Prime and sub-prime factors of employee’ voluntary turnover in boom phase of industry: Empirical evidence from banking sector of Pakistan

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The implied debate relating turnover and its factors may be old but the present study takes a new route towards the understanding of turnover by employees. Banking industry of Pakistan passed through its boom phase in the last decade and along side encountered with much turnover unexpectedly. For this study we selected employees who changed their job during boom phase of industry. This paper first investigated the prime factors of the turnover and then has used bivariate correlation to determine the sub-prime factors associated with prime factors. This bifurcation is very necessary to know the stem roots of the main problem. Much of past literature consists of turnover intentions and the factors related to them. But the current study moves much step ahead by giving the actual causes that pushes any employee for turnover especially in boom phase. The results do confirm a major impact of sub-prime factors on the actual prime factor. This study also recommends some possible solution for the situation.

Key words: Banking voluntary turnover, boom phase, prime and sub-prime factors, employee satisfaction, compensation, management relations, career growth, job hoping, Pakistan.

INTRODUCTION

The debate for employee turnover, its factors, outcomes, implications, remedial measures is much discussed earlier (Bodla and Hameed, 2008). This paper gives a new dimension to turnover literature. The paper first discusses the turnover in detail by explaining the whole turnover structure and the perspective damages caused by it, then is followed by the novelty idea presentation as the major scope of the study, giving theoretical rationale to the paper through hypothesis testing and in the end presenting the results with the possible measures to over come the turnover. Employee turnover is counted to be the most fascinating and baffling areas of management (John and Hanry, 2005; Samuel and Chipunza, 2010). Employee turnover influences organizational performance in a negative way (Rechie, 2008; Shaw et al., 2005; Kacmar et al., 2006; Ponnu and Chuah, 2010). On broader level turnover can be said as three step process. That is, first step is thinking to quitting the job, secondly intending to leave the current position or job and the last is searching for the new job (Sager et al., 1998). Turnover in organization costs 150% of employee remuneration package both in real cost (Selection and recruitment time for a replacement) and opportunity cost (Loss of productivity) (Schlesinger and James, 1991). Employee turnover cost companies for both in tangible (Cost of temporary staff, cost associated with agency workers, recruitment, training) and intangible (Social capital loss, employee morale, organizational culture and organizational memory) terms (Ashill, 2008; Morrell et al., 2004). Turnover acts as loss of social capital both directly (replacement, recruitment, management time) and indirectly (morale, learning cost, quality) (Dess and Shaw, 2001; Tumwesigye, 2010). Withdrawal of employees always remains an alarming focus for human resource and is treated as management problem that is needed to be focused (Khilji and Wang, 2007) because the time and cost may be a poison pill for organization. Turnovers not only counted to have an impact on the organization, but also affect society at macro level and employee at micro
level (Mobley, 1982). But still no framework is there for employee turnover that is counted to the one universally accepted (Lee et al., 1994). Employee turnover climbed up to be a serious issue for companies in many Sub-continent countries (Khatri, 2001; Bodla and Hameed, 2008). Global Reporting Initiative (GRI) included turnover as the base of core social performance indicators in sustainability reporting guidelines and also counts it as an influential force on intellectual capital of the organization. World business council for sustainable developments as eco-efficient indicators take the ratio or labor productivity as by turnover per employee (GRI 2002).

Apart from being having only negative consequences, turnover helps in getting rid of “bad eggs” and bringing in “new blood” in the organization as a healthy sign for growth (Williams, 1999; Thomas, 2008).

Due to financial liberalization, Substantial changes in the banking industry were seen in developing countries (Ataullah, 2004; Ahmad et al., 2010; Afsar et al., 2010). Banking industry in Pakistan remained an eye candy in the last decade of economy. This sector flourished on its fullest and produced excellent results. In the period of such a boom, smokes of employee turnover clouded the industry. The above discussed theory and basic concepts were to highlight the importance that this topic contains. Although much of studies are directed towards the turnover aspects and factors but still this areas is thoroughly hit. This study helps to get the literature of turnover one step ahead by focusing on boom phased industry and introducing the concept of prime and sub-prime factors. Banking industry of Pakistan got the highest improvement over last few years. Mushroom growth related to different aspects of banking business is evident and banking now constitute as the biggest economic player of the economy. This fast paced growth has shown an alarming turnover along side. Basic reason of study is to explore the primary constituent of turnover in such a flourishing industry giving employees job enrichment and growth within banks. There can be a chunk of reasons for employee turnover and are being stated through much past literatures. Second aim of this study would be bifurcate the factors in the organization as a healthy sign for growth (Williams, 1999; Thomas, 2008).

