

## Labour turnover and its impact on performance of Banks in Ghana

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### Abstract

The normal saying that the devil you know is better than the angel you do not know suggest that it is better for organizations to continue working with their existing employees than to encourage labour turnover by employing new employees most of the time. The research was done to examine labour turnover and its impact on performance of Banks in Ghana. Two main sources of data namely primary and secondary were used in the study. The primary data refers to the interviews that were conducted with employees of the banks selected for the study. The secondary source was through journals, textbooks and annual reports of Bank of Ghana. Convenience Sampling was used and the study concluded that there is a positive relationship between labour turnover and performance of Banks in Ghana in terms of customer complains. The analysis through the coefficient of determination calculated indicated that its contribution to performance of Banks in Ghana in terms of customer complains is 55.8% whilst other factors contribute to 44.2%. The Chi Square Statistic ( $X^2$ ) calculated 71.074 made the study to reject the null hypothesis formulated by accepting the alternative hypothesis that customer complains is dependent on labour turnover in Banks in Ghana. Interviews conducted with the employees (72.3%) also showed that labour turnover play a significant role in terms of quality of services rendered to customers especially in the short run. The study concluded by recommending positive measures which Banks in Ghana need to adopt in order to maintain their existing employees so as continue the relationship they had already established with customers.

**Keywords:** Labour turnover, customer complains, performance, banking industry

### 1. Introduction

Labour turnover is a term that is widely used by many human resource practitioners. It is true that many studies have been conducted on this topic but what must be noted here is that most of the researchers focus on the causes and as such little had been done on examining the sources of employee turnover, effects and various strategies that can be used by managers in various organizations in Ghana to ensure that there is employee continuity in their organizations to enhance overall organizational performance. According to Price (1977) employee turnover is the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period. This term is also often utilized in efforts to measure relationships of employees in an organization as they leave, regardless of the reason. Organizations all over the world including Banks in Ghana invest a lot in their employees in terms of training, developing, maintaining and retaining. For example, many Banks in Ghana such as Standard Chartered, Barclays, Ecobank, Ghana Commercial and Agricultural banks have established training centers and allocates huge budget to these training centers so that their employees can be trained to improve their skills and knowledge. The essence of providing these huge sums of money toward training actually conforms to the comment given by Becker (1999) that the most common cause of employees leaving their jobs is inability of the employees to match their skills against the skills demanded by the job. According to Kevin et al (2004), although there is no standard framework for understanding employee's turnover process as whole, a wide range of factors have been found useful in interpreting employee turnover. In line with this, there is need to develop a fuller understanding of employee turnover, more especially its impact on performance of Banks in Ghana. With the increase in competition in the Ghana's banking industry, Banks in Ghana should note that their competitive advantage can easily erase if they experience high rate of labour turnover. This is based on the fact that whilst tangible products can easily be copied and imitated, intangible assets such as the skills and knowledge of the employees cannot be copied by rivals. The most common means by which a rival can have access to the skills and knowledge of an organization is where there is a labour turnover and as such the employee leaves the organization and joins the rival. When organizations employ new people due to the existing employee leaving, it takes time for the employee to get the necessary skills and knowledge required by the job and as such whilst the new employee is in the process of learning, it is believed that the work provided by the new employee will

not meet the expectation of the customer and as such that affects the overall performance of the company in terms of increase in customer complains. Information from Bank of Ghana Annual Report (2005) indicates that the Central Bank handled various complains from the general public due to poor services rendered by various banks. These include unfair banking practices, poor customer services and irregularities in the forex market. This makes one to ask the question as to whether this general public complains which can create customer dissatisfaction was due to new employees employed by the banks offering services that do not meet the expectation of customers simply because they were still learning on the job? The research paper therefore seeks to examine the actual impact labour turnover have on performance of companies preferably banks in Ghana in terms of customer complains. Performance of Banks in Ghana for the purpose of the study was tied to customer complains because it is believed when customers are satisfied, they tend to complain less or not at all and the more they stay or patronize in the services provided by these banks, the more the banks get profit through the charges levied against them. In doing the examination, the study looked at the labour turnover that had occurred between the years 2001 to 2007 in the banking sector and this was compared with the performance of the sector in terms of customer complains that were reported to the Bank of Ghana under the same period. Hypothesis was set in relation to the impact of labour turnover on performance of Banks in Ghana and a Chi Square Statistic ( $X^2$ ) using the figures from 2001 to 2007 in relation to number of customer complaints and turnover that has occurred within the same period in the banking sector was used to test the hypothesis if the two variables are independent. Regression was also used to test if there is any form of relationship existing between labour turnover and performance of banks in terms of number of complains. Using Pearson Correlation together with Co-efficient of Determination, the researcher continued the study by testing the strength of relationship between the two variables. Again, out of total twenty six commercial banks in Ghana, the researcher sampled four of them using convenience sampling and interviews were conducted into the causes of labour turnover in their firms, its impact towards providing good customer satisfaction by reducing customer complaints and what measures they are putting in place to ensure employee loyalty. The choice of convenience sampling was based on easy collection of data from the banks under consideration.

