employee instability in banks is well known to the executives of major banks, such as Commerce Bank, Wells Fargo and a number of smaller United States of America (U.S.A) bankers would generally agree on this point (Hall, 2007).

De Paula (2005) reported that high turnover at the Fleet Bank, now part of Bank of America, was one reason for the bank's poor consumer rating in the mid to late 1990's and this negatively affected its business. Fleet Bank, then the nation's seventh largest financial holding, had not given attention to the high rate of turnover, ignored the employee separations, and placed the bank's customer focused strategy at risk (Nalbantian & Szostak, 2004).

Standard Chartered Bank, Plc. in its group staff engagement report for 2009, recognized the importance of engaging and keeping employees if they are to stay in business in the competitive banking industry. A review of the Standard Chartered Bank, Plc's group's largest three markets showed that engaged employees were more productive and increased business performance. Standard Chartered Bank, Plc. introduced a pilot study in an attempt to understand and address the main causes of employee turnover in the growth markets of India and the United Arab Emirates (UAE).

Morrow and McElroy (2007) in their study of turnover and performance in a banking institution found that turnover creates inefficiencies that in turn affect organizational performance. The impact on performance was noted regardless of whether organizational performance was measured in financial (profitability) or reputational terms (customer satisfaction).

Turnover in the banking industry is an issue that banking institutions should keenly watch and have systems in place to measure the effects of this hidden cost.

Mirvis and Lawler (1977) estimated the cost of a single bank teller separation at $2,500.00. One decade later, Creery (1986) noted the turnover rate in banking institutions in the U.S. A. was in the range of 25% to 30%, and cost banks between $20,000.00 and $25,000.00 per employee. This was about ten times more than was observed by Mirvis and Lawler (1977). Most of the turnover cost is in the indirect costs such as, lost or dissatisfied customers, frauds, cashiers shortages, legal expenses, charged-off loans and security costs, among others that arise because of the departure of employees.

The economic cost of turnover is real and managers have reasons to be concerned about it (Bluedorn, 1982). Cascio (2006), Bliss (2004) estimated the cost of turnover to organizations to be between 150% and 200% of the annual pay of the separating employee. The estimated cost was computed taking into account the cost of replacement and training the new hire. At Ernst & Young, the cost of replacing a young auditor is about 150% of the employee's salary (Hewlett & Luce, 2005). Johnson (1995), in the Journal of Accountancy, estimated the cost of turnover at between 93% and 200% of the salary of the separating employee, depending on the employee skill level. Banks need well trained employees and the cost of hiring and keeping them is high (Creery, 1986).

Globally, financial institutions are critical in the growth and development of host nations and any disruption of the financial system has systemic risks that cut across several segments of the economy. This was seen in 2008-2009 with the systemic effects of the meltdown in the U.S.A. financial sector. The U.S.A. Federal Deposit Insurance Corporation (FDIC, 2010) reported that 140 banks failed in 2009 alone. The U.S.A.

Federal Reserve Bank (2010) reported that in the second half of 2009, 1.4 million homes were foreclosed on by banks because of failed mortgage contracts. The U.S.A. Bureau of Labor statistics (USBL, 2010) reported lose of millions of jobs in various industries and many businesses declared bankruptcies. This affected other global economies as well. In an interview with Grunwald (2009), of Time Magazine, the chair of the U.S.A. Federal Reserve Bank stated that “major financial crises cost nations 5% to 20% of their national output” (p. 60).

Kenya’s Deposit Protection Fund Board (2009) reported that in the years 1985-2005, 38 banks failed in Kenya, with 11 institutions collapsing in 1993 alone. This banking crisis had systemic effects in the economy over the stated period, with job losses in the banking industry and across other areas in the economy. Bank customers lost their savings and businesses closed because of the contagion effect of these failures. Caprio and Klingebiel (1996) and Obiero (2002) observed that poor management and lack of staff competency were among reasons for bank failures in Kenya. Antonacopoulou (2006) stated, “Banks do not only influence the economic, political and socio-cultural context in which they operate, they also affect it” (p. 458).It is important to manage turnover in banks and financial institutions for economic stability and improved performance. Turnover can be expensive to institutions and it should be reduced (Autry & Daugherty, 2003).

Turnover in Kenyan Banking Industry

The banking industry in Kenya, according to the Central Bank of Kenya Banking Supervision Report for the year 2008, had 45 institutions licensed under the Banking Act and regulated by the Central Bank. The industry was oligopolistic with five banks controlling Ksh.609.7 billion (U.S.A. $8.8 billion) or 51.5 % of the total net assets in the banking sector. In oligopolistic markets, the few institutions may influence the employment environment including: Job opportunities, work processes, training and development and employee remunerations.

The Central Bank of Kenya, in the 2008 Report stated that there was a significant increase in staff levels across the banking sector with credit marketing staffs increasing by 408% in 2007-2008. Management and supervisory staff increased by 22 % and 40% respectively. The number of bank branches increased by 20% from 740 to 887 in the same period. Because of rapid growth in the sector and use of information technology (IT), the number of customers being served by one bank employee every day increased from an average of 60 to 252 in the past fourteen years. The increased demand for employees and sophistication in IT increased competition for a qualified workforce to service the business effectively. This level of employee movement is an indication of high turnover in the industry (March & Simon, 1958).

The rate of employee turnover in the Kenyan banking sector is potentially high and it is for this reason that the Central Bank in the 2008 Report noted, "human resources competencies have been identified as a crosscutting challenge. Basel II will require institutions to upscale their human resource base and a 'talent war' in the banking sector can be anticipated going forward" (p. 44). The talent war refers to the competition for the qualified personnel by each bank working to attract well qualified staff. This could be to the benefit of individual employees, and institutions, which can attract and hold well qualified staff, but can negatively, impact the performance of the entire banking industry.

Banks that invest in developing employees' skills but do note reward them well are potential losers in this market, as most of the skills are transferable. There is a lack of disclosure on employees' productivity and turnover in Kenya's banking system (Barako& Brown, 2008) which makes it difficult to evaluate the effects of turnover on performance.

Gap Being Filled by Study

Turnover is expensive to organizations and explaining its effects in multiple dimensions, which are economic, psychological and social, may attract the attention of organizations management to the subject (Mobley, 1977; Felps et al., 2009). It has been noted in the literature reviewed that there are not many reports on the actual financial cost implications of turnover in banking institutions in general and in particular the Kenya financial market. This may be attributed to the inability of researchers to access the sensitive turnover information held by banks, as reported studies show that bankers appreciate the negative effects of turnover. The researcher in this study intended to fill the gap in the turnover research in the Kenyan banking industry. Barako and Brown (2008) noted that productivity and turnover is not reported in the Kenya banking system and this study wants to pioneer the research in this area, as available literature show it is important to understand the full impact of turnover in an organizations both in terms of financial and non-financial terms.

The computation of turnover cost at the studied institution will make a clear contribution not only to the Kenyan bankers but also to HRD professionals and scholars. It will set ground for similar studies to be replicated in other institutions within the sector and beyond as the impact is of importance to institutions managers. The management at the studied bank will benefit from the findings for the purposes of enhancing strategic human capital management in the competitive banking sector.

Summary

The researcher noted from reviewing the literature that understanding turnover is critical for effective management of organizations. Employee turnover affects the inventory of skills an organization holds and therefore understanding turnover is important in planning training and development of personnel. Turnover affects employee motivation and commitment to organizations; these are considerations that are critical for effective performance. Turnover has cost implications in management of organizations and especially in terms of worker productivity. It is no doubt important to understand the reasons that cause or influence employees to leave or stay in organizations in order to uphold productivity.

By understanding turnover reasons, organizations can strategically plan, hire and manage human capital. The banking industry, like any other, is impacted by turnover and not many turnover studies have been carried out in the Kenya banking industry that relate to cost of worker productivity and turnover. The researcher has set up research questions to guide in the examination of turnover issues with an aim of not only getting useful results to the examined bank, but also to build data necessary for future research.

CHAPTER III

METHODOLOGY

Introduction

In this chapter, the researcher explains the method used in carrying out the study on the topic "Causes and consequences of employee turnover in a financial institution in Kenya". The purpose of the study was to find out the reasons for voluntary employee turnover at the studied bank, assess the quality of the human capital separating from the bank, compute the financial cost of turnover to the bank, and find out from the bank's management how turnover is being managed. Explained in this chapter are the research design, population studied, instruments used during the data collection and analysis. The methods used in testing the research hypotheses are also explained.

Research Design

Research design is the overall plan that guides the research work. The main consideration in designing this study was to have the best framework to follow in collecting data necessary in addressing the research questions and testing the stated research hypotheses. Kerlinger (1986) states that research design has two basic purposes, the first being to provide answers to the research questions and the second, to control the variances.

Three of the four research questions addressed in this study involved collecting data that were measured at nominal scale and analyzed quantitatively. One of the research questions involved obtaining qualitative data. The quantitative data were measured using the nominal scale and descriptive statistics were identified as the best way to analyze the data collected. To test the hypothesis, Chi-Square Goodness-of-Fit Test, which is a quantitative non-parametric data analysis method, was adopted since it was the best way to test data that is measured at nominal scale (Corder & Dale, 2009).

The qualitative data relating to the policies the bank had in place for the management of turnover was collected by interviewing the Director of Human Resource at the bank, using the Employee Turnover Interview Guide Form (Appendix 5). The narrative of the director was best interpreted using the thematic analysis centering on the main theme of the bank's policies on turnover. In thematic analysis, interpreting the content of the narrative is the main focus (Riessman, 1993); the researcher in this case focused on the content of turnover management at the bank.

The above designs were adopted since the researcher felt they were best suited to address the following research questions and hypothesis:

Research questions

1. What were the reasons for employee turnover at the bank and what proportions of the turnover were avoidable and what proportions were unavoidable?
2. Did employee turnover have an effect on the quality of human capital at the bank as indicated by resigning employees' (a) educational qualifications; (b) stage of training in banking practice; (c) banking work experience; and (d) job performance ratings?
3. What was the turnover cost to the bank as shown by cost of employee separation, replacement, and training of new hires?

4. What strategies are employed by the bank's management in addressing employee turnover?

Research hypotheses

The following research hypotheses were tested during the study:

Hypothesis 1: The proportion of turnover due to avoidable reasons was significantly higher than the proportion of turnover due to unavoidable reasons.

Hypothesis 2(a): The proportion of separated employees with high academic qualifications was significantly greater than the proportion of separated employees with lower academic qualifications.

Hypothesis 2(b): The proportion of separated employees who had attended banking practice courses provided by the bank was significantly greater than the proportion of those who had not attended any banking practice training provided by the bank.

Hypothesis 2 (c): The proportion of separated employees with more years of banking work experience was significantly greater than the proportion of those with less years of banking work experience.

Hypothesis 2(d): The proportion of separated employees who had good job performance ratings was significantly greater than the proportion of employees with poor job performance ratings.

Target Population

The target population for this study was the total number of employees who had voluntarily resigned from the bank and the managers who had worked with them in the period of June 30, 2005 to June 30, 2010. The bank that was studied had about 1,000 employees, 40 branches and Ksh.45 billion, or U.S.A. $600 million, of assets in June 2010. The separated employees were not contacted in person; however, a review of the records in their personnel files at the bank was carried out and the relevant data extracted. Based on information provided by the bank administration, it was established that 80 employees had voluntarily resigned from the bank over the five year period that was being studied. All of the 80 personnel files that were being held at the bank were reviewed. The targeted population of the employees who had resigned made up the total sample of the study and therefore no sampling was necessary thus eliminating any sampling errors that could have arisen. From the employee resignation letters kept in the personnel files, the researcher identified the reasons for the voluntary turnover. Employee records are valid indicators of turnover reasons (Campion, 1991). Several separated staff had worked with common managers during their stay at the bank. The researcher was able to collect the response of all the six managers who had worked with the separated employees, thus no sampling of the managers was necessary. The managers' responses on the separated workers were collected through the Employee Turnover Data Recording Form (Section B, Appendix 4).

The employees in the population were categorized into three groups: Support staff, clerical staff, and management. The researcher followed the categorizations established by the bank in this case. The stratification provided more inferential information during analysis and interpretation of results on how turnover was distributed across categories and how the ranks affected the turnover cost at the bank.

Instrumentation

The researcher used four instruments in this study. Two instruments were used in collecting data for the study. The first instrument was Employee Turnover Data Recording Form and the second instrument was Employee Turnover Interview Guide Form (Appendix 4 and 5). The Employee Turnover Data Recording Form had two sections. The questions in the first section (Section A, Appendix 4) were used to collect the archival data about the employees' and the second section (Section B, Appendix 4) was to collect the managers' response on the separated employees. The other two instruments were used in the data analysis; Avoidability Taxonomy Form, which was adopted from Abelson (1987) and modified by adding an item to suit this study (Appendix 6), and the Employee Quality Indicator Form, that was adopted form the Dalton et al.'s (1981) study and modified to suit this study (Appendix 7).

The archival data from employee files were in two parts. The first part was used to capture: The background information about the employees' demographics, sex, age, date of joining the bank service, how long they had worked at the bank, grade at joining the bank and at resignation, and reason for the voluntary separation. The reasons for the separations were guided by the Abelson (1987) taxonomy which were: Better Pay Elsewhere; Family Reasons; Problems with the Administration and Career Change. The Taxonomy was modified by adding further studies as a reason that arose during the study.

The second part of section A of the instrument focused on the human capital competencies and therefore was aimed at capturing the quality of the human capital that the bank was losing because of the voluntary separations. Human capital investment has been referred to as added training or education that increases an individual's value in organizations (DeNisi & Griffin, 2008). The part focused on the educational and professional qualification, banking practice training, and job performance rating of the separated employees. The educational qualifications of the employees who voluntarily resigned from the bank were classified based on the Kenyan education system of grade level. The grading is: Ordinary-level (O-Level) certificate (equivalent to grade 12 in the U.S.A education system); advanced level (A-Level) certificate, which is a two-year post-O-level academic qualification; bachelor's degree (4 years of university education); and master's degree (2 years at graduate school). The banking courses attended were classified by the bank as basic, intermediate, and advanced banking courses. This categorization was adopted and used in this study for consistency of personnel training ratings. The bank's management classified the job performance rating of an employee as excellent, good, satisfactory, fair and unsatisfactory. This was the same classification that had been designed by the researcher and was therefore used in the data collection process.

The second section of the Employee Turnover Data Recording Form (Section B, Appendix 4) was completed by the managers who supervised the workers who separated from the bank and it covered issues of how the administration felt about the separated employee's job performance and possibility of rehiring the employee given an opportunity. In this section, the researcher borrowed from the Dalton et al. (1981) study that used similar questions to address turnover and quality of workers in organizations.

The responses in this section were analyzed using the Employee Quality Indicator Form (Appendix 7), which was also adopted from Dalton et al. (1981) and adjusted to suit this study. Indicated in the Avoidability Taxonomy Form (Appendix 6) are the possible reasons for the turnover, as well as the reasons considered to be avoidable and unavoidable (Abelson, 1987).

The Employee Turnover Interview Guide Form (Appendix 5) aimed at addressing institutional policies relating to turnover and to gather administrative information and employee costing necessary for turnover cost computation. The policy and turnover cost related questions in this survey was guided by the turnover literature in Cascio (2000), Flamholtz (1999) and Bliss (2004), which has been used to capture cost implications to organizations in banking and insurance industry.

In developing these instruments, the researcher drew on his professional experience as a banker and relevant literature review to ensure the necessary information for analysis was collected.

Validity of instrument

A valid instrument is one that measures what the researcher intends to measure during a study. According to Kerlinger (1986), a "test or scale is valid for the scientific or practical purpose of its user" (p. 417). The content validity of the instrument used in this study was based on the fact that most of the instrument items in the Employee Turnover Data Recording Form has been used in similar turnover studies, including turnover in the banking industry. The questions on the quality of employees and performance ratings have been used in other studies including Dalton et al. (1981) and found to be valid in reporting on turnover issues. The items relating to the financial costing of turnover have been used in Flamholtz (1999), Cascio (2000), Bliss (2004), Cascio and Boudreau (2008), and found to be valid ways of explaining turnover costs in organizations. The questions have been found to reflect the content they are intended to reflect thus having both face and content validity for use in a study. Dissertation co-chairs and committee members at Texas A&M University (TAMU) reviewed the instruments for content validity.

Construct validity aims at establishing meaning of a test by knowing what psychological reasons or other properties explain the variances of the test. If the problem is, for instance, turnover, then in construct validity one wants to know what factors of constructs account for turnover. Construct validity in this case seeks to explain the individual differences in turnover causes and consequences. To competently comment on the reasons for turnover, information relating to job satisfaction is important and therefore the instrument captured the key job satisfaction features in the literature which are salaries, grades and job responsibilities (DeNisi & Griffin, 2008; Judge & Bono, 2001). Relationships with bank administration and workmates were captured to show job embeddedness (Felps et al., 2009). All these items were listed in the Employee Turnover Data Recording Form. The four research questions in this study relate to issues that have been propounded in existing turnover theories. Some of these theories have empirical support thus giving the items and questions the general construct validity. The inclusion of the question on how the managers would rate the performance of the separated employees, post the separation, act as a validation of the performance rating of the separated employee. The researcher collected five years of job performance ratings just to ensure consistency in performance of the separating staff. These were ways of having internal validation of the information being collected using the instrument developed for the study.

Reliability of instrument

Reliability of an instrument refers to how accurate and stable the instrument is in measuring the variables in a study (Kerlinger, 1986). The research instruments used considered the Kerlinger's max-min-con principle and ensured the independent variables used to measure the research questions were as unlike as possible. The difference in the variables such as educational qualifications, banking work experience and the difference in the reasons given for separation, maximized the systematic variance and minimized the chances of wrongly interpreting the results. The measurement error was reduced by using instrument items that have been used before and tested to be valid and dependable in doing similar research. The use of the total population of the employees who voluntarily resigned and the managers who worked with them removed any residual selection biases.

