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The Demographic Factors that Influence Labour Turnover among the Micro Finance Institutions in Kenya

Ngure Anne¹ and Ouko Jacob Robert Odhiambo²

¹School of Business, JKUAT

²University of Nairobi.

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ABSTRACT

The issue of labour turnover is central to many current related debates in economics, public policies and more so in human resources management. Monitoring of flow of employees in and out of the organization is crucial for the survival of many organizations. The Critical in the operation of many businesses is labour which constitute human resources. This is because the cost of labour makes up the largest proportion of the operational cost of business and organization. The main objective was to determine the demographic factors that influence labour turnover among Micro Finance Institutions in Kenya. The study employed descriptive survey design method. The study was conducted in selected Microfinance Institutions within the Nairobi city centre. The target population was the supervisors and subordinates of the MFIs. The study targeted 24 MFIs, supervisors and subordinates. Stratified random sampling was used to identify a sample of Six MFIs. Two supervisors and three subordinates were sampled. The main instrument for data collection was questionnaire which had both structured and unstructured questions. Secondary data was collected through annual reports. Pilot study was done and test retest method was used to determine the reliability of the instruments. Data analysis was done using SPSS and data presented inform of frequencies, percentages, tables and graphical presentations.

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Introduction

It has been noted that employees leave one organization and join another within or outside the industry due to myriad reasons. Thus the greatest challenge to human resource planners especially in the current competitive labour market is to attract the right candidates for the jobs, motivate them to make them stay in the organization and discharge item in a socially responsible manner. Regardless of good planning organization cannot retain all the employees since in reality staff wastage has to occur through retirement, redundancies, transfers, natural deaths, and resignations, Cloves, (1972).

A minimum labour turnover rate is required for all health organizations. This is important in the current working environment as it reduces the task of retrenchment and also allows recruitment of new employees from outside, thus preventing inbreeding in the organization and introduction of new ideas and innovations among other things from the new employees.

However, MFIs need to keep the rate of labour turnover at a minimum. This minimum rate depends on the size of the labour force in the organization; the industry's working conditions and the remunerations among other factors. When separation rates are high, the employer can incur considerable coast of which some are not always immediately manifested. Thus proper labour turnover analysis may assist in determination of the best ways of keeping turnover rates at acceptable levels within the industry and minimize the cost associated with this phenomenon.

Literature Review

This research was based on insider outsider theory by Lindbeck and Snower, (1998). The theory suggests that labour turnover is related to certain industrial, economical, legal and demographic factors such as sex, education, ethnicity and length of service among other variables. They have explained the variables as follows:

The ages of workers have been found to be related to turnover in that voluntary turnover decreases with increasing age. The typical worker who is 35 years of age or above has become involved in an occupation that will probably engage him or her until retirement. Despite occasional signs of discontent, few workers entertain serious thoughts of changing occupation when they are past 35 years.

Labour turnover has been found to decrease with the skill of employee. Employees with specialized skills are less likely to leave their jobs than those without any specialized skills. For the skilled employees, this could be explained by the fact that those employees might have already developed an attachment with their jobs.

It has been generally observed that labour turnover decreases with increasing level of education and that gender correlates with labour turnover. According to prentice, (1976) and Sharon, (1985) and Klein et al, (1991), labour turnover is higher among women than men and especially higher in married women. These findings can be explained by the fact women might leave jobs due to family commitments such as baby care and other domestic activities.

The length of service aspect has been studied extensively and according to Young, (1970)., Lane, (1955) and Clowes, (1972), labour turnover is highly related to the employee's length of service. This means that new recruits have higher rates of labour wastage due to induction crisis than those employees who have stayed in the organization for quite some time. A possible explanation could be the fact that workers move less often as they get older and as they get used to their work and organization.

The prevailing working conditions and the type of other reasons for high level of labour turnover experienced in organizations. Organizations that have poor working conditions such as un-maintained facilities, long working hours suffers a high rate labour turnover. Studies have shown that labour turnover is positively related, proportionally to manual, Part-time or short term contract while it's negatively related to proportion that are skilled, permanent and professional.

Wage pay and Unionization of workers have a significant inverse relationship to labour turnover. The effect of unionization and labour turnover has been researched on extensively. Unions have dual roles such as representation and negotiations. The voice exit model proposed by Freeman, (1982) and Freeman and Medof, (1984), focuses on representation aspect of unions arguing that unions provide a channel of communication between workers and management. This allows workers to articulate grievances with the hope of having them solved thus providing an alternative to quitting. However, this is not the only explanation since unions can reduce turnover by using their negotiation function to improve working conditions hence creating a more pleasant working environment.