Purpose of study would stand to skim out the factor(s) that provoked the banks employees for turnover in such a glittering environment. Employees would be questioned as on the factors stated in the study. These factors have been chosen keeping in view the employee’s preferences in Asian context.

This study first have chosen factors keeping in view the environment and culture of the organizations in Asia and then further will bifurcate the factors in order to skim out the prime and sub-prime reasons for the said study.

LITERATURE REVIEW

Turnover is and individual choice behavior, so individual is the primary unit (Leonard and James, 1991). So, in the current scenario individual is the focus of the study in terms of their choices to leave. In turnover perspective two schools of thoughts are evident that is, labor market school and psychological school. Labor market mainly deals with personal traits and preferences of employees (like job hoping, alternatives etc) while psychological school deals with organizational factors (like satisfaction with job characteristics, organizational commitment behavior, job stress etc), but both schools lack in devising out a pattern to retain employees effectively (Morrell et al., 2001). In turnover process everyone usually points out one factor for their turnover choice, but there are always more factors on the back hand that works as push-cart or driving force for that factor. Any factor in turnover decision may initiate the process rather then only job satisfaction or dissatisfaction (Lee and Mitchell, 1994). Initiating factor works as shock to the system and these shocks may stem out of any reason relating to employees behavioral, personal or organizational setup (Jonathan, 2004). Therefore this study would skim out prime factors (usually one factor that leaver will highlight for his turnover choice) along with the sub-prime factors (that provoke the employee for the turnover but are not the one counting to be the basic for turnover decision) associated with it. Further more findings can be bifurcated in controllable-uncontrollable factors (Bodla and Hameed, 2008); Voluntary-Involuntary factors (Morrell et al., 2001) as were in past studies and for this study would be bifurcated into prime and sub-prime factors. Factors used for study are as under (all are chosen keeping in view the Asian context and economic environment).

Compensation (Salary)

Salary stands as very important factor for Asians to stay in any organization (Europhia, 2008). Survey counts
Compensation and benefits as key factor coupled with employees job out of 24 key elements and out of findings, compensation is counted to be the third gratifying aspect of the job (SHRM EJS, 2009).

Mostly in Asia people leave their current positions for more pay and external pay equity without much bothering about growth, loyalty or other factors. Higher salary is associated with longer tenure (Federico, 1976). Researches on compensation created a link between rewards system of the organization, the outside perspective employees that are attracted and current employees of the organization (Murphy, 2009). Study shows that where with the existence of higher degree relating to the need and reward or employees, the relationship of managers and employees grows to be stronger (Vandenberg and Scarpello, 1990). Compensation/salary forms the basic glittering factor for Asians to switch to next job without much consideration of other factors. Generally employees compare their job with other organizations in terms of job achievement and compensation (wage), so if one is having recognition that he or she is having more wages and job achievement then this will impact them positively (Choi, 2006).

H₁: Compensation has positive relation with employee turnover.

Career growth

Career growth is much more important than salary in Europe or America but it is counted equivalent to salary in Asian context (Europhia, 2008). “Moving Up or Moving Out” counts career growth as basic for turnover (Europhia, 2008). Leavers have more negative attitude towards the promotion than stayers (Mobley et al., 1979).

Career growth is further classified into various aspects like growth within the organization, job specific training, networking, career development opportunities, organization commitment to professional development, trainings (SHRM EJS, 2009). Dynamic employees all over world show more turnovers to achieve their targets in terms of movement up in the industry by switching the jobs frequently. Promotion/growth is included in intrinsic factors for employees to stay with the organization (Herzberg’s, 1966). Survey reveals that Promotion outside of the organization remains the most common causes of voluntary turnover (CIPD Turnover Survey, 2009).

H₂: Career opportunities have negative relation with employee turnover.