To measure the cost of the turnover, the items were similar to those used in collecting data on separation costs, replacement cost and training costs in Smith and Watkins (1978), Flamholtz (1999), and Cascio (2000). The models have been used in several studies including one at a major U.S.A. bank and an insurance company in the U.S.A. financial sector and are reliable measures of turnover cost estimation. The productivity of the new hires was estimated using the productivity ratios used in Bliss (2004) and by several human resource consulting firms in the U.S.A.

Data Collection Procedures

Before beginning the data collection, the researcher applied for and obtained the Institutional Review Board (IRB) approval from Texas A&M University: Division of Research and Graduate Studies-Office of Research Compliance (Appendix 1). All the research protocols were followed in this study. An initial meeting was held with the bank's managing director. The concurrence of the bank's administration supporting the study was received before data collection started. The concurrence was received after the researcher explained in detail the contents of the research instruments and the data wanted from the bank. The bank's managing director signed the consent form presented to him at the beginning of the study to confirm the bank's participation in the study (Appendix 3). The managing director's authority paved the way for other officers in the bank to be able to release information on employees who had voluntarily separated from the bank. Other consent forms were issued to the director in charge of human resources and a manager in the same department who acted as the liaison person with the researcher. They also signed the consent forms (Appendix 3). The managers who supervised the separated employees also signed consent forms before responding to the questions in the research instrument (Appendix 4). The management allowed the study on condition that data would only be released to the researcher and that confidentiality would be observed. The information produced was for academic purposes only. The final findings from the study are to be shared with the bank's management.

Data recording

The researcher collected the data from the records in the personnel files using the Employee Turnover Data Recording Form that had been developed for the study. The reasons for the voluntary employee turnover at the bank were extracted from the resignation letters written by the employees. These letters were in the personnel files available to the researcher. The reasons for separation (Better Salary Elsewhere, Family Reasons, Career Change, Problems with Bank Administration and Further Studies) were then grouped by frequency of occurrence. The researcher cross validated these reasons with the bank's management as being authentic before further classification. The reasons were then classified as avoidable or unavoidable using the Abelson (1987) avoidability taxonomy that had been adapted to suit this study.

The performance rating for every separated employee was marked in their end of year assessments, which are held in the personnel file from the time one was employed at the bank. For the employees who recently joined the bank, monthly performance appraisals were available in the files as well. The performance rating was based on the management's staff appraisal reports. The job performance ratings categories were: Excellent; good; satisfactory; fair and unsatisfactory. To confirm consistency in the job performance of the workers during their stay at the bank, performance ratings for past five years were recorded. The performance was recorded according to rating categories and frequencies were tallied.

To report on the quality of separated employees, the researcher recorded from the separated employees' files data pertaining to the academic qualifications, banking courses attended, and years of banking work experience. The researcher used the data provided by the managers who supervised the separated employees on their felt ease of replacement of the separated employees and if they would rehire the same people given an opportunity. This was in addition to performance evaluation and utility of the worker.

The financial cost of turnover at the bank was captured using the Employee Turnover Interview Guide Form that had the questions about the cost of employees and the process of employee replacement at the bank. From this data, the cost components used in calculating the total cost of the separations, replacement, training costs and productivity were derived. The detailed hourly cost computations that were eventually used in calculating the various turnover cost components are detailed in Appendix 9.

Data Analysis

After data collection, analyses were done, addressing the specific research questions and testing the stated research hypotheses. The study had several variables to be examined for each research question. The research questions addressed in this study involved collecting data that were both quantitative and qualitative. The quantitative data were measured using the nominal scale and therefore a quantitative non-parametric data analysis method was adopted (Corder & Dale, 2009). The quantitative data collected were coded and entered into Statistical Package for Social Sciences (SPSS) software version 16.0 and analyzed using descriptive statistics. Frequency tables and cluster bar graphs were generated in the data analysis as appropriate. Cross tabulations of data were prepared where appropriate. Since the data was grouped into categories that were mutually exclusive, it made the use of Chi-Square Goodness-of-Fit Test in the analysis of the hypotheses more authentic. The Chi-Square corrected for continuity, was computed using the VassarStats to validate the findings of the Chi-Square Goodness-of-Fit Test (Lowry, 2011). Non-parametric research designs have been used in many turnover studies to show relationships between variables.

To compute the cost of turnover, personnel cost data were collected using the Employee Turnover Interview Guide Form. The separation cost was computed by: Cost of administration work related to termination + the Cost of exit interview. The administration work cost = time needed by human resources department (HR) for tasks related to the turnover × HR employee's pay rate × the number of resignations. Cost of exit interview = [interviewer's pay rate during interview period × number of resignations] + [exiting employees pay rate during interview period× number of resignations]

Replacement cost was arrived at by summing cost of communicating job availability + pre-employment administrative function + entrance interview + staff meetings + post-employment acquisition and dissemination of information + medical exam cost.

Training and productivity cost was arrived at by summing the cost of the staff orientation program + the formal training program for new hires + instruction by employee assignment to new hires at the branches or sections they were to work in, as well as the productivity cost based on the estimated worker productivity as per Bliss (2004). The cost of lost productivity because of resigning employees was taken at the minimum recommendation of 50% of the separated person's annual salary. The cost of lost knowledge, skills and contacts was taken at 50% of the person's annual salary for one year of service. On completion of training, the employee was estimated to contribute 25% of productivity for the first month. The cost to the bank was therefore 75% of the employee's monthly salary. For the next two months, the new employee was at 50% productivity so the cost was at 50% of the monthly salary. In the two months following the employment, the worker was considered to be at 75% productivity and so the cost to the bank was at 25% of the monthly salary. Full productivity was estimated to start in the sixth month of service. The total cost of turnover was then given by the summation of separation cost, replacement cost, and training and productivity cost.

The qualitative data relating to the policies the bank had in place for the management of turnover was collected by interviewing the Director of human resources at the bank, using the Employee Turnover Interview Guide Form. Qualitative data analysis has also been used in other turnover studies. The data collected from the bank's documents, on employees who voluntarily resigned from the bank related to the five year period of June 30, 2005 to June 30, 2010. The five year period was considered long enough to provide data on which logical trends of proportions and conclusions could be generated.

Summary

The data analysis procedures and analytical techniques used in the study are summarized in Table 1.

Table 1. Data analysis procedures

Research Question/ Hypothesis	Variables and scale of measurement	Analytical technique
Q1. What are the reasons for employee turnover at the bank, and what proportions of the turnover are avoidable and what proportions are unavoidable?	Independent variables are; the reasons for separation. Measured at Nominal scale Dependent variable; Turnover. Measured at nominal scale	Descriptive statistics: Frequency counts of reasons Categorize reasons as avoidable and unavoidable using avoidability taxonomy
Hypothesis 1: The proportion of turnover due to avoidable reasons is significantly higher than the proportion of turnover due to unavoidable reasons.	Non-Parametric data , reasons for turnover Independent variable; reasons for turnover Dependent variable; turnover, Measured at interval scale	Non-Parametric , Chi - Square Goodness-Of- Fit Test Chi- Square corrected for continuity test.
Q2.Does employee turnover affect the quality of human capital at the bank as measured by; resigning employees' educational qualification; level of training in banking practice; banking work experience; and job performance rating?	Independent variable is; Turnover. Turnover is measured at Nominal scale Independent variable are; Performance ratings, educational and professional qualifications, trainings attended, by the separating employees. Measured at interval scale.	Descriptive statistics: Frequency counts of reasons/ variables Cross tabulation of reasons for separation
Hypothesis 2a. The proportion of resigning employees with high academic qualifications was significantly greater than the proportion of resigning employees with lower academic qualifications.		Descriptive statistics: Frequency counts of reasons/ variables Chi -Square Goodness-Of- Fit Test Chi- square corrected for continuity test
Hypothesis 2(b): The proportion of separating employees who had attended banking practice courses provided by the bank was significantly greater than the proportion of those who had not attended any banking practice training provided by the bank.		Descriptive statistics: Frequency counts of reasons/ variables Chi -Square Goodness-Of- Fit Test Chi- square corrected for continuity test
Hypothesis 2 (c): The proportion of separating employees with more years of banking work experience was significantly greater than the proportion of those with less years of banking work experience.		Descriptive statistics: Frequency counts of reasons/ variables Chi -Square Goodness-Of- Fit Test Chi- square corrected for continuity test

Table 1. continued

Research Question/ Hypothesis	**Variables and scale of measurement**	**Analytical technique**
Hypothesis 2(d): The proportion of separating employees who had good job performance rating was significantly greater than the proportion of employees with poor job performance rating.		Descriptive statistics: Frequency counts of reasons/ variables Chi -Square Goodness-Of- Fit Test Chi- square corrected for continuity test
Q3.What was the turnover cost to the bank as measured by cost of employee separation, replacement, and training of new hires?	Independent variable are: turnover Dependent variables. Separation cost, replacement cost, training costs and productivity cost. Variables are measured at interval level	Smith & Watkins (1978); Flamholtz (1999) ; Cascio (2000); Bliss (2004), models
Q4. What strategies are engaged by the bank in addressing turnover?	Used interview guide to collect the data from the executive director human resources	Thematic analysis

CHAPTER IV

FINDINGS

Introduction

The findings of the study on the causes and consequences of employee turnover in a financial institution in Kenya are reported in this chapter. Detailed results on each of the four research questions are presented. The results of the tested research hypotheses are reported and the research findings stated. The quantitative data, measured using the nominal scale, was analyzed and reported using descriptive statistics. Frequency tables showing the proportions of the variables observed and cluster bar graphs are also presented. Cross tabulated data are also presented where necessary to elucidate the findings. The stated research hypotheses were tested using the Chi-Square Goodness-of-Fit Test which was the most suitable method of analyzing the Non-Parametric data. The calculated Chi-Square Goodness-of-Fit Test values were corrected for continuity and the results are also presented. The turnover cost computations are presented, as well as the bank's policies on how it manages turnover.

Research Question 1

What are the reasons for employee turnover at the bank and what proportions of the turnover are avoidable and what proportions are unavoidable? To answer this research question, the records on the number of employees who voluntarily resigned from the bank were obtained. A total of 80 employees voluntarily resigned from the bank in the five year period of June 30, 2005 to June 30, 2010. Presented in Table 2 is the summary of the total number of employees who voluntarily resigned. The bank kept all the personnel files and all the 80 personnel files were reviewed for the study. Resignation letters stating the reasons for the resignations as written by the separated employees were kept in the files. As shown in Table 1, 65% (n = 52) of the employees resigned because of Better Salaries Elsewhere. Getting a better salary elsewhere was the main reason for voluntary employee resignation from the bank.

The second most mentioned reason for voluntary resignation, as shown in Table 2 was Family Reasons. Family reasons accounted for 17.5% (n = 14) of the resignations at the bank. Employees who resigned because they wanted to pursue further studies comprised 13.8% (n = 11) of the separations. Two employees who resigned had problems with the bank's administration, and only one employee resigned to change career.

Table 2. Reasons for voluntary employee resignation from the bank

Reason	Frequency(n)	Percent (%)
Better Salary Elsewhere	52	65.0
Family Reasons	14	17.5
Problem With Administration	2	2.5
Career Change	1	1.2
Further Studies	11	13.8
Total	80	100.0

To show the link between the salary that was paid to the employees who resigned and the reasons for the voluntary resignation, Table 3 is presented. Salary breakdown by category is emphasized because getting a better salary elsewhere was the main reason for voluntary resignations from the bank.

As shown in Table 3, most of the employees who resigned because of better salaries elsewhere were in the pay bracket of Ksh.31, 000.00 to Ksh.50, 000.00 (U.S.A. $400.00 to $700.00, using the exchange rate of Ksh.75.00 = 1.00 U.S.A. $) per month, they accounted for 53.8% of the separations due to Better Salary Elsewhere. Only 7.7% of the employees in the high salary bracket of Ksh.150, 000.00 to Ksh.300, 000.00 ($2000.00 to $4000.00) resigned from the bank because of getting a better salary elsewhere. Most of the employees (63.6%) who voluntarily resigned to pursue further studies were earning in the salary category of Ksh.31, 000.00-Ksh.50, 000.00 ($400.00-$700.00).

Table 3. Reasons for voluntary turnover and the salary category of employees who resigned from the bank

Salary Category Ksh.000'per month	Reasons for resignation: Better Salary Elsewhere		Family Reasons		Problem With Admin.		Career Change		Further Studies		Total	
	n	%	n	%	n	%	n	%	n	%	N	%
151-300	4	*7.7*	3	*21.4*	1	*50*	0	*0*	0	*0*	8	*10*
101-150	8	*15.4*	1	*7.1*	0	*0*	0	*0*	1	*9.1*	10	*12.5*
71-100	4	*7.7*	2	*14.3*	0	*0*	0	*0*	0	*0*	6	*7.5*
51-70	8	*15.4*	5	*35.8*	1	*50*	0	*0*	1	*9.1*	15	*18.7*
31-50	28	*53.8*	3	*21.4*	0	*0*	1	*100*	7	*63.6*	39	*48.8*
10-30	0	*0*	0	*0*	0	*0*	0	*0*	2	*18.2*	2	*2.5*
Total	52	*100*	14	*100*	2	*100*	1	*100*	11	*100*	80	*100*

Note: n = number of observations, and % indicates n as percentage of the total for the variable.

Avoidable and unavoidable reasons for turnover

Based on the Abelson (1987) avoidability taxonomy, the reasons for voluntary resignations from the bank were classified into two categories, avoidable and unavoidable. According to the taxonomy, Better Salary Elsewhere and Problems with Administration are in the category of avoidable reasons, whereas Family Reasons; Further Studies; and Career Change, are classified as unavoidable (see Appendix 6). The frequencies of occurrence of reasons in each of the categories are presented in Table 4.

Table 4. Avoidable and unavoidable reasons for employee turnover from the bank

Reasons	Number of employees (n)	Total	
		N	*%*
Avoidable reasons:			
Better Salary Elsewhere	52		
Problems With Administration	2	54	*67.5*
Unavoidable reasons			
Family Reasons	14		
Career Change	1		
Further Studies	11	26	*32.5*
Total		80	*100*

Based on the findings, it was noted that a larger proportion, 67.5% (n = 54), of employees who resigned from the bank was because of avoidable reasons. Unavoidable reasons accounted for 32.5% (n = 26) of the resignations.

Hypothesis 1

Hypothesis 1: The proportion of turnover due to avoidable reasons was significantly higher than the proportion of turnover due to unavoidable reasons. To test Hypothesis 1, the non-parametric Chi-Square Goodness-of-Fit Test was used to determine if the proportion of avoidable reasons for turnover was significantly higher than the proportion of unavoidable reasons. The reasons for resignations were grouped into two cells, avoidable reasons and unavoidable reasons, with expected frequencies set at 50% of the total separations.

The expected frequency (f_e) in each category is calculated by $f_e = P_i n$

Where P_i = probability of occurrence, and n = the total employee turnover.

The probability is set at 0.5 for avoidable and unavoidable turnover (because there are no set proportions in the turnover literature). The expected frequency for each cell is, $f_e = P_i$ n thus 0.5 x 80 = 40

As shown in Table 5, there is a statistically significant difference between the proportions of avoidable and the proportion of unavoidable reasons for voluntary turnover at the bank. The observed number of avoidable reasons for voluntary resignations was greater than the expected number to resign because of these reasons. The Chi-Square Goodness-of- Fit Test was significant, $\chi^2 = 9.8$ as compared to the critical value $\chi^2 = 3.84$; df = 1; $p < 0.05$; N = 80. The Chi-Square value corrected for continuity was $\chi^2 = 9.12$, which was also significant; df = 1; p = 0.025.

Table 5. Observed and expected frequency table of avoidable and unavoidable turnover at the bank

	Avoidable reasons	Unavoidable reasons
Observed frequencies	54	26
Expected frequencies	40	40
Cell Chi-Square	4.9	4.9

The calculated value of $\chi^2 = 9.8$; d f = 1; $\alpha = 0.05$; the critical value χ^2 is 3.84 (see Appendix 8 for details of computations)

Based on these results, the researcher concluded that the proportion of turnover due to avoidable reasons were statistically significantly higher than turnover due to unavoidable reasons. A larger proportion of the bank employees who resigned went for better salary elsewhere, which is an avoidable reason that could be addressed by management. The findings of the study support research hypothesis 1.

Research Question 2

Does employee turnover have an effect on the quality of human capital at the bank as indicated by resigning employees' (a) educational qualifications; (b) stage of training in banking practice; (c) banking work experience; and (d) job performance rating? To answer Research Question 2, data on separated employees' educational qualifications, training level, work experience and job performance ratings is presented.

Educational qualifications

The educational qualifications of the employees who voluntarily resigned from the bank were classified based on the Kenyan education system grading. The grades are O-level, A-level, bachelor's degree and master's degree. The data on the academic qualifications of employees who voluntarily resigned from the bank are presented in Table 6. The total voluntary resignations were 80, and 66.2% (n = 53) of the employees had attained a bachelors degree; 16.2% (n = 13) of the employees had O-level qualifications; 12.5% (n = 10) had A-level qualifications; and 5% (n = 4) of the separated employees had obtained a master's degree.

Table 6. Academic qualifications of employees who voluntarily resigned from the bank

Academic level	Frequency (n)	Percent (%)
O-level	13	16.25
A-level	10	12.5
Bachelor's degree	53	66.25
Master's degree	4	5.0
Total	80	100.0

As shown in Table 6, most of the employees who voluntarily resigned from the bank had bachelors degree, 66.25% (n = 53). The results show that the bank lost well educated employees from its personnel pool.

