Factors Affecting the Employee Turnover: A Study in the Industrial Clothing (Pvt) Ltd

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ABSTRACT

Prime polymer is one of the leading glove manufacturers in Sri Lanka and at present they are experiencing a high rate of turnover .The objective of this research is therefore, to find out the factors that affect the intention towards labor turnover. For the study, 150 worker level employees were selected from 9 production departments and data were gathered through questionnaire. The stratified random sampling technique was applied to select representative sample of employees. As the preliminary study, Chi square test was conducted to identify the factors that associated with employee intention towards turnover. Subsequently, Binary Logistic regression method was identified as the best method to model the dependent variable, the intention of turnover within the next couple of months, as it has two outcomes. The analysis revealed that more than 50% of employees tend to turnover within the next couple of months. Also it was identified that dissatisfaction of salary, work environment, allowances, production incentives, heavy work load and shift method are significantly associated with labor turnover. Furthermore, it was found that employee turnover significantly depends on the department that they work. Nevertheless, lack of awareness of other job opportunities available outside reduces the intention towards turnover to some extent. In general, employee's turnover is one of the challenging issues in business nowadays. It has proven to be one of the most costly and seemingly intractable human resource challenges confronted by several organizations globally. Therefore, the company should design immediate and appropriate strategies to build up friendly, manageable and safe working environment to retain their skill workers for a sustainable business.

KEYWORDS: Turnover, Work environment, Department

1 INTRODUCTION

Employee turnover is a major problem that is experienced by most of the private sector companies in Sri Lanka. Due to this matter, companies fail to accomplish their targets that are already established. Many researchers have shown that the main reason for turnover is the dissatisfaction between employer and employee in every manner of they involve. Low employee loyalty and rising turnover rates have brought added burden to HR managers in their efforts towards retaining talent and decreasing turnover to maintain business performance. At present, the employee resignations and the long wave of labor lawsuits occurring in private sector organizations deeply hurt the employees and the organization, and further damage the company itself.

Prime Polymer is one of the leading glove manufacturers in Sri Lanka and it is located in an export processing zone. At present, the company is experiencing a high rate of turnover and because of that they face many problems such as hiring cost, training cost, loss of skilled employees, etc. For a month, around 100 new workers are recruited due to employee turnover. To overcome these problems the company should ascertain labor satisfaction regarding the facilities, safety, etc. frequently and need to implement appropriate strategies accordingly to retain their quality employees.

Therefore, this study was conducted with the objective of identifying the causes that influence the intention of labor turnover at Prime Polymers. This would help the company to identify the failures in their management practices and thereby they can proceed to overcome the weaknesses.

2 LITERATURE REVIEW

Many authors studied the concepts of "Turnover" in several fields especially in private sector organizations as this sector has a high turnover rate compared to the public sector.

Employee turnover means a measurement of how long employees stay with the company and how often the company has to replace them (Woods, 2003). Jeffrey (2007) expresses that, when the employees are not satisfied with their jobs and organizations and do not have trust in their employers, their intention towards turnover will be greater and as a result they will leave the organization.

Abassi and Hollman (2000) highlight the reasons for employee turnover in the organizations: hiring practices; managerial style; lack of recognition; lack of competitive compensation system; toxic workplace environments. Also it is mentioned that lack of interest, job security, promotion and inadequate training & development opportunities positively influence labour turnover.

Kinnear and Sutherland (2004) found that extrinsic factors such as competitive salary, good interpersonal relationships, friendly working environment, and job security were as the key motivational variables that influenced their retention in the organizations.

Willis Mushrush (2015) suggested to hire the right people and help to develop their careers, develop an employee oriented culture, overall strategic compensation package, explore creative options, consider alternative work schedules, flextime, preventative health care and wellness programs to reduce labour turnover rate.

3 METHODOLOGY

All the worker level employees from nine production departments were considered as the population of this study. Among the population of 1763 worker level employees a random sample of 150 were selected by applying stratified random sampling technique. Primary data were used and the data were collected through structured questionnaire. This questionnaire was illustrated in Sinhala language in order to improve the response rate.

