

Human Resource Audit and Employee Turnover A Case Study of Uganda Colleges of Commerce

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Abstract

The study examined the role of human resource audit on employee turnover at tertiary institutions in Uganda. Both purposive and simple random sampling procedure was used and a sample of 97 participants was selected for the study and data was analyzed using SPSS statistical package. The study found out that Human resource audit is not the only function responsible for the level of turnover in Uganda Colleges of Commerce. The study found out that Employees who perceive to carry skills that are highly demanded are lured away by higher pays. The study recommended that the human resource department of Ministry of Education and sport should review their human resource policy to address the loopholes in staff compensation, recruitment and salary and Supervisors at the institutions should ensure sound supervisory practices, which promote decision-making, recognition of employees' efforts and unique skills and accomplishments.

Keywords: Human Resource Audit, Turn Over

1.0 Introduction

Today's employment environment is risky demanding that employers attract, manage and retain excellent employees while avoiding the legal liabilities based on employment practices (Harris, 2002). Most business leaders acknowledge that effective people management practices provide superior performance and provide the business a sustainable competitive advantage (SABPP HR AUDIT UNIT, 2016). Thus, organizations must regularly update their human resources to survive the competition in this changing employment world (Jha, 2013). The human resource audit supports an organization to review and critically analyze the effective performance of employees and human resource functions (Minhajul, 2015). Despite the huge investments by some companies into human resource, there is a wide feeling that human resource has not lived to its expectations of either the top management or the line managers (Usha, 2015). Other challenges associated with human resource include noncompliance with employment laws, inadequate compensations and benefit plan design, not maintaining appropriate levels and poor recording (Kelli, 2008). Organizations, which are discarding modern professional methods in reference to the personnel function, are unable to recruit and motivate the best specialists, or gain a reputation for being successful employers and credible partners (Agata, 2015). Unless organizations take concrete steps to understand and act on what drives employees to stay or go, the human resources bleeding will go straight to the bottom line (Gupta, 2004)

1.1 Problem statement

Private and government institutions especially academic institutions have acknowledged the importance of human resources in the progress of their institutions. Their significance could be seen in the output they make compared to the set target which are set and the feedback from the community. However employees have always complained and their demand keeps on increasing on daily basis and thus led to a high rate of labour turn over. Uganda Colleges of commerce keep on losing their staff on yearly basis and they are not always replaced and this makes the remaining staff be over loaded since the replacement rates are slow as compared to turnover rates. It's upon this background why the researcher would want to investigate the human resource audit on employee turnover in Uganda and try to advice the government on a better way to handle this problem.

1.2 Objective of the study

The study aimed examined the role of human resource audit on employee turnover at tertiary institutions in Uganda, a case study of Uganda Colleges of Commerce.

2.0 Literature Review

2.1 Human Resource Audit

Human resource audit (HR audit) is concerned with the examination and evaluation of the policies, procedures and practices with reference to human resource of the organization. It provides a periodic review to measure the efficiency and effectiveness of human resource management (Pravin & Adaikalasamy, 2014). Conceptually, HR audit is the systematic assessment of the strength (Abrams, 2010), limitations and development needs of its

existing human resources in context of organizational performance. It measures human resource outputs and effectiveness under the given circumstances and the degree of utilization of human resources in the best possible manner conducive to the organization (Osama, 2012). HR audit is more than an activity that solely collects and presents evidence of compliance. HR audits are expected to look behind and beyond the organization's assertions of sound and proper HR management practices, and to assess the assumptions being made, to benchmark the organization's processes and practices, and to provide the necessary consultative services that help the organization to achieve its business goals and objectives (Adler, 2008). HR audit is a comprehensive evaluation of the current HR systems and strategies, structure and competencies, culture, and impact in the context of the short and long-term business plans of a company (Usha, 2015). It starts with the long-term and short-term plans of the company and attempts to assess the competence requirements of the employees to achieve these plans. HR audit of measuring employees as part of the balanced scorecard may be done by assessing what employees do, how they feel and what they know. Turnover or retention may be used to indicate employee commitment (Moke & Muturi, 2015). Turnover focuses on retention of the right talent, on managing the replacement process so that critical jobs are filled quickly, on identifying the causes of turnover through exit interviews. HR audit is an expertise, which is carried out periodically to the administration system of human resources, including monitoring and collecting information, their analysis and the assessment on this basis of the efficiency the organization uses human resource. Literature on human resource distinguishes between HR audit and HR function audit. HR audit is the systematic, independent and methodical examination and appraisal of human resources and the system of managing them, aiming at monitoring the compliance of their condition with adopted standards. On the other hand, HR function audit evaluates the company's organizational structure, professional competence, motivation, the level of employee commitment and work efficiency (Agata, 2015). The main goal is to improve the employees' performance and job satisfaction. A comprehensive HR audit includes the main functional areas of work planning, employee development, compensation and benefits, employee and labor relations, and risk management (Kelli, 2008). There are many reasons for conducting human resource audit.