The academic qualifications of employees who resigned from the bank and reasons for the resignations are presented in Table 7. Most of the employees who had bachelor's degrees resigned from the bank because of motivation of better pay elsewhere, 73.1% (n = 38). It was also noted that 90.9 % (n = 10) of the employees who left for further studies were those who had bachelor's degrees.

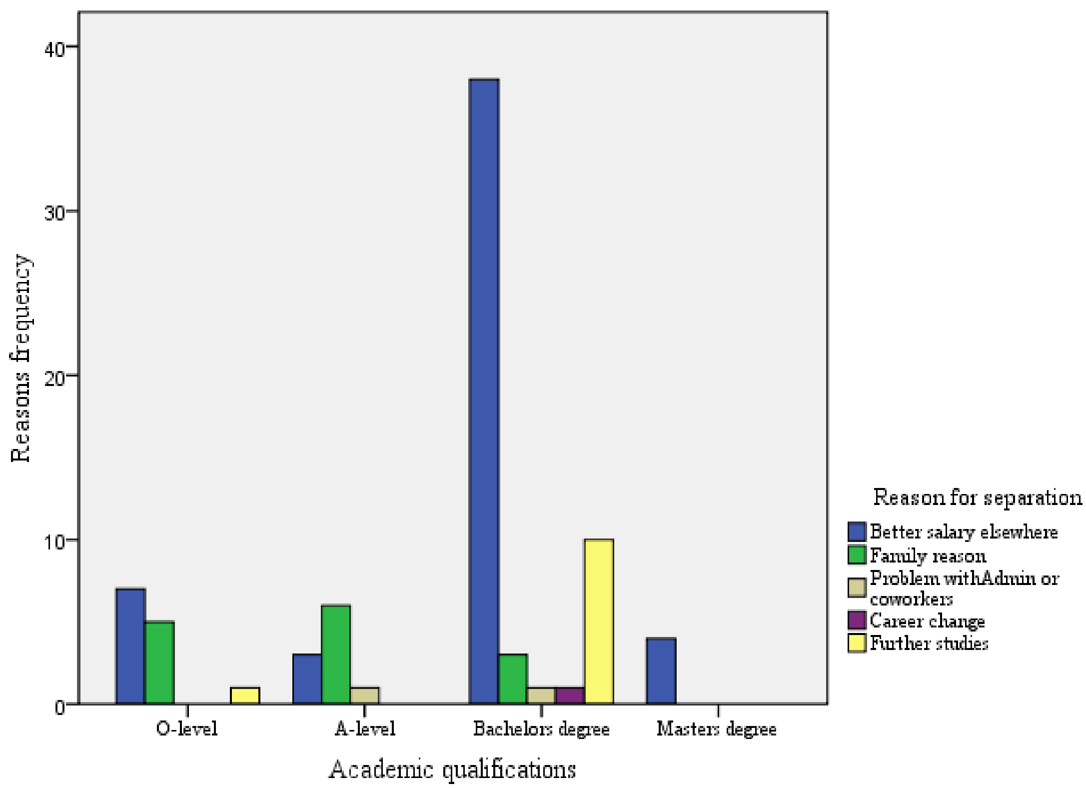
Table 7. Academic qualifications of employees who resigned from the bank and reasons for the resignations

Academic qualifications	Reasons for resignations: Better Salary		Family Reasons		Problem with Admin		Career Change		Further Studies		Total	
	n	%	n	%	n	%	n	%	n	%	N	%
O-level	7	*13.5*	5	*35.7*	0	*0*	0	*0*	1	*9.1*	13	*16.3*
A-level	3	*5.8*	6	*42.9*	1	*50*	0	*0*	0	*0*	10	*12.5*
Bachelor's degree	38	*73.1*	3	*21.4*	1	*50*	1	*100*	10	*90.9*	53	*66.2*
Master's degree	4	*7.6*	0	*0*	0	*0*	0	*0*	0	*0*	4	*5*
Total	52	*100*	14	*100*	2	*100*	1	*100*	11	*100*	80	*100*

Note: n = number of observations, and % indicates n as percentage of the total for the variable.

The information presented in table 7 is further illustrated in figure 1 below.

Figure 1. Employee's academic qualifications and reasons for the resignations



Hypothesis 2(a)

Hypothesis 2(a): The proportion of separated employees with high academic qualifications was significantly greater than the proportion of separated employees with lower academic qualifications. The stated hypothesis was tested using the Chi-Square Goodness-of-Fit Test. The category of employees with a master's degree was collapsed into the category of employees with bachelor's degree, and the group was renamed as college graduates. This was completed because Chi-Square tests in this case should have more than five expected observations in every cell for valid results (Lowry, 2011).

Assuming the qualifications of the employees separated from the bank was the same and any difference in qualifications of employees who voluntarily separated was because of chance, the probability of 1 ÷ 3 occurrence for any of the academic levels was used since no set proportions exist in the turnover literature. The expected frequency in each category is therefore (1 ÷ 3) x 80. This resulted in an expected frequency of 26.67 in each level of academic qualification.

The data presented in Table 8 show there is a statistically significant difference in the academic qualifications of the employees who voluntarily resigned from the bank. The observed frequency of college graduates voluntarily resigning from the bank was more than the expected number of resignations for employees with this level of academic qualifications; the cell Chi-Square was $\chi^2 = 34.49$. The calculated Chi-Square Goodness-of- Fit Test was significant $\chi^2 = 51.92$ as compared to a critical value of $\chi^2 = 5.99$; df = 2; $p < 0.05$; N = 80. The Chi –Square value corrected for continuity was also significant at $\chi^2 = 51.9$; df = 2; $p < 0.0001$.

Table 8. Observed and expected frequency table of educational qualifications of employees who resigned from the bank

	O-Level	A-Level	College Graduates
Observed frequencies (f_o)	13	10	57
Expected frequencies (f_e)	26.67	26.67	26.67
Cell Chi-Square	7.01	10.42	34.49

The calculated value of $\chi^2 = 51.92$; df = 2; $\alpha = 0.05$; the critical value χ^2 = is 5.99 (see Appendix 8 for details of computations)

Based on these results, the proportion of resigning employees with high academic qualifications was significantly greater than the proportion of employees who resigned with lower academic qualifications. A larger proportion of employees who resigned from the bank had higher academic qualifications namely college graduates, compared to those with lower qualifications of O-level and A-level of education. The research findings support research hypothesis 2(a).

Banking courses

The banking practice courses or training provided by the bank to employees who voluntarily resigned from the bank varied among the employees. The management classified the courses as basic, intermediate, and advanced banking courses. Workers had to progress from the basic courses to the intermediate and finally advanced banking practice courses depending on the grade and the job one was performing at the bank. New employees had to attend a formal bank orientation course and those classified as clerks or management trainees had to also attend a cashiering course as part of their basic banking training program. The records in the personnel files contained the courses that all the employees had attended over the period they worked at the bank. As shown in Table 9, 33.7 % (n = 27) of employees who voluntarily resigned over the five year period had attended the basic banking practice courses only. There were 32.5% (n = 26) workers who had attended the intermediate courses; 13.8% (n = 11) had attended the advanced banking practice courses; and 20% (n = 16) had not attended any banking practice course. The bank had provided banking training to 80% (n = 64) of the employees who voluntarily resigned over the five year period.

Table 9. Level of banking courses attended by employees who resigned from the bank

Level of training	Frequency (n)	Percent (%)
Advanced	11	13.8
Intermediate	26	32.5
Basic	27	33.7
None	16	20.0
Total	80	100.0

The academic qualifications of employees who voluntarily resigned and the level of banking training that had been provided to them by the bank are presented in Table 10.

Table 10. Academic qualifications of employees who resigned from the bank and the level of banking training obtained

Level of training	Academic qualifications								Total	
	O-level		A-level		Bachelor's degree		Master's degree			
	n	%	n	%	n	%	n	%	N	%
Advanced	1	*7.7*	0	*0*	7	*13.2*	3	*75*	11	*13.8*
Intermediate	9	*69.2*	9	*90*	8	*15.1*	0	*0*	26	*32.5*
Basic	3	*23.1*	1	*10*	22	*41.5*	1	*25*	27	*33.7*
None	0	*0*	0	*0*	16	*30.2*	0	*0*	16	*20*
Total	13	*100*	10	*100*	53	*100*	4	*100*	80	*100*
% of Total	*16.2*		*12.5*		*66.3*		*5*			*100*

Note: n= number of observations, and % indicates n as percentage of the total for the variable.

The cross tabulation presented in Table 10 is to further demonstrate the quality of the separated employees. As shown in Table 10, 71.3% (n = 57) of the employees who resigned were college graduates (66.3% had bachelor's degree and 5% masters degrees). Taking into consideration that the bank had provided training to 80% (n = 64) of the separated employees, the observation is that a bigger proportion of the employees who resigned had not only received training while at the bank, but also had good academic qualifications. The bank is losing good quality employees.

The level of banking training provided by the bank to the employees who resigned and the reasons for their resignations are presented in Table 11. The observations were 38.5% (n = 20) of the employees who had received basic training resigned because of being offered better pay elsewhere. The bank had provided intermediate level training to 25% (n = 13) of the workers who went for better salary elsewhere and 19.2 % (n = 10) who had received advanced training left for the same reason. The observation is that most of the employees who resigned from the bank had received notable banking training while at the bank.

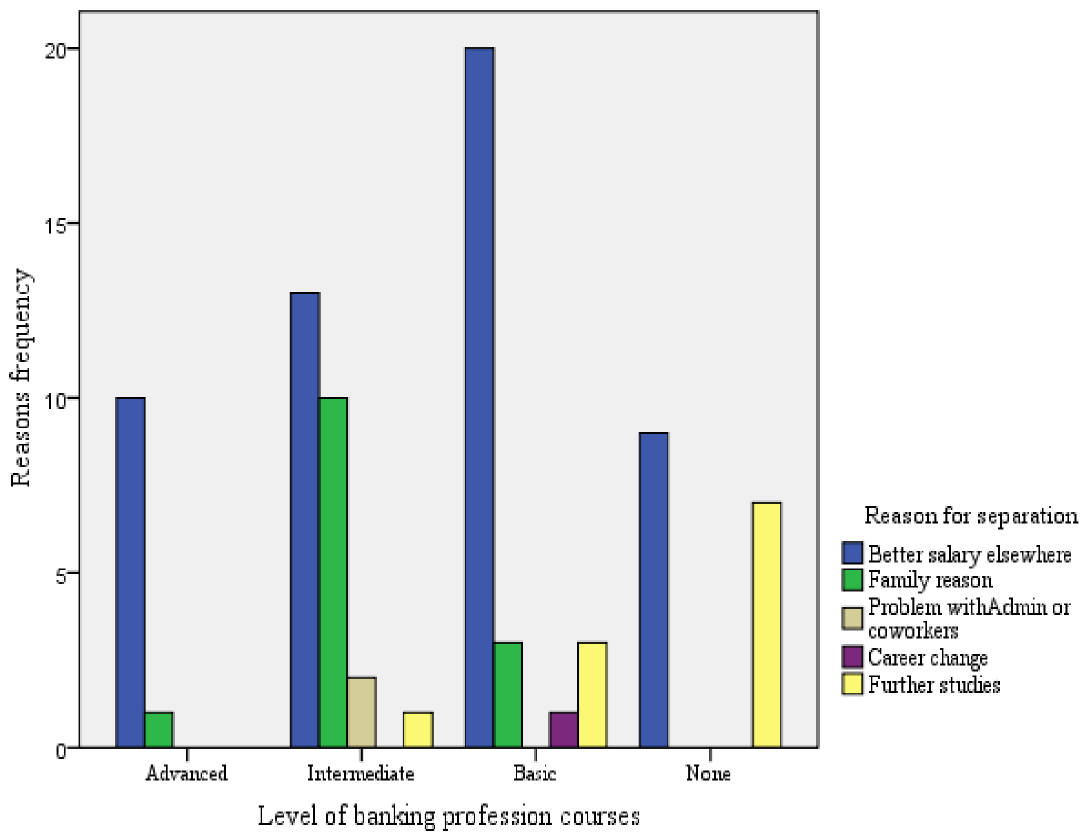
Table 11. Level of banking training obtained by employees who resigned and reasons for the resignations from the bank

Level of training	Reasons for resignations										Total	
	Better salary		Family reasons		Problem with admin		Career change		Further studies			
	n	%	n	%	n	%	n	%	n	%	N	%
Advanced	10	*19.2*	1	*7.2*	0	*0*	0	*0*	0	*0*	11	*13.8*
Intermediate	13	*25*	10	*71.4*	2	*100*	0	*0*	1	*9.1*	26	*32.5*
Basic	20	*38.5*	3	*21.4*	0	*0*	1	*100*	3	*27.3*	27	*33.7*
None	9	*17.3*	0	*0*	0	*0*	0	*0*	7	*63.6*	16	*20*
Total	52	*100*	14	*100*	2	*100*	1	*100*	11	*100*	80	*100*

Note: n = number of observations, and % indicates n as percentage of the total for the variable.

The information presented in Table 11 is further illustrated in Figure 2 in a clustered bar graph.

Figure 2. Employees level of banking training and reasons for the resignations



Hypothesis 2(b)

Hypothesis 2(b): The proportion of separated employees who had attended banking practice courses provided by the bank was significantly greater than the proportion of those who had not attended any banking practice training provided by the bank. The Chi-Square Goodness-of-Fit Test was used to test the stated hypothesis.

Working at a probability level of $1 \div 4$ that is, assuming there is no difference in the stage of training provided to the employees leaving the bank's employment and any difference in the level of training was due to chance, then the expected frequency in each category was $(1 \div 4) \times 80 = 20$

The observed and expected frequencies of the banking training provided to employees who resigned from the bank, and the calculated Chi-Square are presented in Table 12. The finding is that there is a statistically significant difference in the stage of banking practice training provided to the employees who left the bank. The observed frequency of resignations of employees who had received basic and intermediate banking training was greater than the expected frequency. The combined cell Chi-Square in these two instances was 4.25. The calculated Chi-Square Goodness-of- Fit Test was significant $\chi^2 = 9.1$ as compared to a critical value of $\chi^2 = 7.81$; df = 3; $p < 0.05$; N = 80. The Chi-Square value corrected for continuity was $\chi^2 = 9.1$, which was also significant; df = 3; $p = 0.025$.

Table 12. Observed and expected frequency table of level of banking training provided to employees who voluntarily resigned from the bank

	Advanced	Intermediate	Basic	None
Observed frequencies (f_o)	11	26	27	16
Expected frequencies (f_e)	20	20	20	20
Cell Chi-Square	4.05	1.8	2.45	0.8

The calculated value of $\chi^2 = 9.1$; d f = 3; $\alpha = 0.05$; the critical value χ^2 is 7.81 (see Appendix 8 for details of computations)

Based on these results, it was concluded that the proportion of separated employees who had attended banking practice courses provided by the bank was significantly greater than the ones who had not attended any banking practice training provided by the bank. The highest proportions of separated employees had attended basic training, 33.7% , and intermediate banking practice training,32.5%, in that order. The findings support the research Hypothesis 2(b).

Banking experience

The banking work experience of employees who voluntarily resigned from the bank is presented in Table 13. The findings are that 35% (n = 28) of the total separations were employees who had worked at the bank for more than ten years. Workers who had been at the bank for between one and three years made up 21.2% (n = 17) of those who voluntarily resigned in the five year period. A similar percentage of 21.2% had served for less than six months before leaving the bank.

Table 13. Years of banking experience of employees who voluntarily resigned from the bank

Banking Experience	Frequency (n)	Percent (%)
Less than six months	17	21.25
Six to twelve months	7	8.8
Two to three years	17	21.25
Four to six years	1	1.2
Seven to ten years	10	12.5
More than ten years	28	35.0
Total	80	100.0

A review of the number of years worked at the bank and the amount of training provided to the separated employees in that period is presented in Table 14. This cross tabulation is a further inquiry into the quality of the personnel who are resigning from the bank. The findings are, 80% (n = 64) had attended at least a basic banking course; and 46.2% (n = 37) had attended intermediate and advance training. The observation is that the bank is losing employees whom it had trained and had many years of banking experience.