Job satisfaction

“The measurement of one’s total feelings and attitudes towards one’s job” (Graham, 1982). Job satisfaction is counted as the top most factor of turnover out of four key factors (Mobley, 1982; Hom and Griffeth, 1991). At the individual level, satisfaction is thought to be a psychological variable which is most frequently studied as related to turnover of employees (Mobley et al., 1979). Job satisfaction is outcome of how individual expects his job to be. Some of its determinants are fairness in job aspects, working conditions, job description and over all as well. Job satisfaction has negative relation with turnover (Arnold and Feldman, 1982; Bluedorn, 1982; Cotton and Tuttle, 1986; Falkenburg and Schyns, 2007; Khatri et al., 2001; Mobjely et al., 1979; Mobjely, 1982).

Job satisfaction is counted as a behavioral choice of employee (Falkenburg and Schyns, 2007). It would be behavior that how on look/perceive his/her job.

Further job satisfaction can be sub-explained through many dimensions. Some are discussed as co-workers in the environment, physical working conditions for the job, financial benefits for the work done, supervision, company identity, kind and nature of work (Khatri et al., 2001; Koh and Goh, 1995).

H₃: Job satisfaction has negative relation with employee turnover.

Alternate opportunities

Alternate opportunities are based on labor market conditions and economic prosperity (Lee et al., 1996). Alternate opportunities influences employee for turnover in a profound way, because workers are not likely to quit if they have a few alternate job opportunities (Jonathan, 2004). Economic boom/growth creates much more
diversified opportunities thus provoking employees to look for more opportunities. With alternate opportunities employees are motivated to think about alternate opportunities, analysis relating to cost and benefit of the current and future job and intend to switch (Price, 2001). Literatures have shown positive of relation between alternate opportunities and turnover (Hulin et al., 1985; Khatri et al., 2001).

H3: Alternate opportunities have positive relation with employee turnover.

Relationship with management

It is being said employees leave managers not the organization (Rick and Julie, 2005). Employees may be satisfied with the organization but in some cases they leave organization because of their managers. Relationship with mangers works for overall satisfaction of employees with the organization (SHRM EJS, 2009). Factors of turnover are either controllable or uncontrollable (Bodla and Hameed, 2008). This factor moves both sides. It may be controllable in some cases and may go to uncontrollable in other cases. Nature of management influence the individuals in terms of values of organization, image and existence or firm (Gregory and Henry, 2005).

H4: Relationship with manager has negative relation with turnover.

METHODOLOGY

Nearly all banks of the industry witnessed the clouds of turnover and have suffered; therefore, data from major players of the industry was taken for more accurate sampling. The data was collected in the start of year 2010 by distributing 130 questionnaires out of which 115 were completed and returned by the respondents. These questionnaires can be considered suitable for sampling purpose of the study, because the questionnaires were to be filled by the people who already have switched. Questionnaire were routed through different cities i.e., Karachi, Lahore, Islamabad, Sialkot, Faisalabad etc.

Procedure

Questionnaires were administered by sending them directly to the respondents without involving the Human Resource Managers. Personal contacts were used to approach the desired respondents. Respondents were informed that this exercise is being conducted for assessment of various reasons and factors responsible for turnover in the industry. Respondents were requested to send complete questionnaires directly to the Researchers with the confidence that all information will be kept secret and it will be used for research purpose only.

Measures

A questionnaire was designed for collection of data and multifarious dimensions were explored using predetermined variables that is, Job Satisfaction, Compensation, Job Hoping, Alternate employment opportunities, management relationship and career growth. Apart from questions pertaining to study variables different demographic characteristics were also taken into account for adding conceptual clarity in the study.

For demographic factors, age and gender was asked from respondents. Other demographic factors are not that much meaningful for the study and are not being included in this study to avoid unnecessary presentation of results.

Four factors; Job Satisfaction, Low Compensation Management Relations and Career Growth were given paramount importance and a different questionnaire was used for each of them to separately gauge the impact on turnover rate. Minnesota Satisfaction Questionnaire was used for job satisfaction, Organizational Reactions Questionnaire was selected for low compensation and management relations and Personal Growth Initiative Scale (PGIS) was chosen for career growth.

Measures of job hopping are developed by Naresh Khatri (Naresh K. et. al., 1999) for the generation of questions they interviewed different employees. Finalized three-item scale to measure job-hopping was developed out of it. Items were: “To me, switching jobs is kind of fun”; “I switch jobs because my colleagues do so” and “I tend to change jobs for no apparent reason”.