In an attempt to reduce the rate of labour turnover in an organization, two approaches may be used. These are:-

i. Reducing labour turnover for new employees.

Organizations that want to reduce labour turnover for new employees should pay particular attention to three key areas which are; recruitment, selection, induction and job training.

Recruitment and selection:

Most employers develop some kind of recruitment and section process often including a selection test to determine whether applicants are suitable for the work. Where the job involves practical skills, it can make sense to test them at the time of interviews, Gooch and Suff, (1999). Advertisement and details given to the local job centers or employment agencies should give an accurate picture of the job including terms and conditions (accurate job previews). They should also include an indication of starting pay and future prospects.

Organizations sometimes feel forced to hire less than ideal replacement when labour turnover is high. This can simply worsen the problem and every effort should be made to maintain the standards for new recruits. Organization should also be aware of disadvantages of setting unnecessarily high standards because overqualified candidates may become bold with jobs that turn to be more mundane than they had imagined. The responsibility for seeing that turns out to be more mundane than they had imagined. The responsibility for seeing that the new recruits become a fully trained effective worker falls to the supervisor and it's useful to involve the supervisor of the section in the selection process. This involvement is important in securing the supervisors commitment to seeing the worker properly trained and settled into a job.

Induction

When new workers start, there is a good deal of information which they need quite apart from training for the specific job before they can properly settle down and feel part of the organization. This induction training is often shared between the personnel and administration department, which covers such matters as pay and working condition. It's important to realize that, this process is more than a single chore and should not be skipped even if the time is short. A good impression of the organization helps the new workers to settle down and learn their jobs quickly. This process is always assisted by giving them prompt attention when they first arrive for work, a friendly welcome and introduction to the work force, the early provision of smartly presented written information about the company including written statement of main employment particulars.

Job training

Training a new entrant for a job naturally varies in length and complexity according to the organization and the job itself. Training may be on or off the job and even quite small organization may make use of off the job facilities. A training scheme ensure that the new starter is gradually introduced to each stage of the job and can do each task satisfactorily before moving on to be the next (IPD 1996).

Whether a job calls for a detailed training programme or something more, formal supervisors should keep a constant check on the trainee's progress, be available to answer questions, correct faults before they become bad habits and give encouragement.

ii. Reducing turnover of long-term workers

Where analysis show that significant numbers of trained and experienced workers are leaving the company, it is more difficult to point to specific areas for remedial action (Taylor, 1988). The causes of this type of labour turn over are often more fundamental and may require attention to wider issues such as organization structure or management style. As a first step however, it is necessary to examine rates of pay and earning levels to ensure that they have not become out of line with those paid for comparable jobs in the industry. It is also useful to make sure that opportunity for career progression and steady improvement in earnings and skills are maintained. In order to address the problem of labour turn over for long serving employees, management should be prepared to examine organizational practices particularly where change has taken place to identify contributory factors in the loss of long serving workers.

Typical areas for consideration are;

Creation of systems and methods fully understood and thought to be fair.

Job evaluation system must be one that has succeeded in removing inconsistencies in pay. The organization must have a policy to prevent discrimination on the grounds of age, religion and sexual orientation thus giving equal opportunities to all employees.

Communication in the organization must make the workers feel that they are "kept in the picture" about the new orders, product development, new equipments, and management charges. There should be an effective communication system.

The managers and supervisors must be given adequate training on disciplinary issues; Workers must be given the opportunity to discuss with the supervisors on appraisal of their performance and the progress, which can be made. The organization must have planned maintenance programmes.

There must be a well-organized pattern of working time. The organization must often have a flexible work schedule, including shifts, job rotations, and job sharing among others.

Empirical Framework

Empirical evidence of labour turn over in Africa

Nigam and Singer, (1974), noted that labour turn over in Africa has been declining over time. The possible explanation for this is that employment levels have been increasing. They note that people may not have alternative employment opportunities and thus cannot afford to give up their jobs. Workers in an organization do quit their respective jobs for different reasons some of which could be personal, organizational or social. Some of the well-documented justifications for quitting the job by employees especially in Africa include:

Leaving for higher earnings and better career prospects: The process has two facets. First, employees may change jobs for higher basic wage and second they may leave in order to obtain greater earnings from commissions and other benefits. In Africa and most of the developing countries, this is likely to be a major cause of turnover among those whose job skills are in short supply. At times, employees have been found to leave citing lack of career prospects within their immediate jobs.