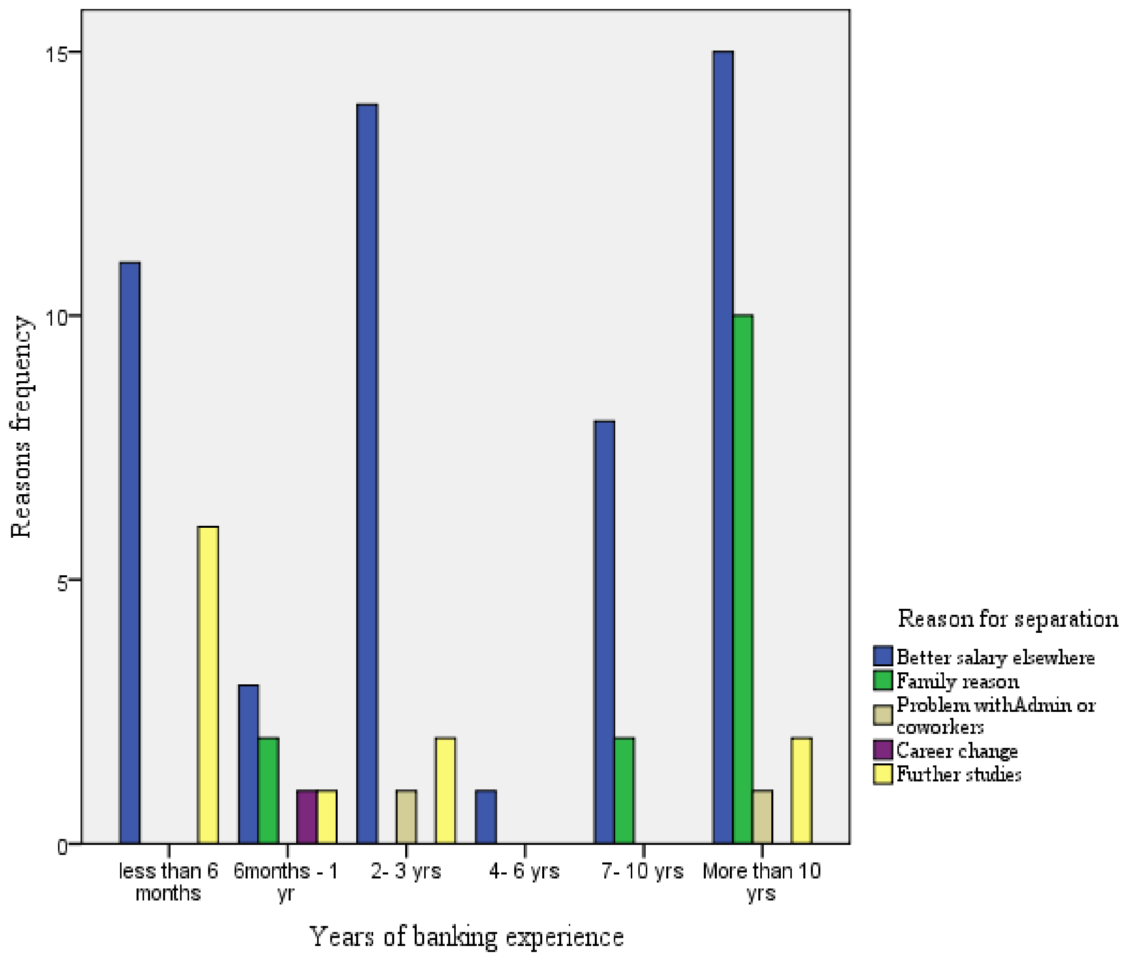
Table 14. Years of banking experience and the level of banking practice courses attended by employees who resigned from the bank

Level	Years of banking experience													
	≤ 6 months		6 months to One		Two to Three		Four to Six		Seven to Ten		More than 10		Total	
	n	%	N	%	n	%	n	%	n	%	N	%	n	%
Advanced	0	*0*	0	*0*	0	*0*	1	*100*	4	*40*	6	*21.4*	11	*13.7*
Intermediate	0	*0*	0	*0*	3	*17.6*	0	*0*	4	*40*	19	*67.9*	26	*32.5*
Basic	3	*17.6*	6	*85.7*	13	*76.5*	0	*0*	2	*20*	3	*10.7*	27	*33.8*
None	14	*82.4*	1	*14.3*	1	*5.9*	0	*0*	0	*0*	0	*0*	16	*20*
Total	17	*100*	7	*100*	17	*100*	1	*100*	10	*100*	28	*100*	80	*100*

Note: n = number of observations, and % indicates n as percentage of the total for the variable.

The data presented in Table 14 is further shown in Figure 3 by clustered bar graphs. The years of banking work experience that the workers who resigned from the bank had and the reasons why they voluntarily resigned are graphically illustrated in Figure 3.

Figure 3. Employees' years of banking experience and reasons for the resignations



Hypothesis 2(c)

Hypothesis 2 (c): The proportion of separating employees with more years of banking work experience was significantly greater than the proportion of those with less years of banking work experience. The Chi-Square Goodness-of-Fit Test was used to test the stated hypothesis. The category of employees who had worked for four to six years had only one worker, and therefore was combined with the category of employees who had worked for seven to ten years. This was done to validate the use of Chi-Square in the analysis since the cells would have less than 5 observations.

Working at a probability level of 1 ÷ 5 that is, assuming there is no difference in the years of banking experience of employees leaving the bank's employment, and any difference in years of experience is due to chance. The expected frequency in each category is given by (1 ÷ 5) x 80 = 16

The observed and expected frequency of the banking work experience of employees who resigned from the bank and the calculated Chi-Square is presented in Table 15. It is observed that there was a statistically significant difference in the years of banking experience of employees who resigned from the bank. It was also noted that the observed frequency of voluntary resignations of employees who had worked for more than ten years was higher than the expected number for the workers in this category that were expected to resign. This observation of higher observed resignations than expected was the same for those who had worked for less than six months and those who had worked for one year to three years. The calculated Chi-Square Goodness-of- Fit Test was significant $\chi^2 = 15.74$ as compared to the critical value of $\chi^2 = 9.45$; df = 4;

$p < 0.05$; N = 80. The Chi-Square value corrected for continuity was $\chi^2 = 15.75$, which was also significant; df = 4; p = 0.0034.

Table 15. Observed and expected frequency table of banking work experience of employees who resigned from the bank

	≤ Six months	Six months to One year	Two to Three years	Seven to Ten years	≥ Ten years
Observed frequencies (f_o)	17	7	17	11	28
Expected frequencies (f_e)	16	16	16	16	16
Cell Chi-Square	0.06	5.06	0.06	1.56	9

The calculated value of $\chi^2 = 15.74$; df = 4; $\alpha = 0.05$; the critical value is $\chi^2 = 9.45$ (see Appendix 8 for details of computations)

Based on these results, it is observed that the proportion of separated employees who had more years of banking work experience was significantly greater than the proportion of those with less years of banking work experience. The highest proportion of employees voluntarily resigning were those who had worked at the bank for more than 10 years. The findings of the study support the research hypothesis 2(c).

Job performance rating

The job performance rating of the employees who voluntarily resigned from the bank in the last five years was established from the personnel records obtained at the bank. The bank management classified the job performance rating as excellent; good; satisfactory; fair and unsatisfactory. The ratings of all the employees who resigned from the bank, except for one resignation, were obtained. The one worker whose rating was not available was because the employee had stayed with the bank for less than one month. As illustrated in Table 16, of the employees who voluntarily resigned during the period reviewed, 77.5% (n = 62) were rated by their managers as being good performers. Workers who were rated as excellent in doing their jobs accounted for 13.8% (n = 11) of the separations. Data shows that 91.3% of the workers who resigned from the bank were rated as either good or excellent in performing their work. No employee who resigned from the bank was rated below the satisfactory performance category.

Table 16. Job performance rating of the employees who voluntarily resigned from the bank

Rating	Frequency (n)	Percent (%)
Not rated	1	1.2
Excellent	11	13.8
Good	62	77.5
Satisfactory	6	7.5
Total	80	100.0

The job performance rating of the employees who resigned from the bank and the reasons for their resignation is presented in Table 17. The findings were 91% (n = 10 out of 11employees) of employees who were rated as excellent resigned because of getting Better Salary Elsewhere. Of the workers rated as good performers, 64.5% of them resigned because of better pay elsewhere (n = 40 out of 62 employees).

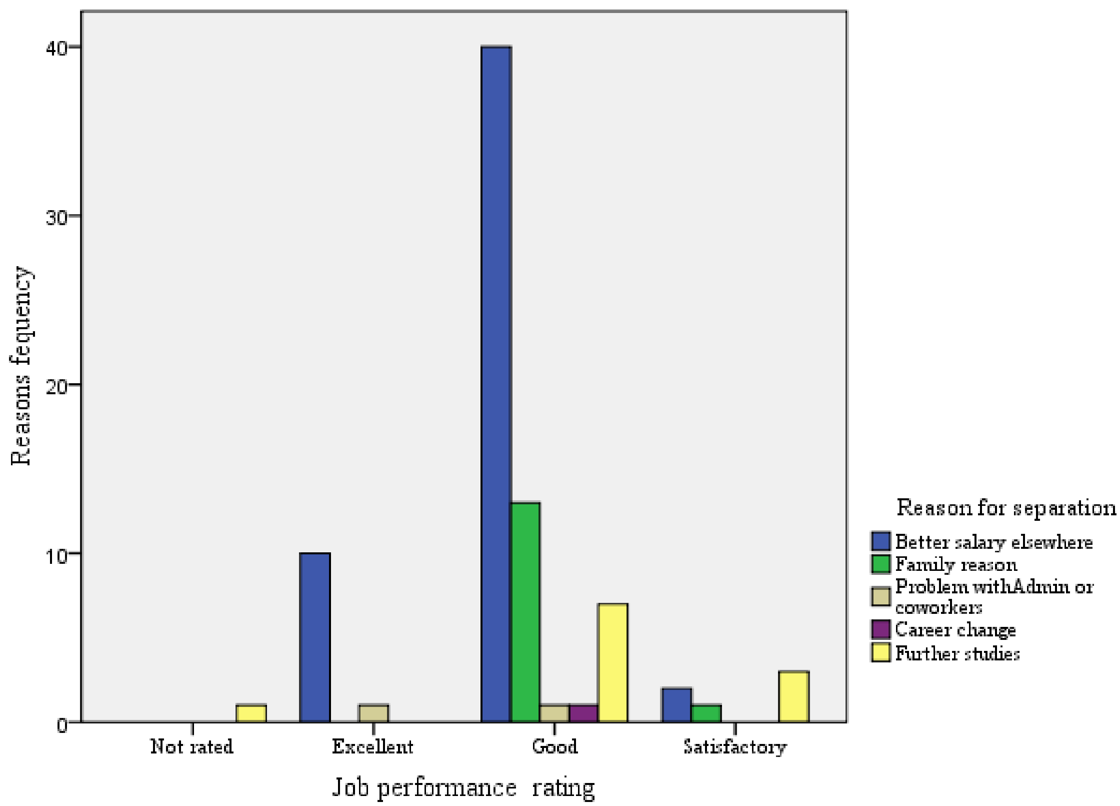
Table 17. Job performance rating of employees who resigned from the bank and reasons for the resignations

Rating	Reasons for separation										Total	
	Better Salary Elsewhere		Family Reasons		Problem with Admin		Career Change		Further Studies			
	n	%	N	%	n	%	n	%	n	%	N	%
Not rated	0	*0*	0	*0*	0	*0*	0	*0*	1	*9.1*	1	*1.2*
Excellent	10	*19.2*	0	*0*	1	*50*	0	*0*	0	*0*	11	*13.8*
Good	40	*76.9*	13	*92.9*	1	*50*	1	*100*	7	*63.6*	62	*77.5*
Satisfactory	2	*3.9*	1	*7.1*	0	*0*	0	*0*	3	*27.3*	6	*7.5*
Total	52	*100*	14	*100*	2	*100*	1	*100*	11	*100*	80	*100*

Note: n = number of observations, and % indicates n as percentage of the total for the variable.

As shown in Table 17, most of the workers who left the bank were either good or excellent workers and their major reason for resignation was because of getting better pay elsewhere. A graphic presentation of data in Table 17 is shown in Figure 4.

Figure 4. Employees' job performance rating and reasons for the resignation



Hypothesis 2(d)

Hypothesis 2(d): The proportion of separated employees who had good job performance ratings was significantly greater than the proportion of employees with poor job performance ratings. The stated hypothesis was tested using the Chi-Square

Goodness-of-Fit Test. The category of employees not rated had one worker and was collapsed into the category of employees rated as satisfactory. Assuming there was no difference in the job performance rating of employees resigning from the bank's employment and any difference in performance rating was because of chance, the probability is 1 ÷ 3. The expected frequency in each category is therefore (1 ÷ 3) x 80 = 26.67

The observed and expected frequencies of job performance rating of employees who resigned from the bank and the calculated Chi-Square are presented in Table 18. It was observed that there was a statistically significant difference between observed and expected frequency in the job performance rating of employees who resigned from the bank. The observed frequency of employees who were good performers and had voluntarily resigned from the bank was greater than the frequency of good performers who were expected to resign. The cell Chi-Square for good job performers was 46.8. The calculated Chi-Square Goodness-of- Fit Test was significant $\chi^2 = 70.52$ as compared to the critical value of $\chi^2 = 5.99$; df = 2; $p < 0.05$; N = 80. The Chi-square value corrected for continuity was $\chi^2 = 70.53$, which was also significant; df = 2; $p < 0.0001$.

Table 18. Observed and expected frequency table of job performance rating of employees who voluntarily resigned from the bank

	Excellent	Good	Satisfactory
Observed frequencies (f_o)	11	62	7
Expected frequencies (f_e)	26.67	26.67	26.67
Cell Chi-Square	9.21	46.8	14.51

The calculated value of $\chi^2 = 70.52$; df = 2; $\alpha = 0.05$; the critical value χ^2 is 5.99 (see Appendix 8 for details of computations)

Based on these results, it was observed that the proportion of separated employees who had good job performance ratings was significantly greater than the proportion of employees with poor job performance ratings. The highest proportion of employees voluntarily resigning were rated as good performers, 77.5 % (n = 62), followed by those rated as excellent performers, 13.8 % (n = 13.8). None of the employees who resigned from the bank was rated as a poor performer. This signals that the bank is losing good workers. The findings support research hypothesis 2(d).

In summarizing the findings related to research question 2, the bank's management was asked to indicate the desire to rehire the employees who had voluntarily resigned and the effort it had to put in replacing the separated employees. The findings on the desire to rehire and effort of replacement are presented in Table 19 and Table 20 respectively. The management indicated that given an opportunity to rehire the employees who voluntarily resigned over the five year period, they would definitely rehire 22.5% (n = 18) of the employees. The management preferred to rehire 27.5% (n = 22) of the separated employees to people who had not worked at the bank. This led to the observation that the bank lost 50% of the employees whom it would like to have in its employment. The bank was indifferent on 13.8% (n = 11) of the separations and were sure that they would not rehire only 5% (n = 4) of the separated employees.

Table 19. Management's desire to rehire employees voluntarily resigned from the bank

Desire to rehire	Frequency (n)	Percent (%)
Definitely	18	22.5
Slightly preferred	22	27.5
Indifferent	11	13.8
Prefer someone else	25	31.2
Not rehire	4	5.0
Total	80	100.0

The bank's management pointed out that 50% (n = 40) of the employees who voluntarily resigned in the five years period were somewhat difficult to replace. Five employees were judged to be very difficult to replace, therefore 56.2 % (n = 45) of the employees who voluntarily resigned from the bank were not easily replaceable. The management felt that they could easily replace 43.7% (n = 35) of the employees who voluntarily resigned in the last five years.

Table 20. Effort needed to replace employees who voluntarily resigned from the bank

Effort level	Frequency (n)	Percent (%)
Very easy	13	16.25
Somewhat easy	22	27.5
Somewhat difficult	40	50.0
Very difficult	5	6.25
Total	80	100.0

Research Question 3

What was the total turnover cost to the bank as measured by cost of employee separation, replacement, and training of new hires? To answer Research Question 3, the researcher collected data on the salaries paid (by pay brackets) to all employees at the bank. The salaries were used in computing the hourly rate of labor charge for processing employees who voluntarily resigned (see Appendix 9). The time taken to conduct exit and entry interviews, as well as the composition of bank officials who participate in the interview panel was established by interviewing the director of human resources at the examined bank. The administration provided the training costs incurred on new hires and the courses or trainings that the new hires must attend upon employment at the bank.

Total turnover cost (TC) is calculated as the summation of: Separation cost + Replacement cost + Training and productivity cost (Cascio, 2000; Bliss, 2004; Cascio & Boudreau, 2008; Flamholtz, 1999; Smith & Watkins, 1978).

The studied bank, according to its administration, has a policy of replacing the employees who voluntarily resign from the institution because the work responsibilities to which these workers were assigned should be handled continuously. The researcher established that it is the bank's policy to replace employees through an interview process. The vacancies are advertised two times in three widely circulated daily newspapers in the country to solicit job applicants.

It was also established that in every interview panel, there are two Directors (or department heads) and three senior managers to conduct the interview and a manager from the Human Resource Department to coordinate the interview process. To fill one vacant position, the management on average interviewed eight potential employees and it took one hour to interview one job candidate. For the support staff and clerical officers' cadre, one interview is done to identify and hire suitable candidates for the positions. For the management staff cadre, which is managers and senior managers' positions, two interviews are conducted. The first interview is to identify the top three job candidates and the second interview of the three candidates is to select the best candidate for the job. If the best identified candidate does not take the position, the next best candidate is given the opportunity.

The interview files are prepared by a clerk and it takes one hour to prepare each interviewee file. This involves organizing all the documentations such as application letters and resumes of a prospective employee in files and preparing the files for all the members in the interviewing panel.

To compute the total turnover cost, the following costs per employee were used. Earnings per hour are shown in Kenya shillings (Ksh.) and converted to U.S.A. dollars ($) at a rate of Ksh.75.00 to 1.00$. (Details of cost per hour calculation in Appendix 9)

Clerical staff- Ksh.300.00 or approximately U.S.A. $4.00 per hour

Manager - Ksh.900.00 or approximately U.S.A. $12.00 per hour

Senior managers –Ksh.1, 800.00 or approximately U.S. A. $24 per hour

Director earns Ksh.3000.00 per hour or approximately U.S. A. $40.00 per hour

The detailed categorization of the employees (n) who voluntarily resigned from the bank over the five year period of June 30, 2005 to June 30, 2010, and their ranks at departure are shown in Table 21. The numbers of the resignations by rank and earnings are important in the calculation of the turnover cost in each year. Based on the bank's policy that all the departures are replaced, the turnover costs are calculated based on the number of separations.

In the five year period reviewed, 72.5% (n = 58) of the employees who voluntarily resigned from the bank were clerical staff. As shown in Table 21, the resignations in the clerical rank constituted the highest proportions of separations throughout the period reviewed. During the same period, 26.2% (n = 21) of the resignations were from the management grades and only 1.3% (n = 1) was in the support staff category.