According to (Jothilakshmi, 2015), HR audit provides business with a clear indication of where it stands with the current legislations, highlights specific opportunities for change to improve by comparing existing practices to current legal requirements, clarifies correct procedures for those areas that are unsure of, reduces areas of risk, thereby saving time and money; and the audit report also delivers recommendations to help you achieve best practice, over and above legal compliance.

Studies by (Fossas & Sastre, 2002) revealed that HR auditing performs two basic functions. Firstly, it manages information systems whose feedback provides information about the situation in order to facilitate the development of managing processes or the development of human resource. Secondly, it is a way of controlling and evaluating the policies being applied, as well as the established processes.

HR audit is one way organizations get the right number of people with skills, experience and competencies in the right jobs at the right time and the right costs (Internal Audit, 2011). HR audit gives the organization itself a chance to utilize efficiently the knowledge and skills of highly motivated employees. HR audit allows for the promotion of greater responsibility and more professional approach of HR personnel, defining a range of HR department duties and responsibilities, identifying and defining possible personnel problems, ensuring compliance between actions taken by the organization and the legal requirements, and optimizing labor costs due to improvements of the existing procedures (Agata, 2015).

HR audit is an analysis by which an organization traces its current and determines the ways to improve its HR functions. It provides feedback about the various functions of human resource management to operating managers and human resource specialists (Minhajul, 2015). HR audit makes human resource functions, which include organizational review and analysis, manpower planning, manpower training and development, performance appraisal, employee remuneration, employee services, administration and records, industrial relations and auditing and research in manpower management (Jha, 2013); become business driven, expand diversification and promote professionalism among human resource employees in the organization.

2.2 Turnover

Turnover arises from the unhappiness from job place for individual employee. Being unhappy in a job is not the only reason why people leave one company for another. If the skills that they possess are in demand, they may be lured away by higher pay. Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations; and between states of employment and unemployment (Ongori, 2007). The ratio of the number of organizational members who have left during the period being considered to the average number of people in that organization during the period is called turnover. Turnover is grouped into two: voluntary and involuntary turnover. Voluntary turnover refers to the decision mainly made by employees leaving the company including fire, dismiss, transfers, retirements, resignations, or fixed terms of contracts. For managers of enterprises, involuntary turnover can be predicted and controlled, but voluntary turnover tends to be unpredictable (Zhang, 2016) since the departing employee needs to be replaced.

Turnover becomes dysfunctional when an employee leaves voluntarily and the organization's valuation of such employee remains positive. High turnover has detrimental effects on the organization (Shamsuzzoh & Rezaul, Unpublished), as it is difficult to replace employees who have niche of skill sets or are business domain experts (Punnoose & Pankaj, 2016). Turnover is associated with the cost of dismissal or departure of an employee (Ongori, 2007), cost of hiring a new employee, the cost of training a new employee, the cost of lost time until the new employee achieves full productivity, and the cost of unused production capacity during the period of adjustment of the new employee (Buzeti, Klun, & Stare, 2016). However, turnover is considered functional because it leaves the organization better off, and such it is referred to as a "good riddance of bad rubbish" (Oluwuafemi, 2013). Functional turnover, among other benefits, rids off relatively expensive employees, rids off less productive employees, terminates bad matches, promotes innovation, promotes adjustment to market conditions, and facilitates internal labor market (Glebbeck & Bax, 2002). Most employee turnover is associated to organizational factors (Ongori, 2007). Job satisfaction, organizational culture, the characteristics of the job, unrealistic expectations, the person and better pay elsewhere, are among the causes of turnover (Chabaya, Tshephe, & Molotsi, 2014).

While many factors have been cited as the main causes of turnover, lack of confidence in the organization and its leadership, little or no room for growth, unfair exchange, no environment for success, lack of worthy authority and or influence, age, lack of abilities, no challenging responsibilities and no recognition are some of the causes of turnover (Lee, 2014).

The concept of employee turnover is highly linked to several HRM functions such as motivation, commitment and morale, selection, recruitment, induction and others. If there is a high turnover, it is an indication that there may be problems in other HRM related functions in the organization (Kayuni & Tambulsi, 2007). The present paper postulates that organizations with little or no human resource audit encounter high rates staff mobility and attrition. Studies that have advanced solutions to employee turnover recommend implementation of induction programs, restructuring of workloads, provision of financial incentives, and implementation of staff enhancement programs (Blazer, 2006). The present paper argues that these recommendations are human resource functions, which require a human resource audit to relay human resource personnel policies and guidelines for employee satisfaction and performance.