Leaving to reduce strain from interpersonal conflicts: in Africa as elsewhere, supervisory and management styles are important. African workers are perhaps even more sensitive than other groups to interpersonal conflict and in particular what they regard as affronts to their personal dignity or self-esteem. Numerous studies from all parts of Africa support this claim, for example, Durjahn and Hojg, (1966) and Peil, (1972) in Ghana.

Leaving to reduce strains from work overload or work under load: work load: work overload can be quantitative or qualitative. Quantitative overload occurs when there's too much to do in the available time while qualitative overload occurs when the work to be done is too difficult. Copper and Marshall, (1998), have shown that quantitative overload is associated with labour turnover, coronary heart diseases, alcoholism, absenteeism and low motivation to work and low self esteem. Work overload occurs when there's little or nothing to do or when the work is too easy. It causes adverse reactions among certain groups of workers. Those who value complexity in their work like scientists and some administrators show high levels of job dissatisfaction when they have too little to do or they are not challenged by their work.

Leaving for alternative commitments: some employees may be obliged to leave for unavoidable reasons such as pregnancy, retirement, or in order to become housewives. This is sometimes referred to as uncontrollable labour turnover.

Identification of Problems Areas that Influence Labour Turnover

In order to identify problematic areas, which can cause labour turnover in the organization, two approaches may be used as discussed below;

a.) Exit interviews: this may help highlight areas within the organization and in identifying any characteristics which may be common to early leavers as well as recording classification delays about leavers. The leavers should be asked why they are leaving and what they think is good or bad about the firm e.g. the job itself, working conditions, amenities/supervision and management. However it's good to note that workers

may not always disclose the real reasons for leaving or their true views about the organization. In order to overcome this, the following steps may be taken as a remedy;

- i. Have interviews carried out by a person other than the immediate manager.
- ii. Conduct the interviews away from the normal place of work
- iii. Explain that the interview is and will be confidential
- iv. Explain fully the reasons for the exit interviews

b). Attitude surveys: a revealing method of finding out what workers like and dislike about their jobs and their organization is called an attitude survey. Existing workers are asked questions covering the whole range of work related issues such as pay, working conditions, communication, participation, organization image, etc. Attitude survey can attempt to involve every worker by asking him or her to complete a written questionnaire. Their success largely depends on good questionnaire design and the level of response. An alternative or complementary method is to select a sample of workers and interview them in depth following an interview plan similar to a questionnaire but allowing interviewees more scope to give their views. In terms of choice of sample in attitude surveys, it's possible to select a sample which is randomly stratified to get proportions of young, old, male, female, new and long serving workers that are representative of the organization.

Turnover/wastage analysis

The wastage rate or labour turnover rate can be calculated using various approaches, of which the common ones are:

- i. **Turnover index:** this traditional method of measuring turnover is also referred to as the labour wastage rate and had been used for a long time. Its carried out by using the following formula;

No. of leavers in specific period (usually 1 year)

Average no. of employees during the same period

This method and approach is commonly used because it's easy to calculate and to understand. However the method may be misleading because the main objection is that using the movement of turnover in terms of proportion of those who leave in a given period may inflate the figure by the high turnover or a relatively small proportion of the workforce especially in times of heavy recruitment.

- ii. **Stability index:** this is considered to be an improvement on the turnover index and its calculated as follows;

No. with one year's service or more

No. Employed 1 year ago

- iii. **Half-life index:** this is the time taken for a group or cohort of starters to reduce to half its original size through the wastage process. Comparisons can be made for successive entry from different groups of employees in order to show where action may have to be taken to counter undesirable wastage trends.