Table 21. Voluntary turnover June 2005 to June 2010, by rank

	Voluntary turnover											
	Year 1		Year 2		Year 3		Year 4		Year 5		Total	
Rank	n	%	n	%	n	%	n	%	n	%	N	%
Support	0	*0*	0	*0*	0	*0*	0	*0*	1	*9.1*	1	*1.3*
Clerical	6	*50*	14	*70*	19	*79*	10	*76.9*	9	*81.8*	58	*72.5*
Management	6	*50*	6	*30*	5	*21*	3	*23.1*	1	*9.1*	21	*26.2*
Total	12	*100*	20	*100*	24	*100*	13	*100*	11	*100*	80	*100*

Separation costs

The separation cost was computed by: Cost of administration work related to termination + the Cost of exit interview. The administration work cost = time needed by human resources department (HR) for tasks related to the turnover × HR employee's pay rate × the number of resignations. Cost of exit interview = [interviewer's pay rate during interview period × number of resignations] + [exiting employees pay rate during interview period × number of resignations]

The employees who resigned were interviewed by the HR manager for one hour and after that by the director of HR for one hour. The interviews according to the director of HR were to establish the explanation for the resignation and to review their resignation requirements and documentation. The amounts displayed in columns (a) and (b) in Table 22 are attributed to the interviewers. The employees resigning from the bank spent the same amount of time with each one of the HR staff, thus the costing column (c) (d), and (e) in Table 22. Shown in column (f) is the total cost for each year and the grand total over the period, the same is used in the computation of the total turnover cost.

Table 22. Cost of exit interview for employees who resigned from the bank (Ksh.)

Year		Director (a)	Manager HR (b)	Managers (c)	Clerical (d)	Support (e)	Total (f)
		Ranks					
1	Interviews	12	12	6	6	0	
	Rate/hr	3,000	900	900	300	-	
	Cost	36,000	10,800	5,400	1800	0	54,000 ($720)
2	Interviews	20	20	6	14	0	
	Rate /hr	3,000	900	900	300	-	
	Cost	60,000	18,000	5,400	4,200	0	87,600 ($1,168)
3	Interviews	24	24	5	19	0	
	Rate /hr	3000	900	900	300	-	
	Cost	72,000	21,600	4,500	5,700	0	103,800 ($1,384)
4	Interviews	13	13	3	10	0	
	Rate /hr	3000	900	900	300	-	
	Cost	39,000	11,700	2,700	3000	-	56,400($752)
5	Interviews	11	11	1	9	1	
	Rate /hr	3000	900	900	300	300	
	Cost	33,000	9,900	900	2,700	300	46,800($624)
Total							348,600($4,648)

The total cost of conducting the exit interviews for the staff that voluntarily resigned from the bank over the five year period was Ksh.348,600.00 ($4,648.00). This covered the earnings of the bank officials who conducted the exit interviews as well as the earnings of the workers who were resigning since the bank was still paying them during the time they were taking the interviews. The annual costs of exit interviews, as shown in Table 22, varied depending on the number of employees who resigned and their ranks at resignation. The total in the column (f) is included in total turnover cost computation.

Replacement cost

Pre-and post-interview costs

The replacement cost computations begin with communicating the job vacancy, which is the cost of advertising in the three daily newspapers. The researcher noted that the advertisements appeared two times in the local press. It was also noted that there were pre and post-interview meetings by the members of the interview panel, which included 2 directors and 3 senior managers and one manager from the HR department. The interview penal meets 6 times; the first is to prepare for the first round interviews for the managers grade and then the second round interview for the top three in the managers grade. Next is the interview for the clerical staff. These meetings are in two rounds; the first is before the interview begins and the second meeting is after the interviews have been conducted to summarize the scores, select and recommend the suitable candidates. Therefore, the costs in Table 23 column (a) have the (3 x 2).

The other pre-employment HR department responsibilities were to prepare the documentations of the persons to be interviewed for the jobs. For each job position, 8 people are interviewed and therefore there is a need to prepare files for 8 × numbers of resignations. For the positions of manager and above, two sets of interviews are conducted so a further 3 × numbers of resignations files, are prepared for the second round of interviews. Each file takes one hour to prepare, see column (b) in Table 23. Presented in Table 23 are the details of costs per category and year, varied by the number of resignations reported in each year as shown in Table 21. To get the annual cost of the pre-and post-interview preparation cost, Ksh.433, 800.00, column (d) Table 23 is added to each annual cost of file preparation. For example the total cost for year 1 is Ksh.433, 800 + 43,200 = Ksh.477, 000.00.

Table 23. Pre-and post-interview preparation costs (Ksh.)

Items (a)	Cost (b)	Sub Total (c)	Total (d)
Advertising costs (2)	3 dailies @ 60,000	360,000	
Pre-interview meetings (3 x2)	2 Directors @ Ksh.3000	36,000	
	3 Snr managers@ 1800	32, 400	
	Manager HR@ 900	5,400	433,800 ($5,784)
File preparation time(HR)	Clerk @ 300		
Year 1	144 x300	43,200	477,000 ($6,360)
Year 2	178 x 300	53,400	487,200 ($6,496)
Year 3	207 x 300	62,100	495,900 ($6,612)
Year 4	113 x 300	33,900	467,700 ($6,236)
Year 5	91 x 300	27,300	461,100 ($6,148)
5 year total			2,388,900($31,852)

As shown in Table 23, the total cost incurred in advertising the job vacancy and preparation by the management to conduct the interviews and summarizing the interviews findings and recommendations amounted to Ksh.433,800.00 ($5,784.00) over the five year researched period. In each of the years, the cost of file preparation time varied depending on the number and ranks of the resignations as shown in Table 23. The respective annual costs of file preparation were added to the advertising and pre-interview costs and the annual cost shown in column (d). The total preparation and advertising cost in the five year period was Ksh.2, 388, 900.00 ($31,852.00). This total is a summation of column (d) but excluding the figure of Ksh.433, 800 since it is already accounted for in the annual figures in column (d). The annual costs are also included in calculating the total turnover cost at the bank.

Cost of entrance interviews

The cost of entrance interview is given by: The time needed for interviews (1hour) × interviewers' pay rate (row b Table 24) ×number of interviews conducted during the period (row a Table 24). The interviewers' are 2 directors and 3 senior managers, and an HR manager to coordinate the interview process. Presented in Table 24 are the details of the interview cost for every year.

Table 24. Cost of entrance interviews (Ksh.)

Year		Interview panel			
		2 Directors	3 Senior Managers	Manager HR	Total
1	Interviews (a)	114 *(12× 8 +18)*	114	114	
	Rate/hr (b)	2 × 3,000	3 × 1,800	900	
	Cost (a × b)	684,000	615,600	102,600	1,402,200 ($18,696)
2	Interviews(a)	178 *(20 x 8+18)*	178	178	
	Rate /hr(b)	2 × 3,000	3 × 1,800	900	
	Cost (a × b)	1,068,000	961,200	160,200	2,189,400 ($29,192)
3	Interviews (a)	207*(24 × 8 +15)*	207	207	
	Rate /hr(b)	2 × 3,000	3 × 1,800	900	
	Cost (a × b)	1,242,000	1,117,800	186,300	2,546,100 ($33,948)
4	Interviews(a)	113 *(13 × 8+9)*	113	113	
	Rate /hr(b)	2 × 3,000	3 × 1,800	900	
	Cost (a × b)	678,000	610,200	101,700	1,389,900 ($18,532)
5	Interviews(a)	91*(11 × 8+3)*	91	91	
	Rate /hr(b)	2 × 3,000	3 × 1,800	900	
	Cost (a × b)	546,000	491,400	81,900	1,119,300 ($14,924)
5 Years Total					8,646,900 ($115,292)

Cost of conducting entrance interviews for staff that were replacing the separated employees amounted to Ksh.8, 646,900.00 ($115,292.00) over the five year period. This cost relates to the time taken by the members of the interview panel to conduct the interviews. Each interview took one hour to complete. The annual costs of the entrance interviews varied based on the number of interviews conducted, which was determined by the resignations as shown in Table 24. The annual breakdown of this cost is reflected as part of the replacement cost in computing the total cost of turnover at the bank.

Post-employment HR costs

The post-employment cost includes file preparation cost handled by one clerk (at the rate of Ksh.300.00 per hour) at an average of 1 hour per file. A medical examination was Ksh.1000.00 per employee hired and was done at a medical facility paid for by the bank. The human resources department representative introduces the employees to the entire workings of the bank, and this takes two working days of a manager's work time, which is 16 hours at Ksh.900.00 per hour. Summarized in Table 25 are the expenses over the five year period of the study.

Table 25. Post-employment costs (Ksh.)

Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Total
File preparation- HR	3,600	6000	7,200	3,900	3,300	24,000
Medical examinations	12,000	20,000	24,000	13,000	11,000	80,000
HR orientation - Mgr	14,400	14,400	14,400	14,400	14,400	72,000
Managers	5,400	5,400	4,500	2,700	900	18,900
Clerks	1,800	4,200	5,700	3,000	3,000	17,700
Total	37,200	50,000	55,800	37,000	32,600	212,600
	($496)	($667)	($744)	($493)	($435)	($2,835)

As shown in Table 25, the bank spent a total of Ksh.212, 600.00 ($2,835.00) over the five years period, to take up the new hires. These costs were incurred in preparing the final documentation of the new hires and getting them oriented to the bank by a manager in the human resources department. The annual details of these cots as reflected in Table 25 are included as part of the replacement cost in the total turnover cost.

Training costs

The new hires are trained to be able to simulate into the bank and take up their job responsibilities and learn to perform to the required standards. The bank has a formal training program for the new hires. It was established that all newly employed workers go through a one-month formal orientation period, within which they learn the work that they will be doing in the bank and how other related sections and departments operate. The bank conducts this training program at its training school. The branch managers do the on-the-job orientation at the branch level. All the new hires joining at the clerical grade take a cashiering course as a basic requirement. During training, the new employees earn the full benefits as they are employees of the bank.

Presented in Table 26 are the detailed costs for the trainings provided to the newly employed workers. The formal orientation session costs Ksh.15, 000.00 per employee. The total cost related to this category is obtained by multiplying by the number of resignations per year, taking into account their ranks. The salary paid to the new employees during the training period is a cost since the new employees are not working but are earning the full salary. The salary paid to the clerks is multiplied by 2 since they attend two trainings which are the orientation and cashiering courses. The cost of the manager orienting the staff at branch level is 25% of the manager's monthly pay of Ksh.150, 000.00, based on information provided by bank management.

Table 26. Cost of training new employees (Ksh.000)

Year		Participants	Rate per person	Sub total	Total
	Formal orientation	12	15	180	
1	Cashiering	6	15	90	270
	Paid Salary	6 clerks	50	2x 300	
		6 managers	150	900	1,500
	Employee trainer	12	25% x 150	450	450
	Total cost				2,220 ($29,600)
	Formal orientation	20	15	300	
2	Cashiering	14	15	210	510
	Paid Salary	14 clerks	50	2x 700	
		6managers	150	900	2,300
	Employee trainer	20	25% x 150	750	750
	Total cost				3,560 ($47,467)
	Formal orientation	24	15	360	
3	Cashiering	19	15	285	645
	Paid Salary	19 clerks	50	2 x 950	
		5 managers	150	750	2,650
	Employee trainer	24	25% x 150	900	900
	Total cost				4,195 ($55,933)

Table 26. continued

Year		Participants	Rate per person	Sub total	Total
	Formal orientation	13	15	195	
4	Cashiering	10	15	150	345
	Paid Salary	10 clerks	50	2 x 500	
		3 managers	150	450	1,450
	Employee trainer	13	25% x 150	487	487.5
	Total cost				2,282.5 ($30,433)
	Formal orientation	11	15	165	
5	Cashiering	9	15	135	300
	Paid Salary	1 support	30	30	
		9 clerks	50	2 x 450	
		1 managers	150	150	1,080
	Employee trainer	11	25% x 150	412.5	412.5
	Total cost				1,792.5 ($23,900)
		5 Years Total cost			14,050 ($187,333)

Cost of training the new employees amounted to Ksh.14, 050,000.00 ($187,333.00) over the five-year period. The annual training costs, as detailed in Table 25 are also presented as part of the total turnover cost incurred by the bank. The training costs relate to the formal orientation program expected to bring up the new hires to the bank's expected work performance standards and the salaries paid during the training period.

Learning and productivity cost

As part of the training and learning cost to get the new hires to the acceptable productivity levels, Bliss's(2004) estimation proportions was used. Cost of lost productivity because of resigning employees is set at the minimum recommended of 50% of the separated person's annual salary. The cost of lost knowledge, skills and contacts is set at 50% of the person's annual salary for one year of service. On completion of training, the employee contributes 25% of productivity for first month. The cost to the bank is therefore 75% of the employee's monthly salary.

Table 27. Cost of lost productivity due to employees voluntarily resigning from the bank (Ksh.000)

Year		Participants	Rate per person	Sub total	Total
	Lost productivity	6 clerks	50@ 50%	150	
1		6 managers	150@50%	450	600
	Lost knowledge		50 @ 50%	150	
			150@50%	450	600
	Cost is 75% of pay		50@75%	225	
			150@75%	675	900
	Cost is 50% of pay		50 @ 50%	150	
			150 @50%	450	(2 x 600) 1,200
	Cost is 25% of pay		50 @ 25%	75	
			150 @25%	225	(2 x 300) 600
	Total cost				3,900 ($52,000)
	Lost productivity	14 clerks	50 @ 50%	350	
2		6 managers	150@50%	450	800
	Lost knowledge		50 @ 50%	350	
			150@50%	450	800
	Cost is 75% of pay		50@75%	525	
			150@75%	675	1,200
	Cost is 50% of pay		50 @ 50%	350	
			150 @50%	450	(2 x 800) 1,600
	Cost is 25% of pay		50 @ 25%	175	
			150 @25%	225	(2 x 400) 800
	Total cost				5,200 ($69,333)
	Lost productivity	19 clerks	50 @ 50%	475	
3		5 managers	150@50%	375	850
	Lost knowledge		50 @ 50%	475	
			150@50%	375	850
	Cost is 75% of pay		50@75%	712.5	
			150@75%	562.5	1,275
	Cost is 50% of pay		50 @ 50%	475	
			150 @50%	375	(2 x 850) 1,700
	Cost is 25% of pay		50 @ 25%	237.5	
			150 @25%	187.5	(2 x 425) 850
	Total cost				5,525 ($73,667)

Table 27. continued

Year		Participants	Rate per person	Sub total	Total
	Lost productivity	10 clerks	50 @ 50%	250	
4		3 managers	150@50%	225	475
	Lost knowledge		50 @ 50%	250	
			150@50%	225	475
	Cost is 75% of pay		50@75%	375	
			150@75%	337.5	712.5
	Cost is 50% of pay		50 @ 50%	250	
			150 @50%	225	(2 x 475) 950
	Cost is 25% of pay		50 @ 25%	125	
			150 @25%	112.5	(2 x 237.5) 475
	Total cost				3,087.5 ($41,167)
	Lost productivity	1 support	30@50%	15	
5		9 clerks	50 @50%	225	
		1 manager	150 @50%	75	315
	Lost knowledge		30@50%	15	
			50 @ 50%	225	
			150 @50%	75	315
	Cost is 75% of pay		30@75%	22.5	
			50@75%	337.5	
			150@75%	112.5	472.5
	Cost is 50% of pay		30@50%	15	
			50 @50%	225	
			150 @50%	75	(2 x 315) 630
	Cost is 25% of pay		30 @25%	7.5	
			50 @25%	112.5	
			150 @25%	37.5	(2 x 157.5) 315
	Total cost				2,047.5 ($27,300)
		5 Years total cost			19,760 ($263,467)

For the next two months, the new employee is at 50% productivity so the cost is at 50% of the monthly salary. In the following two months, the worker is at 75% productivity and so the cost to the bank is at 25% of the monthly salary. Full productivity kicks in the sixth month of service. The cost based on the productivity of the new hire during the training and learning period is shown in Table 27.

As detailed on a annual basis in Table 27, the cost of lost productivity due to the voluntary resignation in the bank, and thus hiring new staff, amounted to Ksh.19,760,000.00 ($263,247.00) over the five year investigated. This cost is incorporated in Table 28 column (d) as productivity cost and constitutes part of the total cost of turnover to the bank.

Total cost of turnover

Total cost of turnover is computed as the summation of: Separation cost + Replacement cost + training + productivity cost. The breakdown of annual cost of turnover to the bank due to voluntary resignations by staff is shown in Table 28.