## 2. Literature Review

According to Abbasi et al (2000) employees are seen as major contributors to organizations competitive advantage and as such for the competitive advantage to be maintained, labour turnover should be discouraged by management. Whilst their literature points to the fact that labour turnover can have a negative impact on organization's performance, it is not everyone who will abide by that idea and as such part of the literature will examine what causes employee turnover and the impact it has on organizations particularly Banks in Ghana. The banking industry in any economy is considered as crucial and as such poor performance of the industry can have a diverse effect on the economy as a whole. From the words of Amediku (2008), labour turnover in the banking industry in Ghana though has not been stable; it has a lot of cost implications to the industry. Taking training cost, cost associated with exit interview, cost of replacing new employees and cost of gossip of the turnover which involves employee saying negative things about the company cannot be overlooked. This means that if Banks in Ghana are to remain competitive, they should know that such costs although cannot be avoided as labour turnover is not avoidable as far as death is concern; efforts should be made to mitigate these costs by retaining employees in the organization. This is in line with a comment given by Chapman (1993) that it cost twice the employer to get a new employee than to retain an existing employee. Most of these costs can be attributed to mistakes, errors and poor service the newly recruited employee will provide to customers whilst learning on the job. Cascio (2000) in support of Bernstein (1998) revealed that replacement costs alone of companies are over approximately US\$30,000 for all jobs. These estimates highlight the considerable costs that can be associated with turnover. Looking at the causes of labour turnover, Alexander et.al (1994) and Ahmad and Schroeder (2003) are of the view that in situations where employees are not stable in terms of the jobs they do, they tend to quit and look for jobs that are secured because with secured jobs employees can easily predict their career advancement. This cause of labour turnover from the observations of the researcher seems to be a common cause of employees leaving one bank to the other or joining a company outside the sector. For example, employees who are employed on casual basis by Barclays Bank Ghana may quit with the least opportunity they get if they are able to secure a more permanent job elsewhere. Being a casual worker means that the contract of employment can be terminated at the end of the agreement between the worker and the

employer which is normally for a period of six months or less. Normally casual workers in most companies in Ghana are given a contract period of six months and at the end of this period, it will be left to the discretion of the employer to renew the contract or not. Casual workers feeling that they are not protected as far as their jobs are concerned easily quit when a more permanent job comes their way. Adding their voice to the causes of labour turnover, Grobler et al (2006) are of the view that demographic variables have a strong relationship with labour turnover. The writers are of the view that employees with propensity to quit are young employees with little seniority who are dissatisfied with their jobs. From the words of Labov (1997), organization with strong communication systems enjoyed lower turnover of staff. This is based on the idea that employees feel comfortable to stay longer in positions where they are involved in some level of the decision-making process. That is employees should fully understand about issues that affect their working atmosphere. Apart from non involvement in decision making, Couger (1987) is also of the view that labour turnover may come from poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. Labour turnover apart from the fact that it creates a lot of customer complaints due to poor services rendered by the new employee whilst learning on the job, according to Huselid (1995) its effect can also be linked to productivity. The writer study was based on a sample of 968 U.S. firms.

### 3. Presentation of findings

The research work focus on labour turnover and its impact on performance of Banks in Ghana. In coming up with the findings, the researcher set up the following hypothesis:

Ho: Customer complaint is independent on labour turnover

Hi: Customer complaint is dependent on labour turnover at 5% level of significance

Chi Square Statistic ( $X^2$ ) was calculated and this was used to test the hypothesis. Apart from this, the findings were also based on using statistical analysis of Pearson Correlation and Co-efficient of Determination to test the strength of relationship that exists between customer complaints and labour turnover. Figure 1 which represents a scatter diagram was also used to confirm if there is any form of dependency between customer complaint and labour turnover. The diagram though does not suggest a very strong relationship between the two variables but it confirms that there is some form of relationship existing between customer complaints and labour turnover. Table 3 which gives the Chi Square Statistic ( $X^2$ ) calculated 71.074 was more than the critical value of 12.591 at 5% significance level. This suggest that whilst we reject the null hypothesis (Ho), the alternative hypothesis (Hi) was accepted that there is some form of dependency that customer complaint is dependent on labour turnover in the banking sector in Ghana. Interviews were also conducted with three employees each from the four banks namely Prudential Bank, HFC Bank, Intercontinental Bank and Access Bank to solicit their views the effect labour turnover in their various banks has on their organization's performance in terms of customer complaints. In effect, majority of the employees interviewed (72.3%) gave their response that labour turnover has a major effect on performance of their banks in terms of increase in customer complaints. Almost all the employees (96.7%) who gave this response indicated that, when employees leave and join other organizations, it takes time for their banks to recruit new ones and it is not always organizations get the recruitment and the selection process right. Even when organizations get them right, when new employees are employed, it takes time for them to acquaint themselves with the core values, processes, procedures and technology adopted by their banks. Whilst they are in the process of learning, they render services to the dissatisfaction of customers in terms of mistakes. They are also not able to render the services as fast as customers may expect and this makes the customer to complain a lot as services rendered do not meet expectation.