Considering the costs of turnover, employers should conduct turnover analysis to examine the number of employees who leave why they leave and their relative costs and benefits; develop appropriate responses to identified turnover problems and establish retention goals; and implement retention plans (Allen, 2006). When a significant share of employees only stay for a limited time with the organization, it is often the symptom of underlying problems that need to be identified in order to determine what the most adequate measures would be (Loquercio, 2006). The present paper reiterates that human resource audit is the best strategy to identify such underlying problems that need to be identified in order to determine the most adequate measure of improving human resource.

3.0 Methods and procedure

Study methodology is a descriptive and analytical method which one chooses as appropriate to examine the human resource audit and employee turnover. Data was collected from 97 respondents using a structured questionnaire from all the five Uganda colleges of commerce in Uganda and stratified random sampling was conducted to select the respondents. The questionnaire was tested before distribution and the results indicated

Cronbach's Alpha coefficient ($\alpha > .70$) which indicates that the items used were reliable and credible to test

the study variables. A 5-point Likert scale ranging from 1-5 where 1 (strongly disagree), 2 (disagree), 3 (not sure), 4 (agree), 5 (strongly agree) was used to gather the data. Correlation analysis was used to establish the relationship between the constructs.

4.0 Results

Responses by gender indicate that (70.1%) were male while (29.9%) were female. The age composition indicate that majority of the participants belonged to (30 - 39) years of age, comprising (49.5%) of the total participants. In relation to marital status, most participants (63.9%) claimed to be married while (20.6%) were single. The (15.5%) who responded to the "others" option specified majorly separation. Findings on the level of education indicate that majority of the participants (60.8%) were holders of bachelors' degrees, (19.6%) held masters degrees and only one participant revealed to be a philosophical doctor. Most of the participants (58.8%) belonged to the academic department due to the nature of the institutions investigated. Participants indicated that (60.8%) had worked at the current station for more than one year but not exceeding five years. This could be

attributed to the recent appointments and posing of academic and non-academic staff by education service commission to the targeted institutions. In terms of employer, (45.4%) were on government while (54.6%) were on governing council employment terms. Further still (54.6%) indicated to be permanent while (45.4%) were on probation. However, this item was poorly responded to as majority of the participants, considering their employer to e government indicated to be permanent.

4.1 Scale reliability

This was applied to measure the consistency and internal stability of the data. Cronbach's Alpha was computed to determine the inter-item consistency and reliability of how items in the data set were positively correlated to one another.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.879	48

The study indicated Cronbach's Alpha coefficient ($\alpha > .70$) which indicates that the items used were reliable and credible to test the study variables. Therefore, the data collected for this study were considered internally stable.

Table 2: Correlation tests

		Turnover	Human Resource Audit
Turnover	Pearson Correlation	1	.239(*)
	Sig. (2-tailed)		.018
	N	97	97
Human Resource Audit	Pearson Correlation	.239(*)	1
	Sig. (2-tailed)	.018	
	N	97	97

* Correlation is significant at the 0.05 level (2-tailed).

Correlation tests indicated ($r = .239$; $p\text{-value} < .05$). This means that there is a weak positive significant relationship between human resource audit and employee turnover in the selected institutions. This implies that a variation in the level of human resource audit in these institutions is associated to a weak variation in the level of turnover in the selected institutions.

Table 3: Regression test

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	2.679	.417		6.427	.000
	Human Resource Audit	.407	.170	.239	2.397	.018
	R	.239				
	R Square	.057				
	Adjusted R square	.047				

a Dependent Variable: Turnover

The study indicate (Adjusted R square = .047). This implies human resource audit can only explain 4.7% of the level of turnover in the selected institutions. Adjusted R square was used because of the difficulty of measuring human resource audit and turnover in the same unit.

The study indicates a standardized beta coefficient ($\beta = .239$), which implies that for any single conduct of human resource audit in the selected institutions, turnover is likely to vary by 23.9%. However, measuring human resource audit in terms of the number of times it is conducted and the level of turnover in terms of the number of personnel, a constant ($\beta = 2.679$) indicates that in total absence of human resource audit, approximately three (3) personnel are most likely to quit their current jobs.