Table 28. Total turnover cost to the bank (Ksh.000)

Year		Costs in Ksh.000'									
		Separation (a)		Replacement (b)		Training(c)		Productivity (d)		Total	
		Ksh.	*%*	Ksh.	*%*	Ksh.	%	Ksh.	%	Ksh.	*%*
1	Exit interview	54.0	*100*							54.0	*0.7*
	Pre /Post inter			477	*24.9*					477	*6.0*
	Entrance inter			1,402.2	*73.2*					1,402.2	*17.3*
	Post employ			37.2	*1.9*					37.2	*0.4*
	Training					2,220.0				2,220.0	*27.4*
	Productivity							3,900.0		3,900.0	*48.2*
	Total cost	54.0	*100*	1,916.4	*100*	2,220.0		3,900.0		8,090.4 ($107,872)	*100*
2	Exit interview	87.6	*100*							87.6	*0.8*
	Pre /Post inter			487.2	*17.9*					487.2	*4.2*
	Entrance inter			2,189.4	*80.3*					2,189.4	*18.9*
	Post employ			50.0	*1.8*					50.0	*0.4*
	Training					3,560.0				3,560.0	*30.8*
	Productivity							5,200.0		5,200.0	*44.9*
	Total cost	87.6	*100*	2,726.6	*100*	3,560.0		5,200.0		11,574.2 ($154,323)	*100*
3	Exit interview	103.8								103.8	*0.8*
	Pre /Post inter			495.9	*16.0*					495.9	*3.8*
	Entrance inter			2,546.1	*82.2*					2,546.1	*19.7*
	Post employ			55.8	*1.8*					55.8	*0.4*
	Training					4,195.0				4,195.0	*32.5*
	Productivity							5,525.0		5,525.0	*42.8*
	Total cost	103.8		3,097.8	*100*	4,195.0		5,525.0		12,921.6 ($172,288)	*100*

Table 28. continued

		Separation (a)		Replacement (b)		Training(c)		Productivity (d)		Total	
4		Ksh.	%	Ksh.	%	Ksh.	%	Ksh.	%	Ksh.	%
	Exit interview	56.4	*100*							56.4	*0.8*
	Pre /Post inter			467.7	*24.7*					467.7	*6.4*
	Entrance inter			1,389.9	*73.4*					1,389.9	*18.9*
	Post employ			37.0	*1.9*					37.0	*0.5*
	Training					2,282.5				2,282.5	*31.2*
	Productivity							3,087.5		3,087.5	*42.2*
	Total cost	56.4	*100*	1,894.6	*100*	2,282.5		3,087.5		7,321.0 ($97,613)	*100*
	Exit interview	46.8	*100*							46.8	*0.9*
5	Pre /Post inter			461.1	*28.6*					461.1	*8.4*
	Entrance inter			1,119.3	*69.4*					1,119.3	*20.4*
	Post employ			32.6	*2.0*					32.6	*0.5*
	Training					1,792.5				1,792.5	*32.6*
	Productivity							2,047.5		2,047.5	*37.2*
	Total cost	46.8	*100*	1,613.0	*100*	1,792.5		2,047.5		5,499.8 ($73,331)	*100*
	5 Year total	348.6		11, 248.4		14,050		19,760		45,407.0 ($605,427)	

The total turnover cost at the bank in the year June 30, 2005 to June 30, 2006 (Year 1) was Ksh.8, 090,400.00 ($107,872.00). The average cost per employee amounted to Ksh.674, 200.00 ($8,989.00) in the year since twelve employees voluntarily resigned and had to be replaced. The resignations were six clerical officers and six employees in the management cadre. The highest proportion of this cost was due to the cost of lost productivity of resigning staff and low productivity of the new hires as they train and learn to competently take up the new jobs. The cost of this fluctuation in the productivity amounted to Ksh.3, 900,000.00 ($52,000.00) or 48.2% of the total cost. The cost of the initial orientation and basic training in banking amounted to Ksh.2, 220,000.00 ($29,600.00) or 27.4% of the total cost. The cost of the process of replacing the staff, starting from the exit interviews to employment of new workers, amounted to Ksh.1,970,400.00 ($26,272.00) or 24.4% of the total cost.

In the year July 1, 2006 to June 30, 2007 (Year 2), the total turnover cost was Ksh.11, 574,200.00 ($154,322.00). Twenty employees resigned, six in management and fourteen in the clerical category making the average cost of turnover to be Ksh.578,710.00 ($7,716.00). Productivity cost was Ksh.5, 200,000.00 ($69,333.00) or 44.9% of the total cost. The training cost amounted to Ksh.3, 560,000.00 ($47,467.00) or 30.8% of the total cost. The employee replacement process cost was Ksh.2, 814,200.00 ($37,523.00) or 24.3% of the turnover cost.

In the third year, which was July 1, 2007 to June 30, 2008, the total turnover cost at the bank due to voluntary resignation of twenty four employees, nineteen clerical and five management staff, was Ksh.12,921,600.00 ($172,288.00). The average turnover cost per employee in this year was Ksh.538, 400.00 ($7,178.00). Productivity cost was Ksh.5, 525,000.00($73,667.00) or 42.8% of the total. Training cost was Ksh.4, 195,000.00 ($55,933.00) or 32.5% of the total cost, while the replacement process cost amounted to Ksh.3, 201,600.00($42,688.00) or 24.7% of the total cost.

The cost of turnover at the bank in the year July 1, 2008 to June 30, 2009 was Ksh.7, 321,000.00 ($97,613.00). Thirteen employees voluntarily resigned from the bank, ten in the clerical rank and three in management, the average turnover cost per employee was Ksh.563,154.00($ 7,508.00). The productivity cost was Ksh.3, 087,500.00 ($41,166.00) or 42.2% of the total cost. The replacements process cost was Ksh.2, 384,800.00 ($31,797.00) or 32.1% of the total cost, and the training cost was Ksh.1, 951,000.00 ($26,013.00) or 25.7% of the total cost.

In the fifth year reviewed, which was July 2009 to June 2010, eleven employees voluntarily resigned from the bank, nine in clerical grade and one each in management and support staff ranks. The total cost of turnover was Ksh.5, 499,800.00($73,330.00) and the average cost per employee was Ksh.500, 000.00 ($6,667.00). The cost of the process of replacements amounted to Ksh.1, 659,800.00 ($22,130.00) or 39.2% of the total turnover cost. Productivity cost was Ksh.2, 047,500.00 ($27,300.00) or 37.2% of the total cost. Training cost was Ksh.1, 792,500.00 ($23,900.00) or 32.6% of the total turnover cost.

Over the five year period, the bank lost eighty employees who voluntarily resigned from the bank service. Fifty-eight of them or 72.5% were in the clerical rank, twenty-one or 26.2% in the management rank and only one from the support staff category. Over the five years it cost the bank Ksh.45, 407,000.00 ($605,427.00) in turnover cost, an annual average of Ksh.9, 515,200.00 ($126,869.00). The average cost of the turnover per employee over this period was Ksh.567, 588.00 ($7,567.00). Based on the clerical staff monthly salary of Ksh.50, 000.00 (or Ksh.600, 000.00 per year), this is approximately 100% annual salary of a clerk at the bank.

Productivity cost was the highest at Ksh.19, 760,000.00 ($263,467.00) or 43.5% of the turnover cost over the period. The training cost amounted to Ksh.14, 050,000.00 ($187,333.00) or 30.9% of the total. The cost of the process of replacing the separated staff amounted to Ksh.11, 597,000.00 ($154,627.00) or 25.6% of the total turnover cost.

Presented in Table 29 is the summary of the turnover cost over the five year period of June 30, 2005 to June 30, 2010.

Table 29. Summary of turnover cost June 2005 to June 2010 (Ksh.000)

	Year 1 (2005-2006)		Year 2 (2006-2007)		Year 3 (2007-2008)		Year 4 (2008-2009)		Year 5 (2009-2010)		Total	
		%		%		%		%		%		%
Separation	54.0	*0.6*	87.6	*0.8*	103.8	*0.8*	56.4	*0.7*	46.8	*0.8*	348.6	*0.8*
Replacement	1,916.4	*23.7*	2,726.6	*23.6*	3,097.8	*23.9*	1,894.6	*25.9*	1,613.0	*29.3*	11, 248.	*24.8*
Training	2,220.0	*27.4*	3,560.0	*30.8*	4,195.0	*32.5*	2,282.5	*31.2*	1,792.5	*32.6*	14,050	*30.9*
Productivity	3,900.0	*48.2*	5,200.0	*44.9*	5,525.0	*42.8*	3,087.5	*42.2*	2,047.5	*37.2*	19,760	*43.5*
Total cost	8,090.4	*100*	11,574.2		12,921.6		7,321.0		5,499.8		45,407.	*100*
Total cost($)	107,872		154,323		172,288		97613		73,331		605,427	

Research Question 4

What strategies are employed by the bank's management in addressing employee turnover? To answer this research question, the Human Resource Director at the bank was interviewed by the researcher. The director responded to the question by noting that the bank's management recognized that turnover was a concern to monitor and therefore some policies were in place. The policies in place included, conducting detailed and informative exit interviews and replacing staff who resign through interviews. The director pointed out that the management is currently thinking of drafting a policy on employee succession planning.

The HR Director reported that the bank used to rely on the resignation letters to get the reasons why employees were separating from the bank. The letters, the administration noted, did not indicate other embedded reasons prompting the resignations and therefore it did not help in understanding the turnover issues in total. The letters were in any case received at the time the employees were already exiting the bank. The bank administration therefore introduced exit interview forms in February 2010 as a way of collecting more details from resigning employees. The resigning employees are able to state what they liked during the tenure as workers at the bank, what they did not like, and are allowed to suggest how the problem could be resolved. These choices were not available before, and management has found the information being gathered as being important for purposes of starting to manage other turnover related issues as it has improved the understating of why some workers are resigning.

The bank administration has a policy of replacing the staff who resigns from employment through interview because it enables the bank to recruit from a pool of well qualified people in a transparent and accountable way. The management is able to employ near equivalent quality of personnel to replace the separated employees, but acknowledged disruption to work productivity and service provision that come with turnover. The director recognized that replacing staff is a time-consuming and expensive exercise to the bank, although the bank had never calculated the actual cost of employee turnover.

The interview techniques used in recruiting and hiring staff to the bank is being updated, according to the director of HR. The HR director stated that the guidelines they were currently using did not fully help them probe and identify the workers who would stay at the bank. The administration noted that a number of employees, especially college graduates, joined the bank and resigned after six months to pursue further studies or employment elsewhere. The management felt that such potentially high turnover persons should be identified and eliminated at the entry point, since their actions disrupted work flow and cost the bank time and money. The management is aiming at attracting and keeping employees. The new procedures target people who are likely to stay at the bank longer and develop a career given the bank's organization structure. The director explained that in the past some graduate trainees were unrealistically ambitious and could not stay long at the bank. The young graduates were asking for salaries the bank could not afford or for job titles that did not exist in the bank's administrative structure. The acts of good recruiting will, according to the HR director, save on the time and cost of engaging and developing personnel.

The director stated that the bank is now thinking of working on a comprehensive employee succession plan to control the negative impact of turnover on the bank. The director further pointed out that when employees resign, bank branches become understaffed and service provision is affected. The director added that the bank was losing staff to other banks that did not want to train workers but only paid a premium salary to attract already trained employees. The completed policy on succession planning should cover the salary levels, employee responsibilities, job performance, and align these attributes to keep employees who are performing their jobs well. The promotion criteria according to the director will be changed to give employees a clear career path if they perform well. These aspects of salary, performance and promotion are not in place in the proposed form.

The response by the director of human resources showed that the bank had some policies on how to monitor turnover. The bank administration recognized turnover as a concern and are working towards updating policies that can help to attract and keep good employees. The bank has not calculated the cost of turnover, which as shown in Research Question 3, begins from employee separation and includes replacement cost and training of new hires. The management only acknowledges that it is costly and time consuming to replace staff. It is therefore noted that the results of this study, which will be shared with the studied bank's administration, should help the bank understand and appreciate the turnover issues at the bank in a better way and assist in addressing the future staff turnover, and productivity issues at the bank.

Summary

The findings based on the five years data collected from the bank, show the bank lost its employees because of the avoidable reason of the employees being offered better salary elsewhere. The employees who resigned because of job offers with better pay elsewhere accounted for 65% of the separations. A larger proportion of the employees who voluntarily resigned from the bank were well qualified academically, 66.3% were college graduates who had bachelor's degrees. Over 80% of all the employees who resigned from the bank had received some banking training during their tenure as bank workers. About 70% of the total separations were employees who had worked at the bank for more than one year with most of the separations, 35%, being persons who had been at the bank for more than 10 years. All the employees who separated from the bank had been rated as satisfactory and above in performance with 92% of them being rated as good or excellent at performing their jobs. The findings are that the effort needed to replace the employees who voluntarily resigned was high, as 56% of the separated employees were either very difficult or somewhat difficult to replace.

The findings demonstrate that the bank lost good quality workers through voluntary resignation. The quality as measured in terms of the academic qualification of employees who resigned, the training the bank had provided to them, and the years of banking experience. The bank's management expressed a desire to rehire more than

50% of the employees who voluntarily resigned if given an opportunity. Turnover was negatively affecting the quality of human capital at the bank.

The bank management had never calculated the cost of turnover which includes the employee separation cost, replacement cost and cost of training of new hires and cost of lost productivity. Over the five year period the annual average cost of turnover was calculated to be approximately Ksh.600, 000.00 ($ 8,000.00) per separated employee. The amount is equivalent to one year salary of a clerical officer at the bank. The management acknowledges that it is costly and time consuming to replace staff and this finding explains to them the actual costs they are dealing with.

In terms of turnover policies, the administration has some turnover monitoring policies in place, but there is need to develop others such as succession plans, to be able to proactively manage the process. Good management of turnover may result in stable worker productivity and less financial costs to the bank

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The purpose of this study was to identify the causes and consequences of voluntary employee turnover in a financial institution in Kenya. The researcher aimed at first establishing the reasons for the voluntary employee turnover at the bank and whether the reasons were avoidable or unavoidable. Second, observe if the turnover had an effect on the quality of the human capital at the bank. The quality of the human capital was shown by the educational qualifications of the employees who were voluntarily resigning from the bank, their banking work experience, job performance rating, and banking training that had been provided to them while working at the bank. Third, the cost of turnover to the bank was calculated to assess the financial impact. Finally the strategies employed by the bank's management in managing turnover were reviewed.

Procedures

The researcher extracted data from the personnel files of all the 80 employees who had voluntarily resigned from the bank in the five year period of June 30, 2005 to June 30, 2010. The institution held all the personnel files as archival records and in the files were letters of resignations that had the reasons for the voluntary resignations. All the 80 files were reviewed, thus the total population of the individuals who resigned was examined and this removed any potential problems of data sampling. All the managers who worked with the employees who resigned were contacted and they completed section B in the Employee Turnover Data Recording Form (Appendix 4) responding to questions on the desire to rehire the separated workers given an opportunity. The data collected were coded by the researcher and input into the Statistical Packages for Social Sciences software (SPSS) version 16.0 for analysis. Descriptive statistics that included generation of frequency tables, graphs and clustered bar graphs, as well as cross tabulations of data collected, was used to analyze and present the data. Data on employee costs were generated from the information collected using the Employee Turnover Interview Guide Form (Appendix 5) and turnover cost computed. The Chi-Square Goodness-Fit Test was used to test the stated research hypotheses. The calculated value of Chi-Square was corrected for continuity using the VassarStats to validate continuity and consistency (Lowry, 2011).

Summary of Findings

Research question 1

In addressing Research Question 1, the researcher sought to establish the reasons why employees voluntarily resigned from the bank and what proportion of the reasons were avoidable or unavoidable. The researcher noted that 67% (n=56) of the employees who voluntarily resigned from the bank did so because they were offered better salaries elsewhere. Therefore, “Better Salary Elsewhere” was the main reason for employee resignation from the bank. Abelson (1987) classified this reason as avoidable. The hypothesis that the proportion of turnover due to avoidable reasons was significantly higher than the proportion of turnover due to unavoidable reasons was supported by the findings. The calculated $\chi^2 = 9.8$ was significant compared to the critical value of

$\chi^2 = 3.84$; df = 1; $p < 0.05$; N = 80. The calculated Chi-Square value corrected for continuity was $\chi^2 = 9.12$, which was also significant; df = 1; p = 0.025.

Research question 2

In addressing Research Question 2, the researcher sought to establish the quality of the human capital that was resigning from the bank. The researcher established that 66.2% (n = 53) of the employees who voluntarily resigned from the bank had a bachelor's degree and 5% (n = 4) had a master's degree. These two categories of university graduates accounted for 71.25% of the employees who separated from the bank. It was therefore noted that most of the employees who voluntarily resigned from the bank had good academic qualifications. The hypothesis that the proportion of separated employees with high academic qualifications was significantly greater than the proportion of separated employees with lower academic qualifications was supported by the findings. The calculated $\chi^2 = 51.93$ was significant compared to the critical value of the $\chi^2 = 5.99$; df = 2; $p < 0.05$; N = 80. The calculated Chi-Square value corrected for continuity was, $\chi^2 = 51.9$, which was also significant; df = 2; $p < 0.001$.

The bank had provided banking training to 80% (n = 64) of the employees who voluntarily resigned over the reviewed five year period. Most of these employees, 33.7% (n = 27) had received only the basic banking practice training; 32.5% (n = 26) of the workers had attended intermediate banking training; and 13.8% (n = 11) had received advanced banking practice training while at the bank. The hypothesis that the proportion of separating employees who had attended banking training provided by the bank was significantly greater than the proportion of those who had not attended any training provided by the bank was supported by the findings. The calculated $\chi^2 = 9.1$ was significant compared to the critical value of the $\chi^2 = 7.81$; df = 1; $p < 0.05$; N = 80. The calculated Chi-Square value corrected for continuity was $\chi^2 = 9.1$, which was also significant; df = 3; p = 0.025.

The researcher noted that 35% (n = 28) of the workers who voluntarily resigned from the bank had worked at the institution for more than ten years. Workers who had been at the bank for between one and three years constituted 21.2% (n = 17) of those who voluntarily resigned in the five year period. A similar percentage of 21.2% (n = 17) had served for less than six months before resigning from the bank. The hypothesis that the proportion of separating employees with more years of banking work experience was significantly greater than the proportion of those with less years of banking work experience was supported by the research findings. The calculated $\chi^2 = 15.4$ was significant compared to the critical value of the $\chi^2 = 9.45$; df = 4; $p < 0.05$; N = 80. The calculated Chi-Square value corrected for continuity was $\chi^2 = 15.75$, which was also significant; df = 4; p = 0.0034.