### 4. Discussion of findings

The null hypothesis stated was rejected and the alternative hypothesis accepted indicated that customer complaint is dependent on labour turnover in the Ghana's Banking sector. This actually proves that for Banks in Ghana to remain competitive due to financial liberalization that has brought so many competitors in the sector, they need to retain their existing employees who have been trained very well and are offering services to the satisfaction of their customers. If

customers see new faces (new recruit), they form their own opinion as to whether the new recruit can provide the exact excellent service as the employee who left was providing. The calculated Pearson correlation co-efficient of  $r = 0.747$  also proves that there is a good relationship between labour turnover and performance of banks in Ghana in terms of customer complaints. The figure  $r = 0.747$  suggest that customer complains does not totally depend on labour turnover. This can also be proven by the co-efficient of determination  $r^2 = 55.8\%$ . This figure can be interpreted as 55.8% of the variation in performance in terms of good customer service is being explained by the association of Banks in Ghana retaining their existing employees (discouraging labour turnover) whilst the remaining 44.2% is explained by other factors. This 44.2% of the variation in performance in terms of the other factors that leads to customer complains in Banks in Ghana suggest that labour turnover is not totally dependent on complains given by customers. Some of the factors that may contribute to this 44.2% are poor management policies, bureaucracy, lack or unreliable technology and employee personal problems. It is believed that further research needs to be conducted on how these other factors impact on performance of Banks in Ghana in terms of customer complains. Interviews conducted with employees (72.3%) of the four banks selected as the sample confirm that maintaining your existing human capital adds more value in terms of providing good service to customers by Banks in Ghana than always banks developing new human capital. With regard to the causes, though the employees interviewed gave varying reasons why employees leave and joined other organizations but most of them (93.4%) concentrated their reasons on personal mobility where an employee will have to leave because the employee's partner had to be transferred to another city or region. Apart from this, the pressure of long working hours in the Ghana's Banking sector especially (8am – 7pm) for most banks has necessitated the need for most people to quit the sector and join other organizations that provide the normal eight hours per day. Talking about what can be done to reduce labour turnover in the Ghana's Banking sector so that banks can maintain their existing employees, the most dominant measure which the employees interviewed cited (69.8%) was for management to seek to the welfare of the employees in terms of providing flexible working leave so that the employees can choose any period they want to go for leave so as to make up the time lost at home.

## 5. Conclusion

Labour turnover has been proven from the study conducted to have a significant relationship with performance of Banks in Ghana in terms of customer complains. It was revealed that it contributes to about 55.8% of Banks in Ghana in terms of customer complains whilst other factors such as poor management policies, employee personal problems and others contribute about 44.2%. This actually proves that Banks in Ghana need to find all possible means to maintain their existing employees in order to continue the relationship they had already established with customers. Though there are various ways by which management of Banks in Ghana can get employees to be loyal to the organization, but what is most important is that Banks in Ghana need to encourage open door policy so that their employees can put before them what management need to do in order for them to get motivated in rendering excellent services to customers.

## 6. Recommendation for further research

The study concluded by relating labour turnover contribution to about 55.8% of performance of Banks in Ghana in terms of customer complains, it is recommended that since it is not the only variable that contributes to increase in customer complains, further research needs to be conducted to find out what are the exact factors that contribute to the 44.2% of performance of Banks in Ghana in terms of customer complains.