The five items of alternate opportunities were adapted from “perceived alternative employment opportunities (PAEO)” (Billings and Wemmerus, 1993; Arnold and Feldman, 1982; Mowday et al., 1984; Michaels and Spector, 1982).

RESULTS AND DISCUSSION

We used SPSS 16.0 for statistical analysis purpose. As the data pertaining to the study was based on correlated results for the factors. Therefore we used bivariate correlation to analyze the impact of prime factors on sub-prime factors. Table 1 shows different means and standard deviations of the variables selected for the study.

Values were obtained through frequency distribution using descriptive statistics. The aim of the study is work out the prime factors for the turnover of employees in the industry. The mean values in Table 1 demonstrate that career growth and alternate opportunities can be said as the basics for the employee turnover along with other reasons. Career growth shows the mean above 4 and alternate opportunities also tend towards agreement as well so are counted as prime factors of the turnover. Management relations and job satisfaction also have considerable value but is close to “neutral” stage so can not be directly counted as the prime factor for turnover, while can be counted in sub-prime category later on.

For describing the sub-prime factors that influenced the prime factors for turnover, we used bivariate correlation to ascertain the relationship among the variables with the prime factor variables. Both prime factors that is, career growth and alternate opportunities have been shown as under, showing the sub-prime factors associated with them. Prime factor (career growth) depicts positive correlation with alternate opportunities and management relations. Alternate opportunities show strong positive correlation with career growth thus showing the sign that those employees who are more career oriented are more inclined towards the alternate opportunities (Table 2).
Table 1. Mean, standard deviation in italic.

<table>
<thead>
<tr>
<th>Job satisfaction</th>
<th>Low compensation</th>
<th>Career growth</th>
<th>Alternate opportunities</th>
<th>Management relations</th>
<th>Job hoping</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0754</td>
<td>2.6203</td>
<td>4.0043</td>
<td>3.2922</td>
<td>3.0696</td>
<td>1.7420</td>
</tr>
<tr>
<td>0.91347</td>
<td>0.94888</td>
<td>0.58488</td>
<td>0.50561</td>
<td>0.72480</td>
<td>0.66088</td>
</tr>
</tbody>
</table>

Table 2. Career Growth: Pearson Correlation, significant value in Italic.

<table>
<thead>
<tr>
<th>Management relations</th>
<th>Job hoping</th>
<th>Job satisfaction</th>
<th>Low compensation</th>
<th>Alternate opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.211*</td>
<td>0.046</td>
<td>0.168</td>
<td>0.161</td>
<td>0.418**</td>
</tr>
<tr>
<td>0.023</td>
<td>0.622</td>
<td>0.073</td>
<td>0.086</td>
<td>0.000</td>
</tr>
</tbody>
</table>

*, ** Significance of correlation is at 0.05 and 0.01 levels (2-tailed) respectively.

Table 3. Alternate opportunities: Pearson correlation, significant value in italic.

<table>
<thead>
<tr>
<th>Career growth</th>
<th>Management relations</th>
<th>Job hoping</th>
<th>Job satisfaction</th>
<th>Low compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.418**</td>
<td>0.236*</td>
<td>-0.012</td>
<td>0.228*</td>
<td>0.076</td>
</tr>
<tr>
<td>0.000</td>
<td>0.011</td>
<td>0.897</td>
<td>0.014</td>
<td>0.419</td>
</tr>
</tbody>
</table>

*, ** Significance of correlation is at 0.05 and 0.01 levels (2-tailed) respectively.

They use to seek and plunge for the alternates as and when available to be more dynamic for their growth. The Pearson correlation shows very strong relation between career growth and alternate opportunities at 0.418 and also the significance level is very strong as is below 0.05. Management relations also show quite strong relationship with career growth at significance level of 0.023 and Pearson correlation at 0.211. This relation depicts that the career oriented persons in the boom phase of industry counter their relation with the managers and supervisions at a very significant level. Bad or poor impact of management will force the career oriented employees to opt for turnover and to seek further opportunities.