It was noted that 91.3% (n = 73) of the workers who resigned from the bank were rated as either good or excellent in performing their work. No employee who resigned from the bank had been rated below the satisfactory performance category. The hypothesis that the proportion of separated employees who had good job performance rating was significantly greater than the proportion of separated employees with poor job performance rating was supported by the findings. The calculated $\chi^2 = 70.52$ was significant compared to the critical value of the $\chi^2 = 5.99$; df = 2; $p < 0.05$. The calculated Chi-Square value corrected for continuity was $\chi^2 = 70.53$, which was also significant; df = 2; $p < 0.0001$.

Research question 3

In addressing Research Question 3, the researcher sought to determine the total turnover cost to the bank over the five year period studied. The total turnover cost to the bank, which was a summation of the separation cost; replacement process cost; the training cost and the lost productivity cost; was Ksh.45, 407,000.00 ($605,427.00). The cost worked out at an annual average of Ksh.9, 515,200.00 ($126,869.00). The average cost of the turnover for every employee who voluntarily resigned from the bank was Ksh.567, 588.00 ($7,567.00). Lost productivity cost accounted for the highest amount at Ksh.19, 760,000.00 ($263,467.00) or 43.5% of the turnover cost over the five year period. The training cost was Ksh.14, 050,000.00 ($187,333.00) or 30.9% of the total. The cost of the process of replacing the separated staff was Ksh.11, 597,000.00 ($154,627.00) or 25.6% of the total turnover cost. The resignations in the five year period were comprised of 72.5% (n = 58) clerical staff; 26.2% (n = 21) management staff and only 1.3% (n = 1) support staff. A clerical officer earns on average Ksh.600, 000.00 ($8000.00) annually.

Research question 4

In addressing Research Question 4, the researcher sought to establish the existing policies aimed at addressing the issues of employee turnover at the bank. The bank was noted to have some policies that could help monitor employee turnover issues. These included conducting detailed and informative exit interviews and replacing staff who resign through competitive interviews. These could however be viewed more as employee replacement policies and not turnover management policies. The turnover management policies such as diligent recruitment procedures, employee succession planning, employees' career development, and strategic staff training and development to replace separating employees were not in place.

In summary, the researcher established that "Better Pay Elsewhere" was the major reason for staff turnover at the bank and that this is an avoidable reason. The bank was losing well qualified staff and had invested in training 80% of the employees who voluntarily resigned from the bank. The employees who resigned from the bank were good and excellent job performers and most of them had worked at the bank for over ten years. The management spent about 100% of the annual salary of a clerical officer to replace one separated staff, and the administration had not calculated this cost before.

Conclusions

Conclusion 1

Just like in most other organizations, better salaries are a major determinant in employee retention at the studied bank. Griffeth et al. (2000) meta–analysis on turnover antecedents and correlates showed that there was a strong relationship between pay levels and turnover. The findings in this study were that 65% (n = 52) of the employees who voluntarily resigned gave "Better Pay Elsewhere" as a reason for leaving employment. Of the employees who resigned, 53.8% earned Ksh.50, 000.00 ($700.00) per month and below. Only 7.7% of the workers in the higher salary category of Ksh.150, 000.00-Ksh.300, 000.00 ($ 2000.00-$4000.00) per month resigned over the five year period, an indication that better paid workers did not resign as much. The fundamentals of the March and Simon (1958) “decision to participate theory” are upheld in this study. That is, the workers perceived the inducements as not being commensurate to contributions they made and therefore resigned on getting suitable jobs elsewhere, while the category that got better inducements stayed on. Morice and Murray (2003) noted that employee earnings and other monetary incentives play a major role in reducing turnover, which was the case in this study as well.

Being offered better pay elsewhere is an avoidable reason for turnover as it is usually within management’s control (Abelson, 1987). Because of lower salaries, the bank in this study lost employees who had good academic qualifications. For instance, 80.7% of the workers who resigned from the bank because of “Better Salaries Elsewhere” were university graduates who held bachelor’s or master’s degrees. The bank had trained 80% of the employees who resigned and 71.7% of these trained persons resigned because of being offered better pay elsewhere. The studied bank could avoid the turnover by enhancing the pay since most of the employees who resigned were joining other banks in the same industry.

Conclusion 2

Regarding employee performance, the findings in the study reveal that the bank is losing good quality and highly rated job performers. Over the five year period, 91.3% of the workers who voluntarily resigned were either good or excellent job performers, 96% of workers in these categories (good and excellent workers) left because of “better pay elsewhere”. This was consistent with Griffeth et al. (2000) observation which stated that the performance turnover correlation was negative where the workers are rewarded well and positive where workers are not well rewarded. The employees at the studied bank were not well rewarded and that is why they were leaving for better pay elsewhere. The loss of employees who are good workers is likely to affect performance in terms of service provision at the branches from which they are resigning if the rate of voluntary resignations is not well managed. When good workers are not recognized and compensated well, to the extent that they resign, it may affect the performance of other workers (Felps et al., 2009). This turnover is likely to affect the remaining staff and trigger more turnovers. At the studied bank, one branch experienced increased turnovers which were triggered by the departure of a manager and a cashier, both of whom had been consistently rated as excellent performers. Service provision was affected and the senior management had to intervene to calm the workers. This was dysfunctional to the branch and the bank's service provision.

Conclusion 3

Well qualified and trained employees are the ones who are likely to change jobs if they feel dissatisfied with the jobs they are holding. The researcher in this study show that the well trained and qualified workers were finding better paid jobs within the banking industry and so they left. This was consistent with the findings in the meta–analysis study by Cotton and Tuttle (1986) in which they established that education was positively related to turnover, meaning the higher the level of education an employee had the higher the turnover tendency of such an employee, if other factors of job satisfaction were not addressed. The researcher established in the literature review that many bank branches were opening in the Kenyan banking industry (CBK, 2008), and therefore providing an opportunity to well trained bank employees to change jobs. The Central Bank (2008) Report pointed out that a "talent war" was likely to increase and the findings in this study point towards the same. It was confirmed by the HR director at the examined bank that newly established banks were recruiting trained personnel who were not satisfied at their current employment in the existing banks. Employees who are well trained are marketable and according to Beach's (1990) Image theory, employees form an image of themselves in the institutions they are in and the level to which they want to take their career. When the institutions they are working for do not meet the image projected, they are likely to resign. The studied bank did not meet the projected personal images of the employees in terms of pay and career growth and so they resigned to join other banks.

The studied bank lost good quality personnel and this affect its performance in terms of service provision to customers. This was seriously experienced at one of the bank branches where a manager and a cashier resigned in a short span of time. The bank has to spend money hiring and training suitable replacement staff. As noted by Hitt and Ireland (2002), organizations that train and reward employees well will keep them and get higher performance in return. The studied bank attracted qualified workers, trained them, but failed to reward them well and therefore the bank did not get the performance needed because some of them left for better pay. It is time this bank reviewed its pay structure to retain its valued staff. As Trevor (2001) noted, the management's belief that a certain pay level is sufficient for employee retention given the labor market may not work well for the bank.

The bank had provided training to 80% of the employees who separated in the five year period. According to Martin (2003), training and development opportunities provided by organizations lead to staff commitment and reduce the turnover. This is because the employees feel the organization cares for them and they respond by staying on and performing better. This could be true for the studied bank since they provided training to the employees; however, there seems to be a problem with the salary structure. Most of the employees who left the bank had worked for ten years before they resigned. Most of them were good performers implying that they were embedded within the bank and intended to serve (Mitchell et al., 2001). However, the bank did not meet their salary expectations for a long time and they got dissatisfied and started looking for alternative jobs. Underpayment is the most felt form of inequity in organizations (Jex & Britt, 2008), therefore despite the employees having stayed for over ten years because of the training they got from the studied bank, they eventually decided to resign and move where the pay was better.

Conclusion 4

The cost of employee separation was considered to be substantial to the studied bank. This is supported by the fact that it cost about 100% of the annual salary of a clerical officer to replace one employee (Ksh.578, 710.00 or $7,716.00). The examined bank engaged substantial resources in time and money replacing the staff who had voluntarily resigned. The management had to identify suitable replacements and pay for staff training and development to be able to achieve the required standards of productivity from the new workers. As noted by Casio (2007), productivity cost is the highest component in the cost of turnover, and the same holds in this study as it amounts to an annual average of about 45% of the total turnover cost. Despite spending a lot of time in the staff replacement exercise, the bank's management had not calculated the cost of separations. Employers do not fully appreciate the cost of turnover until it is presented to them in such computations (Boudreau & Ramstad, 2007). The computation of this cost was considered to be conservative as it did not factor in detailed costs of transactions such as frauds or lost business. The later costs were not explored since they fell outside the scope of this study in terms of detail. Hewlett and Luce (2005) observed that the turnover cost of replacing a young auditor at Ernst & Young was about 150% of separating employee's annual pay. This would closely compare with the cost computations in this study, as it costs about 100% of the annual pay of a clerical officer to replace one employee in this case. The cost incurred in the separation and replacements could be directed towards and pay for salary increases that could lead to reduction of turnover and more sustained employee productivity.

Conclusion 5

The management at the studied bank recognized turnover as an issue to be closely monitored and controlled but it had not put in place all the policies necessary for turnover management. The administration only had procedures of staff replacement but not of staff retention. The bank did not have an employee succession plan that would guide staff replacement without loss of productivity. At separation, replacement staffs are drawn from other branches which only affected operations at the donating branches. The management did not have a clear promotion criterion that would ensure salary and responsibility increases were fair to keep the workers satisfied. This is evidenced by the fact that some staff stayed in one grade for a long time, in some instances up to ten years and they eventually resigned. The bank management recognized and stated during the study the need to be more candid with the workers and share with them the salaries that the bank can afford. This entry salary expectation was noted to affect mainly the graduate clerks who joined the bank. Well-set expectations at the beginning of the contract would lead to more staff stability. According to Porter and Steers's (1973) Expectations Theory, well stated expectations lead to reduced turnover. It is noted in the study that 21.25% of the employees who resigned had served for less than six months; this might have been an indication of not well-set expectations at time of engagement. The new employees most likely walked into a deal below their expectations and they immediately left when they got better pay elsewhere. Trevor (2001) note that workers who have higher levels of education (new university graduates in this case) quickly leave if their expectations are not met. Management may have the impression that it can hire cheap abundant labor, but in the long run these engagements are only expensive to the bank as evidenced by the financial cost incurred in the replacement exercise.

In conclusion, the researcher submits that the consequence of voluntary employee turnover on the bank was negative. This is shown in both monetary and non-monetary terms. The negative effects are shown by the loss of investment in human capital as shown by the qualifications of the employees who resigned, the training the bank provided to separated employees, and the money spent to replace and train new staff. Of the total separations, 71% were university graduates. The bank had spent resources to train up to 80% of the employees who voluntarily separated. Over 90% of the workers who resigned from the bank were rated by management as good or excellent job performers. As observed by Schlesinger and Heskett (1991), turnover among experienced staff disrupts provision of service and norms to new staff that are essential for providing high quality services. The bank spent about 100% of a clerical officer's annual salary to replace one employee. The bank administration wished to rehire over 50% of the separated workers, and this was a clear demonstration of loss incurred by the bank and the negative impact turnover had on its performance. The turnover at the bank was in most cases dysfunctional. The bank's management should work towards managing this turnover as the main reason for the resignations is avoidable and the resources being spent in the replacements are substantial and could be used in working out appropriate pay packages to increase retention. Retention as shown by this study could be a strategic human resource development strategy for a bank which is in a dynamic banking industry. This is because a dynamic industry offers job and professional growth opportunities and if the retention strategies are not in place, the bank will lose the core staff, and eventually performance will be affected. With a good retention strategy, which includes proper recruiting, training, placement and compensation, the human resource in organizations would be more stable and productive to achieve the desired performance.

Summary

Recommendations for bank management

The management at the studied bank should develop and implement policy on staff succession planning and retention. This may help the administration to identify the pivotal staff to be retained by the bank at reasonable costs. Pivotal staff separations negatively affect performance (Cascio & Boudreau, 2008). During this study, management indicated that it was difficult for them to replace five key employees who separated from the bank. The five employees were in critical roles and therefore strategically important to the bank's service provision. The staff resigned because of Better Pay Elsewhere, which is an avoidable reason. With sound human resource planning, the bank should be able to determine the pivotal staff and if it is not in a position to retain them, it can train the replacements in good time to ensure continuity of performance and productivity. Strategic succession planning may also reduce the dependency on a few good workers who may push the institution to pay high salaries that it may not be able to afford.

The management should complement the strategic succession planning with a strategic human resource development and training program, to ensure that the bank trains enough workers to seamlessly take over the vacancies left by separating staff. It was noted that 13.8% of the separations were due to staff going for further studies and 90% of these employees had bachelor's degree. It was also observed that these employees had to resign totally from the bank in order to pursue further studies. It is recommended that the bank develop a policy that may keep such employees in contact with the bank, as the bank has already invested in them and their further studies could be of more benefit to the bank when the employees complete the studies. As noted in Fogel (2007), the Nobel Prize economist stated that university graduates were 3 times more productive, and high school graduates 1.8 times more productive, as compared to workers with 9^{th} grade education. The studied bank should therefore be working towards retaining the graduates it has invested in to ensure high worker productivity. The bank administration should have a policy that will ensure balance in external and internal staff training to benefit from any human capital investment made on an employee. The administration indicated that they were willing to rehire up to 50% of the staff they lost. This showed that the bank's skills set are affected by the departures and a deficiency of good personnel was being felt at some branches because of the separations. These turnovers could be seen to be dysfunctional to the branch operations and therefore the bank. This was also pointed out by the management during the study interviews. Keeping a good training program that allows for career development over time would benefit both the bank and the employees. Complementing a good training program with a competitive salary structure could help the bank retain valued employees, as employee embeddedness would be enhanced.

The expectations of new hires, especially the graduate trainees who are hired as clerical officers at the bank, should be clarified at the time of contracting with the bank. This would help the workers project the correct personal image for themselves and the career they would have at the bank. It was noted that 20% of the employees who resigned did so within the first six months. The employees affected were mainly the new university graduates. This turnover is unproductive and dysfunctional to the bank as management spends time recruiting, hiring and incurring costs that could be avoided. The cost of turnover is high as shown in the study findings, the bank spent on average about Ksh.9, 515,200.00 ($126,869.00) per year in turnover cost.

The researcher noted that the main reason for staff resignation was better pay being offered elsewhere. The bank's management should carry out an appropriate banking industry salary survey and ensure that it has a competitive salary scale since most of the employees who were leaving for better pay were joining other banking institutions in the industry. This was an indication of pay anomaly at the bank. Underpayment, as noted by Jex and Britt (2008), is the most felt form of inequity. The bank should avoid being a training ground for the new banks and bankers that join the industry as this is expensive in terms of cost and lost business strategies to the completion in the sector.

By implementing the recommendations of strategic human resources planning, competitive pay, allowing for professional growth and training, the bank may improve the job satisfaction among its existing workers and improve their job performance. The management of the bank should always be aware of the fact that dissatisfied and uncommitted employees may stay on the job to earn a salary if they do not have suitable organizations to join (Jex & Britt, 2008; Mobley, 1977). The bank would therefore be paying for employees who are not fully engaged with the institution.

Recommendations for future research

Many turnover studies have been carried out in retail financial banking and the effects of the same on the institutions from multiple perspectives have been explained. However, not many researchers have investigated the detailed quality of separating employees in terms of educational qualifications, training, job performance and cost of separations in a single study. The researcher in part examined the quality of the human capital at the studied bank and what potential human capital investment the institution was losing. Few researchers have handled these multiple perspectives in one study in the banking sector. Computing the financial cost of turnover to the bank and organizations in general is a trend worth encouraging among HRD practitioners and scholars to show how the dollar value of separations impact organizations.

HRD scholars should now delve into more studies that embrace how to identify, develop and keep talent in organizations while at the same time assigning dollar value to the process. The assignment of dollar value will show the financial impact turnover has on organizations. By demonstrating the financial effect the HRD scholars will bridge the gap with the practitioners who are normally keener on the financial impact of activities to an organization. As noted by Cascio (2000), “The language of business is dollars not the correlation coefficients” (p. vii). Human capital utility should be identified and valued by organizations especially in the banking industry. This is because the banking sector plays a critical role in the globalization process of many other industries.

There are not many studies in the area of employee turnover that have been carried out in the Kenyan banking industry and developing countries' in general. Developing countries are increasingly becoming major players in the global economy and it is critical to fully understand all aspects of their banking sector. HRD scholars are therefore encouraged to explore the effects of turnover on the human capital investment in the banking sector as it is becoming more critical for banks to have stability with the globalization of world economies. Turnover affects the skills set in an organization as well as talent management and these in turn impact the core HRD interventions of training and development, career development and organizational development. The conducted study could be replicated in other Kenyan banks and other banks in the developing economies to evaluate the effects of turnover and develop a trend of how the same could be managed in the developing financial markets. The study could be extended to explore how much more turnover costs the banks in terms of frauds and lost customer business. Talent management is the emerging human capital science as explained by Boudreau and Ramstad (2007) and putting a dollar value to institutional talent is critical moving forward. Studies on turnover and other HRD related topics that take talent management at its core will be critical in the cutting edge research of HRD.

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APPENDIX 1

INSTITUTIONAL REVIEW BOARD APPROVAL LETTER

TEXAS A&M UNIVERSITY
DIVISION OF RESEARCH AND GRADUATE STUDIES - OFFICE OF RESEARCH COMPLIANCE

1186 TAMU, General Services Complex 979.458.1467
College Station, TX 77843-1186 FAX 979.862.3176
750 Agronomy Road, #3500 http://researchcompliance.tamu.edu/

Human Subjects Protection Program Institutional Review Board

DATE:	30-Jun-2010
MEMORANDUM	
TO:	OBIERO, DAN 77843-3578
FROM:	Office of Research Compliance Institutional Review Board
SUBJECT:	Initial Review

Protocol Number:	2010-0531
Title:	Consequences of Employee Turnover on Organizational Performance in the Banking Industry
Review Category:	Exempt from IRB Review

It has been determined that the referenced protocol application meets the criteria for exemption and no further review is required. However, any amendment or modification to the protocol must be reported to the IRB and reviewed before being implemented to ensure the protocol still meets the criteria for exemption.