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**Table 1: Labour turnover in the banking sector in Ghana from 2001-2007**

Year	Number of Employees engaged in the year (a)	Number of Employees that left the industry in the year (b)	Net employment (a) – (b)	Total number of employees (c)	Labour Turnover (%) (b)/(c)*100
2001	538	380	158	6 632	5.73
2002	464	487	-23	6 875	7.08
2003	603	398	205	7 631	5.22
2004	765	385	380	8 026	4.80
2005	896	375	521	8 398	4.47
2006	1 545	431	1,114	9 537	4.52
2007	2 512	610	1,902	10 789	5.65

Source: Amediku 2008

**Table 2: Number of customer complaints from 2001 – 2007 in the Ghana’s Banking Sector**

Year	Number of customer complains
2001	175
2002	220

2003	231
2004	101
2005	265
2006	186
2007	376

Source: Bank of Ghana Annual Report 2001:2007

**Table 3: Calculating the Chi Square Statistic ( $X^2$ ): Labour turnover and customer complains in the Ghana's Banking Sector**

Year	Labour Turnover	Customer Complains	Total
2001	380	175	555
2002	487	220	707
2003	398	231	629
2004	385	101	486
2005	375	265	640
2006	431	186	617
2007	610	376	986
<b>Totals</b>	<b>3 066</b>	<b>1 554</b>	<b>4 620</b>

Setting the Observed and Expected Values for the calculation of  $X^2$

Observed Values	Expected Values	(O - E)	(O - E) <sup>2</sup>	(O - E) <sup>2</sup> /E
380	368	12	144	0.391
175	187	-12	144	0.770
487	469	18	324	0.690
220	238	-18	324	1.361
398	417	-19	361	0.866
231	212	19	361	1.703
385	323	62	3 844	11.90
101	163	-62	3 844	23.58
375	425	-50	2 500	5.882
265	215	50	2 500	11.63
431	409	22	484	1.183
186	208	-22	484	2.327
610	654	-44	1 936	2.960
376	332	44	1 936	5.831

Number of degrees of freedom (n) = (r - 1) (c - 1) = 6

Level of significance = 5%

$X^2$ , 5%, 6 degrees of freedom = **71.074**

Reject Ho because **71.074** is greater than 12.59158 for alpha (0.05)

Figure 1: Relationship between Labour turnover and performance of banks in Ghana in terms of customer complains

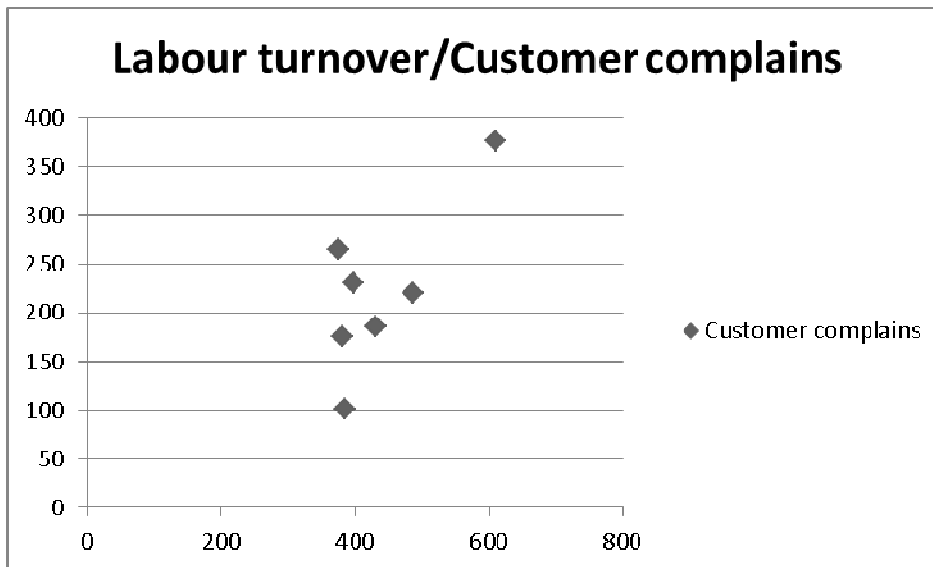


Table 4: Statistical analysis showing the exact relationship between labour turnover and performance of banks in Ghana in terms of customer complains

Year	No. of employees who left the banking sector (x)	No. of customer complains (y)	(x <sup>2</sup> )	(xy)	(y <sup>2</sup> )
2001	380	175	144 400	66 500	30 625
2002	487	220	237 169	107 140	48 400
2003	398	231	158 404	91 938	53 361
2004	385	101	148 225	38 885	10 201
2005	375	265	140 625	99 375	70 225
2006	431	186	185 761	80 166	34 596
2007	610	376	372 100	229 360	141 376
	<b>Σx=3 066</b>	<b>Σy= 1 554</b>	<b>Σx<sup>2</sup>=138 6684</b>	<b>Σxy=713 364</b>	<b>Σy<sup>2</sup>=388 784</b>

$$r = \frac{n\sum xy - \sum x \sum y}{\{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]\}^{1/2}}$$

$$r = \frac{(7 \times 713\,364) - (3\,066 \times 1\,554)}{\{[7 \times 1\,386\,684 - (3\,066)^2][7 \times 388\,784 - (1\,554)^2]\}^{1/2}}$$

**r = 0.7470**

**r<sup>2</sup> = 55.8%**



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