Table 4: Component Matrix for Human Resource Audit

	1	2	3
1. Assess weakness of employees	.582		
2. Motivate best specialists	.504		
3. Aware of development needs of employees	.440		
4. Invest in human resource building	.435		
5. Periodical review of human resource practices		.558	
6. Update human resource		.424	
7. Quickly fills critical jobs		.420	
8. Ensure staff stay for long time			.605
9. Understands employees			.548
Total	2.640	1.820	1.517
% of variation	13.199	9.101	7.583
Cumulative %	13.199	23.300	29.884

Extraction Method: Principal Component Analysis.

a 9 components extracted.

Analyzing factor loadings with the largest partial correlation load, assessing the weakness of employees (.582), periodic of review of human practices (.558) and ensuring staff stay for long time (.605); were cited as the most common human resource practices in the policies, procedures or practices that could improve the efficiency and effectiveness of human resource in the selected institutions. The factors that were considered to have the highest partial correlation loadings indicated a cumulative variation of 29.8% of the total variation of the factors used to measure turnover in the selected institutions.

Table 5: Component Matrix for Turnover

	1	2	3
1. Satisfied with current salary	.781		
2. Involvement in decision making	.758		
3. High opportunities for better pay	.755		
4. Recognized for my effort	.726		
5. Satisfied with supervisory practices		.782	
6. Feel pride in my job		.418	
7. Satisfied with recruitment policies		.321	
8. Satisfied with compensation system			.685
Total	7.856	1.302	1.131
% of variation	39.281	6.508	5.654
Cumulative %	39.281	45.789	51.443

Extraction Method: Principal Component Analysis.

a 5 components extracted.

From the indicators with the largest partial correlation load are satisfaction with the current salary (.781), satisfaction with the supervisory practices (.782) and satisfaction with the compensation system (.685). The factors that were considered to have the highest partial correlation loadings indicated a cumulative variation of 51.4% of the total variation of the factors used to measure human resource audit in the selected institutions.

5.0 Discussion

The findings of the study revealed a weak positive relationship between human resource audit and turnover. The relationship appeared to be weak however, it was statistically significant. The findings support (Kayuni & Tambulsi, 2007) who posited that high turnover indicates that the organization has numerous problems in her HRM related functions. HRM functions such as motivation, commitment and morale, selection, recruitment, induction and others. Lee (2014) noted that organizations without confidence in their leadership, little room for growth, unfair exchange, room for growth and environment for success experience high turnover. Human resource functions such as job satisfaction, organizational culture, characteristics of the jobs, unrealistic expectation and better pay else where are associated with turnover (Chabaya *et al.*, 2014). The study indicated that in total absence of human resource audit, a negligible number of personnel quit their jobs. If employees perceive that the skills they possess are in high demand, they may be lured away by higher pays. This statistic agrees with (Zhang, 2016), who asserted that workers will rotate around the labour market between firms, between jobs and occupations, and between employment and unemployment. Human resource experts refer to

this type of rotation as voluntary turnover and is quite unpredictable. The study indicated that human resource audit explains a very small percentage of the turnover commonly experienced in many organizations. The findings support (Ongori, 2007) who pointed out that being unhappy in a job is not the only reason why people leave one company to another. Employees may leave an organization because of a dismissal, transfer, retirement, resignation or fixed contracts. The level of variation among the factors used to to examine turnover was average. The non-uniformity in the responses agrees with (Adler, 2008), who emphasized that organizations should look behind and beyond their assertions of sound and proper human resource management practices, as many human resource practices and assertions do not help organizations to reach their objectives and goals.

6.0 Conclusion

Human resource audit is not the only function responsible for the level of turnover in Uganda Colleges of Commerce. Employees who perceive themselves to carry skills that are highly demanded are lured away by higher pays. Though there might not be regular human resource audit in these institutions, the number of personnel who leave their current jobs for other jobs is too small to be attributed to human resource audit. Though there weren't much variations in their responses on the role of human resource audit in organizations, periodic reviews of the human resource practices reveals employees' weaknesses yet strengthens management's position to ensure employees stay longer in the organization. In addition, the frequency of conducting human resource audit does not explain the number of personnel who leave for other jobs at a given time.

7.0 Recommendations

Employees admitted that they were not satisfied with their current salaries. This is mostly clear when compared to their counterparts in universities. Government should offer a salary package that is commensurate to what is paid to university lecturers. This will make many of the employees, particularly academic staff to feel pride in their job as lecturers. The human resource department of Ministry of Education should review their human resource policy to address the loopholes in staff compensation, recruitment and salary. Though employees are not satisfied with their current salaries, human resource policies for these institutions should look beyond salary since it is not the only reason for employees to leave for jobs in other institutions. Supervisors (Principals) should ensure sound supervisory practices, which promote decision-making, recognition of employees' efforts and unique skills and accomplishments.

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