This determination was based on the following Code of Federal Regulations:
(http://www.hhs.gov/ohrp/humansubjects/guidance/45cfr46.htm)
45 CFR 46.101(b)(2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures, or observation of public behavior, unless: (a) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and (b) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation.

APPENDIX 2

REQUEST FOR BANK'S PARTICIPATION IN STUDY

Managing Director

Kenya

Dear Sir,

RE: Research Work

My name is Dan Obiero, a Doctoral student at Texas A&M University, Texas, USA. As part of my academic program, I propose to carry out a study on: "The Consequences of Employee Turnover on Organizational Performance in the Banking Industry", for my dissertation work. As discussed in our meeting last summer, I would like to work with your bank in this study. I request to set up an appointment for a meeting to explain the details of the study and what its benefits could be to my academic work and your organization.

I look forward to your kind consideration of my request.

Yours faithfully

Dan Obiero

APPENDIX 3

INFORMATION SHEET AND AGREEMENT

The Consequences of Employee Turnover on Organizational Performance in the Banking Industry

Introduction

The purpose of this form is to provide you (as a prospective research study participant) information that may affect your decision as to whether or not to participate in this research.

You have been asked to participate in a research study on, the consequences of employee turnover on organizational performance. The purpose of this study is to find out the reasons for employee turnover at the bank, and how it affects the bank's performance. Establish the impact of turnover on the human capital, as shown by the academic and professional qualifications of the separated employees in the last five years, and their job performance rating while still in employment. The study will also estimate the financial cost of the separations. The findings will be important for organizational development planning and enhancing academic knowledge in this important topic of employee turnover cost.

You were selected to be a possible participant because you are the ………. at the Bank.

What will I be asked to do?

If you agree to participate in this study, you will be asked to allow the bank to participate in the study. This study will last a total of 3 weeks in the Bank.

What are the risks involved in this study?

The risks associated with this study are minimal since the information collected will be coded and cannot be attributed to any ex-employee by someone who does not know the coding. The researcher will keep the information confidential and it will not be used for any work other than academic purposes only. The risks associated with this study are minimal, and are not greater than risks ordinarily encountered in daily life.

What are the possible benefits of this study?

The possible benefits of participation are that, the research will establish the reasons and cost of turnover at the bank and thus appropriate action can be taken to reduce separations and enhance performance. The actions to be taken by the bank are likely to benefit the workers through improved work conditions, earnings and work environment. The society will benefit by having a stable and strong bank, which can facilitate business and development.

Do I have to participate?

No. Your participation is voluntary. You may decide not to participate or to withdraw at any time without your current or future relations with Texas A&M University being affected.

Who will know about my participation in this research study?

This study is confidential and your name or the bank name will not appear in any document that you complete. The data will be handled strictly by the researcher. The records of this study will be kept private. No identifiers linking you to this study will be included in any sort of report that might be published. Research records will be stored securely and only the researcher will have access to the records.

Whom do I contact with questions about the research?

If you have questions regarding this study, you may contact Dan Obiero.

Whom do I contact about my rights as a research participant?

This research study has been reviewed by the Human Subjects' Protection Program and/or the Institutional Review Board at Texas A&M University. For research-related problems or questions regarding your rights as a research participant, you can contact these offices at (979)458-4067

Participation

Please be sure you have read the above information, asked questions and received answers to your satisfaction. If you would like to be in the study, kindly sign the space below accepting participation and authorize the bank's participation.

Name of Participant ……………………

Signature…………..

Date…………………………….

Name of person collecting data…

Signature……………………………

Date…………………………….

Dear Sir/ Madam

RE: Research Work

My name is Dan Obiero, a Doctoral student at Texas A&M University, Texas, USA. As part of my academic program, am carrying out a study on: "The Consequences of Employee Turnover on Organizational Performance in the Banking Industry", for my dissertation work. I already have the approval of your managing director to work with the bank employees on this study. However, it is voluntary and up to you to decide if you want to participate. I request that you participate in completing a questionnaire on the subject since you had worked with an employee of the bank who voluntarily resigned from service. This may take a maximum of 15 minutes of your time and the information will be confidential. If you are agreeable, I will send you an information sheet with more details on the study and your rights as a participant.

I look forward to your favorable response to my request.

Dan Obiero

APPENDIX 4

EMPLOYEES TURNOVER DATA RECORDING FORM

Employees turnover data recording form was used to collect data on employees who voluntarily resigned from the bank in the five year period reviewed. No names were indicated in any part of this form. The form has two parts. Part A was for recording archival data from separated employee files. Part B was completed by the managers who worked with the separated employees.

A Archival Data From Employee Files

1 Employee identification number ……….

2 Employees gender □ Female □ Male

3 Employee's age category at exit □ 20-25 □ 26-30 □31-35 □36-40 □41-45 □46-50 □51-55

4 Employee's date of joining the bank service……/……/..….(DD/MM/YY)

5 Grade at joining.□ Support staff □ Clerical □ Management □ Senior manager

6 Branch at joining bank ……….

7 Employee's date of resignation from bank service………….(DD/MM/YY)

8 Grade at resignation. □ Support staff □ Clerical □ Management □ Senior manager

9 Branch at separation with bank

10 Employees reasons for departure

□ Better salary elsewhere□ Family reasons

□ Problems with administration □ Career change□ Further studies□ other

11 Employees number of years of banking experience

□ Less than 6 months□ 6 months – 1 yr □ 2 -3 yrs□ 4-6 yrs□ 7 – 10 yrs

□ More than 10 years

12 Departments worked in

I …………………….. II…………………… III……………………….. IV………………….

13 Time in each department worked in.

I …………………….. II…………………… III……………………….. IV………………….

Education, Training and Performance Records

14 Employee's academic qualifications

□ O-level□ A- level □ Bachelor's degree □ Master's degree □ PhD or doctorate

15 Employee's Professional qualification

□ CPS□ CPA□ AIB □others ……………(specify)

16 Employee's courses attended and level of course

□ None□ Basic□ Intermediate□ Advanced

17 Employee's performance ratings

□ Excellent□ Good □ Satisfactory □ Fair□ Unsatisfactory□ Not rated

18 Employee's salary (Ksh.000)

□ 10- 30□ 31- 50□ 51 - 70□71-100

□ 100- 150□ 150-300 □ 300,000 and over

B Completed by the Managers

19 Would you rehire given an opportunity?

□ Definitely □ Slightly preferred to someone else

□ Indifferent as to whether this person works for me again□ Would prefer to hire someone else □ Under no circumstances would I rehire

20 How would you rate this person's performance?

□ Exceptional, consistently demonstrated outstanding performance

□ High quality work, made a valuable contribution and showed initiative

□ Competent, required only minimal supervision

□ Generally adequate met most job requirements; required close supervision

□ Inadequate clearly failed to meet minimum job requirements

21 How easy would it be to get someone who would do as good a job as this person did?

□ Very easy□ Somewhat easy □ Somewhat difficult □ Very difficult

APPENDIX 5

EMPLOYEES TURNOVER INTERVIEW GUIDE FORM

This interview guide form was used during the interviews with the Human Resource Director and a Manager in human resource department to collect data at the bank.

---

1 Who sit in the interview panel for recruiting Support, Clerical and Supervisory staff?

□ Supervisor □ Manager □ Senior manager □ Director

2 What is the average time taken to interview Support, Clerical and Supervisory staff

□ 0 - 30 minutes □ 30- 60 minutes □ 60- 90 minutes

3 Who sits in the interview panel for Middle and Senior management?

□ Manager □ Senior manager □ Director

4 What is the average time taken per interview for Middle and Senior management?

□ 0 - 30 minutes □ 30- 60 minutes □ 60- 90 minutes □ 90- 120minutes

5 What is the average number of people interviewed for a job vacancy?

□ Support, Clerical and Supervisory □ 5-10 □ 10-15 □ 15-20

□ Middle manager □ 5-10 □ 10-15 □ 15-20

□ Senior manager□ 5-10 □ 10-15 □ 15-20

6 In which media are the Job vacancies advertised?

□ Local press□ International press□ Journals

7 What is the cost of advertising (Ksh.000)?

□ Local press□ 10 -20 □ 21- 30 □ 31-40

□ International press□ 10 -20 □ 21- 30 □ 31-40

□ Journals□ 10 -20 □ 21- 30 □ 31-40

8 How many interviews are done to select

□ Support, Clerical and Supervisory □ 1 □ 2 □ 3

□ Middle manager □ 1 □ 2 □ 3

□ Senior manager□ 1 □ 2 □ 3

9 What is the grade of the employee who prepares the interview files?

10 How long does it take to prepare the interview files per applicant?

11 What is the grade of the employee who prepares the summary of new hires?

12 How long does it take to prepare the new hire files?

13 How long does the orientation program for new employees take?

Support, clerical and supervisory □ 1month □ 2months □ 3months

Middle manager □ 1month □ 2months □ 3months

Senior manager□ 1month □ 2months □ 3months

14 Who conducts the orientation for;

Support, Clerical and Supervisory

Middle manager

Senior manager

15 Training of new hires *(Provided in first 12 months)*

Type of course……………………

Providers of course……………….

Cost per employee………………..

16 How much does it cost to do the medical exams for a new employee?

17 How much does it cost to do the background checks for a new employee

18 Average gross salary categories in Ksh.000

Support staff □ 10-30 □ 31-50 □ 51–70□ 71-100

Clerical □ 10-30 □ 31-50 □ 51–70□ 71-100

Supervisory □ 10-30 □ 31-50 □ 51–70□ 71-100 □ 100-150

Middle manager □ 31-50 □ 51–70□ 71-100 □ 100-150

Senior managers□ 71-100 □ 100-150□ 150-300□ 300 and over

19 Does the bank have policies on how to handle staff turnover?

20 If the answer to 19 above is Yes, what are the policies?

APPENDIX 6

AVOIDABILITY TAXONOMY FORM

To define the avaiodability of turnover, the researcher adapted the classification by Abelson (1987).

Avoidable turnover reasons; avoidable turnover is the turnover that the organization can take action to control

- Better Pay Elsewhere
- Better Working Conditions Elsewhere
- Problem With Administration
- Better Organization to Work for Elsewhere

Unavoidable turnover reasons; unavoidable turnover is where the organization cannot control the turnover.

- Move to another location e.g. spouse imposed (Family Reasons)
- Mid-Career Change
- Stay at home to care for spouse and kids (Family Reasons)
- Pregnancy did not return after limited period of time(Family Reasons)
- Further Studies

APPENDIX 7

EMPLOYEE QUALITY INDICATOR FORM

A score of good and above in the job performance rating recorded is a measure of good performance. When an employee in this score category separates, the bank is considered to be losing a valued employee.

Other indicators of valued employee are;

- Quality of a employee; adapted from Dalton et al.(1981)

  If the manger indicated that he/she would prefer to hire someone else or not consider the employee at all in response to q.19 in Employee turnover: data recording form (Appendix 3); or if the manager rated the employee as inadequate on q.20, then the employee is considered low quality. Otherwise the employee is considered acceptable or high quality.

- Replaceability of employee; adapted from Dalton et al.(1981)

  If the manager indicated that an employee would be at least somewhat easy to replace in question 21 of the employee turnover data recording form, then the employee was considered easily replaced. Any other response would mean the employee is "difficult" to replace and thus the bank is losing an employee of value.

APPENDIX 8

COMPUTATION OF CHI-SQUARE GOODNESS-OF-FIT TEST

Hypothesis 1

The Chi-Square Goodness-of-Fit Test is calculated as;

$$\chi 2 = \sum \frac{(f_0 - f_e)}{f_e}$$

$$= \frac{(54-40)^2}{40} + \frac{(26-40)^2}{40} = \frac{196}{40} + \frac{196}{40} = 4.9 + 4.9 = 9.8$$

The calculated value of χ^2 = 9.8; df = c-1 = (2-1) = 1;

At the value of α= 0.05; the critical value χ^2 = 3.84

The corrected value of χ^2 = 9.12 (as per VassarStats computations); df = 1; p = 0. 205

	Avoidable reasons	Unavoidable reasons
Observed frequencies	54	26
Expected frequencies	40	40
Cell Chi-Square	4.9	4.9

The calculated value of χ^2 = 9.8; df =1; α= 0.05; the critical value χ^2 is 3.84

Hypothesis 2(a)

$$\chi 2 = \sum \frac{(f_0 - f_e)}{f_e}$$

$$= \frac{(13-26.67)^2}{26.67} + \frac{(10-26.67)^2}{26.67} + \frac{(57-26.67)^2}{26.67} = 7.01 + 10.42 + 34.49 = 51.92$$

The calculated value of χ^2 = 51.92; df = c - 1 = (3 - 1) = 2; at the value of α = 0.05; the critical value χ^2 = 5.99: The corrected value of χ^2 = 51.9 (as per VassarStats computations); df = 2; p < 0.0001

	O-Level	A-Level	Graduates
Observed frequencies (f_o)	13	10	57
Expected frequencies (f_e)	26.67	26.67	26.67
Cell Chi-Square	7.01	10.42	34.49

The calculated value of χ^2 = 51.92; df = 2; α= 0.05; the critical value χ^2 is 5.99

Hypothesis 2(b)

$$\chi 2 = \sum \frac{(f_0 - f_e)}{f_e}$$

$$= \frac{(11-20)^2}{20} + \frac{(26-20)^2}{20} + \frac{(27-20)^2}{20} + \frac{(16-20)^2}{20} = 4.05 + 1.8 + 2.45 + 0.8 = 9.1$$

The calculated value of χ^2 = 9.1; df = c - 1 = (4 - 1) = 3; at the value of α = 0.05; the critical value χ^2 = 7.81

The corrected value of χ^2 = 9.1 (as per VassarStats computations); df = 3; p = 0.025

	Advanced	Intermediate	Basic	None
Observed frequencies (f_o)	11	26	27	16
Expected frequencies (f_e)	20	20	20	20
Cell Chi-Square	4.05	1.8	2.45	0.8

The calculated value of χ^2 = 9.1; d f = 3; α = 0.05; the critical value χ^2 = is 7.81

Hypothesis 2(c)

$$\chi 2 = \sum \frac{(f_0 - f_e)}{f_e}$$

$$= \frac{(17-16)^2}{16} + \frac{(7-16)^2}{16} + \frac{(17-16)^2}{16} + \frac{(11-16)^2}{16} + \frac{(28-16)^2}{16} = 0.06 + 5.06 + 0.06 + 1.56 + 9 =$$

15.74

The calculated value of χ^2 = 15.74; df = c - 1 = (5 - 1) = 4; at the value of α = 0.05; the critical value χ^2 = 9.45

The corrected value of χ^2 = 15.75 (as per VassarStats computations); df = 4; p = 0.0034

	≤ Six months	Six months to One year	Two to Three years	Seven to Ten years	≥ Ten years
Observed frequencies (f_0)	17	7	17	11	28
Expected frequencies (f_e)	16	16	16	16	16
Cell Chi-Square	0.06	5.06	0.06	1.56	9

The calculated value of χ^2 = 15.74; df = 4; α = 0.05; the critical value χ^2 is 9.45

Hypothesis 2(d)

$$\chi 2 = \sum \frac{(f_0 - f_e)}{f_e}$$

$$= \frac{(11-26.67)^2}{26.67} + \frac{(62-26.67)^2}{26.67} + \frac{(8-26.67)^2}{26.67} = 9.21 + 46.8 + 14.51 = 70.52$$

The calculated value of χ^2 = 70.52; df = c - 1 = (3 - 1) = 2; at the value of α = 0.05; the critical valueχ^2 = 5.99. The corrected value of χ^2 = 70.53 (as per VassarStats computations); df = 2; p < 0.0001

	Excellent	Good	Satisfactory
Observed frequencies (f_0)	11	62	7
Expected frequencies (f_e)	26.67	26.67	26.67
Cell Chi-Square	9.21	46.8	13.1

The calculated value of χ^2= 70.52; df = 2; α = 0.05; the critical value χ^2 is 5.99

APPENDIX 9

COMPUTATION OF EMPLOYEE COST PER HOUR

Number of working hours per week = 8 hours per day × 5 days a week = 40 hours *(as per national labor law work week)*

For 52 weeks per year, the number of weeks per month is 52 ÷12 = 4.3 weeks

In one month total hours of work = 4.3 × 40 hrs = 172 hrs

- Clerical staff rate per hour = pay per month ÷ work hours per month
  = 50,000 ÷ 172 = 290.69 or approx Ksh.300.00 per hour (coverts to U.S.A. $ 4.00 per hour, using the exchange rate of Ksh.75.00 to 1.00 U.S.A. $ which was the average exchange rate in June 2010
- Manager rate per hour = 150,000 ÷ 172 = 872.10 approx Ksh.900.00 per hour or $12.00
- Senior manager rate per hour = 300,000 ÷ 172 = 1,744.00 or approx Ksh.1,800.00 or $24.00 per hr
- Directors rate per hour 500,000 ÷ 172 = 2,906.97 or approx Ksh.3000.00 or $ 40.00 per hr

Note: The salaries of clerk, managers and directors are based on the median salary earned by employees in that job category as provided by the bank management. According to Coolidge (2006), “Median salaries is used in reports about income or wealth in the U.S. because income and wealth are unevenly distributed” (p. 69).

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