Second prime factor (alternate opportunities) shows positive and strong correlation with job satisfaction, career growth and management relations as shown in Table 3. In respect of career growth the employees having alternate opportunities will take the decision of turnover keeping the career growth factor in mind. Career growth shows very strong Pearson correlation 0.418. As there would be alternate opportunity the employees would think of changing their current position in respect of their need and future ambitions. Second sub-prime factor related to alternate opportunity is job satisfaction showing Pearson correlation 0.228 and significance level of 0.014. This prime factor depicts that employees who are less satisfied with job seek for alternate opportunity more often. In the boom phase alternate opportunities are always available so employees having issues at job would take the decision of turnover. Last sub-prime factor showing positive Pearson correlation of 0.236 is management relations as the employees would have adverse relations with management or would be having some issues with management would be the ones to leave. Much of the past literature is related to the factor responsible for turnover (CIPD Turnover Survey, 2009; Hom and Griffeth, 1991; Lee and Mitchell, 1994; Mobley, 1982; Morrell et al., 2001) and some are related to the employee turnover intentions (Bodla and Hameed, 2008; Berntson and Marklund, 2007; Chew, 1993). In contrast this study can stand unique in terms of result bifurcation and implantation. The current study gives the much more then exit interviews by bifurcating the prime and sub-prime factors. Past literature gives the picture of intention to leave, while this paper gives the actual reasons associated with turnover and along side gives the second (pushing) factors for that decision. The hypothesized factors are much explored in prior studies and are not necessary to be tested again in this boom phase. The need of the time is to study that what factors plays the vital role for an employee to leave the organization. This paper adds to the literature the sub-prime factors that arecounted to be the provoking factors for the ultimate reason development.

Conclusion

As evident from the results the prime factors for employee turnover in the boom phase of industry are alternate opportunities and career growth. Both variables
show the key signals of the boom phase because in boom phase of industry there is a gigantic increase of career opportunities and people who are more dynamic opt for new ventures. The people who counted career growth as their prime force for turnover have put a saddle on availability of opportunities and management relations as sub-prime forces.

So we can say that people those are more dynamic and have more capabilities always seek for alternates that can counter their growth needs along side. Study reveals that growth oriented people are showing their behavior with respect to management’s behavior towards them. So the good management can hold the employees for a longer period, by giving them satisfaction with respect to supervision and giving them much autonomy so that may not seek for alternates too often. In current situational study the possible solution for retaining career oriented employees would be to give them autonomy and ease from the management side. Extremely harsh attitude of the management and excessive workload will open the doors of alternate opportunities for career oriented employees. Second prime factor that is, alternate opportunities have their sub-prime factors that is, management relations, career growth and job satisfaction. Employees do always seek for alternates because every one wants to get flourished in the industry. During boom phase of industry the availability of alternates is always on peak and organizations are exposed to employee turnover problems. In respect of study the employees having alternate opportunity seeking nature they count three sub-factors that force them to change their employers. Firstly career oriented people do always provoke themselves for alternative even when the industry is not at its peak.

Secondly the management style does provoke employees for alternate seeking if they are not satisfied with the way they are treated by the management. In the last and the most important relates to those employees who are unsatisfied with their job as a whole. To counter the problem of alternate opportunities seeking by the employees the banks have to give job satisfaction to employees and should deal with them in a judicious and equitable manner so that they may not opt for any alternate. Along side, there must be a defined career path for employees so that they can be retained for a long period because in boom phase the growth opportunities are like mushroom growing plants, so to overcome this problem inside growth structure must be strong.

MANAGERIAL IMPLICATIONS

This paper would help the managers to curtail a considerable turnover ratio. Although it is not practically possible to retain an employee with strong intention to leave but can be retained through proper use of management steps. This paper would help the managers to know the subordinate reasons that push any employee to choose to leave. Like, if an employee tends to leave due to career growth question, he may be dissatisfied with management or may not be satisfied with pay structure. So, if a manager would know the sub-prime factors and if sub-prime factors could be handled considerably the possible turnover can be truncated.

LIMITATIONS AND FUTURE SCOPE

This study deals with voluntary turnover of the employees and there is much scope for research related to involuntary turnover, because in boom phase there have been a considerable involuntary/forced turnover that might be addressed.

This study deals with external turnover only. There is much scope of study to measure the implications of internal turnover in the industry’s organizations. Due to boom there have been massive promotions within the banks that have created an internal turnover vacuum. This issue can be addressed further.

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