Research Methodology

Descriptive Survey technique was used as research method. The study was conducted in selected MFIs within city centre in Nairobi, which is the capital city of the Republic of Kenya. All the administrative locations and economical activities were considered. The target population in the study was 24 MFIs in Nairobi Kenya. The sample size was twelve micro finance institutions, which were randomly selected from the list of MFIS given. Twelve MFIs were sampled out through stratified random sampling. The strata comprised of six MFIs that are Christian based and six that are Non-governmental organizations. Then, random

sampling was used to select sixty employees, five from each sampled MFI. Of the five, two were supervisors and three subordinates from each MFI. The sample was thus representative of the entire population. Because of the nature of the research, questionnaires were used. Both primary and secondary data was used in the study. Primary data was collected using questionnaires (both structured and unstructured), which were administered to all the respondents. Secondary data was sourced from reviewed literature such as, the annual reports and other publications such as labour turnover analysis by Geneva publishers together with reports of the MFI's. The reliability and the validity of the instruments was established before the actual study, to determine the adequacy of the items in relation to the information the researcher expected to obtain. This was achieved through consultation with the supervisor. A pilot study was used to establish the validity of the instruments. The data was analyzed by the use of presentations and frequencies that generally described the phenomena under investigation. The data that was gathered from the field was coded after thorough examination to facilitate the manipulation of data to suit qualitative and quantitative statistics. Descriptive statistics was used to analyze the data. Measures of central tendency were calculated, percentages, graphical presentations, frequencies and tables that describe the phenomena under investigation were applied.

Findings and Discussions

The major objectives of this study was to find out the demographic characteristics of those employees likely to quit their jobs with the micro-finance institutions in Kenya. The findings are presented as follows;

In terms of gender of the employees who were likely to quit, 20 male workers were likely to quit representing 35.7% as opposed to 11 workers who were not likely to quit 41.1% of the respondents cited that female workers were more likely to quit than male workers with 23 female registering an interest to quit as opposed to those who were not likely to quit.

This is illustrated in the table below

Gender of Employees Who Were and Weren't Likely to Quit

Gender likely to quit	Frequency	Percentage%
Male	20	35.7
Female	23	41.1
Gender not likely to quit		
Male	11	19.6
Female	2	3.6
Total	56	100

In terms of age, when respondents were asked who between the young and the old employees were likely to quit, 100% of the respondents stated that young employees were likely to quit than old ones as shown in the table below. This could be explained by the fact that young employees are not yet settled in their jobs and have thus not found an attachment with their respective jobs compared to the old employees and thus do not find it difficult to make the quit decision.

Influence of Age on Labour Turnover

Age	Frequency (f)	Percentage (%)
Old	0	0
Young	56	100

In terms of education, the study found that more educated employees (graduates) were more likely to quit their job in MFIs than the non-graduate employees. As shown in the table below, the respondents stated that graduate employees (89.3%) were more likely to quit than non-

graduate (10.7%). This could be attributed to a belief that the more educated a person is the more are job opportunities available for him or her making it easier for them to get other jobs.

Influence of Education on Labour Turn Over

Education	Frequency (f)	Percentage (%)
Graduates	50	89.3
Non-graduates	6	10.7
Total	56	100

The study also found that the less experienced employees were more likely to quit their jobs than those with experience of more than 5 years. This supports the findings in relation to age where the older employees were less likely to quit as compared to the young employees. In the table below 78.6% of the respondents stated that less experienced employees were likely to quit as compared to more experienced employees (21.4%).

Experience	Frequency (f)	Percentage (%)
Less experienced	44	78.6
Experienced	12	21.4
Total	56	100

This study did find out that the employees who were not married had a propensity to quit (60.7%) than the married employees (39.3%). This could be attributed to the fact unmarried employees are flexible in terms of movement as opposed to married employees who are tied around their families. The married employees were not likely to quit since majority of them need to be near their homes and families for proper home and family management. This was shown in the table below with 22 respondents citing that married workers were not likely to quit.

Marital Status and Labour Turnover

Marital status	Frequency (f)	Percentage (%)
Married	22	39.1
Not married	34	60.7
Total	56	100

From the results findings above, In terms of age of employees likely to quit, 100% of the respondents stated that young employees were likely to quit than the old employees. This finding tends to support earlier findings by Andrew and young (1970) and Silcode (1954) who found that voluntary turnover decreased with age. In the case of this sector this finding could be explained by the fact that most employees have not yet found an attachment with their jobs and are always looking for better jobs elsewhere.

In terms of gender, the study did find the female employees were likely to quit than the male employees. This phenomenon could be explained by the possibility that female employees have many family roles to play than male employees and thus could quit in order to take care of their children. This finding supported earlier research by Blan and Khan (1981) and Klein (1991) who found in their studies that labour turn over was higher among women than men employees.

In terms of education, the study found that more educated employees (graduates 89.3%) were more likely to quit their jobs in the MFIs than the non graduate employees (10.7%). This could be attributed to a belief that the more educated a person is, the more are job opportunities making it easier for them to hope from one job to another.

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