It comprised a set of questions relating to respondents demographic factors, past work experience, perception about current employment, shift schedule, working environment conditions, allowances, salary, immediate managers' influence, other benefits provided and employees' present intention towards turnover. The reliability of the questionnaire was tested using Cronbach's Alpha value.

The preliminary analysis was conducted in order to study the expected turnover by the current employees. Chi square test was done to identify the associations between employee's present intention towards turnover (dependent variable) and the other variables included in the questionnaire which are believed to have an influence on turnover.

To obtain uncorrelated variables from the questionnaire, a factor analysis was done. The appropriateness of factor analysis was tested by using Bartlett's test. Later, these factors were treated as independent variables.

Moreover, since the dependent variable has two outcomes, the Binary Logistic regression model was fitted to identify the factors that influence the intention of employee turnover. Finally the adequacy of the fitted model was tested by using Hosmer and Lemeshow test.

4 RESULTS AND DISCUSSION

The following Table 1 shows the output of the reliability test. According to Table 1, Cronbach's Alpha value is 0.730>0.7 and therefore the questionnaire is reliable.

The Figure 1 below illustrates the expected turnover rate by the current employees. As illustrated in Figure 1 just over 50% of worker level employees are working at this company with the intention of turnover within next couple of months. Therefore, immediate actions need to be implemented to retain quality workers.

Table 1: Reliability Analysis

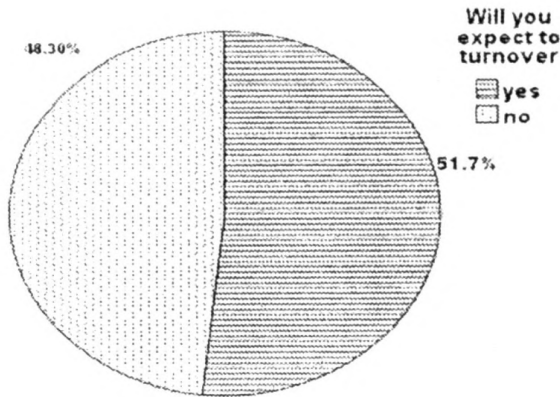| Cronbach's Alpha	N of Items
.730	21

Figure 1: Expected Turnover by the Current Employees

The outputs of the Chi-square test of associations are demonstrated in the following Table 2. As illustrated in Table 2, Salary, Attendance allowances, Production incentive, Work load, Work environment, Shift schedule and department are significantly associated with the intention towards turnover at 5% level of significance. However, past job experience, age, marital status and level of education did not show any significant association.

Table 2 Chi square Test of associations

Categorical Variable	P Value	Result
Salary	0.001(<0.05)	Reject H_0
Attendance allowances	0.000(<0.05)	Reject H_0
Production incentive	0.011(<0.05)	Reject H_0
Work load	0.000(<0.05)	Reject H_0
Work environment	0.005(<0.05)	Reject H_0
Shift	0.000(<0.05)	Reject H_0
Department	0.029(<0.05)	Reject H_0
Past job experience	0.669(>0.05)	Do not reject H_0
Age	0.469(>0.05)	Do not reject H_0
Marital status	0.877(>0.05)	Do not reject H_0
Level of Education	0499(>0.05)	Do not reject H_0

The output of the Bartlett's test of Sphericity is shown in Table 3.

Table 3: Bartlett's Test

H_0: the correlation matrix is an identity matrix H_1: the correlation matrix is not an identity matrix		
Bartlett's test of Sphericity	Approx.Chi-squ	984.903
	df	231
	sig	.000

According to the Table 3, significant value is 0.000<0.05. Therefore, H_0 was rejected at 5% level of significance. That means variables are correlated and hence data set is appropriate to conduct factor analysis.

Scree plot is depicted in Figure 2 given below. It can be seen from the scree plot that after 7th factor the line is almost flat, which means that each successive factor is accounted for smaller and smaller amounts to the total variance.

The first seven factors obtained from varimax rotation with Kaiser Normalization altogether accounted 62.63% of total variance. The seven factors extracted from principle component analysis were renamed as Influence from officers, Nature of work, Salary and incentives, Health facilities, Environment conditions, lack of awareness of other job opportunities. These seven factors and some demographic characteristics were considered as independent variables of the binary logistic regression model.
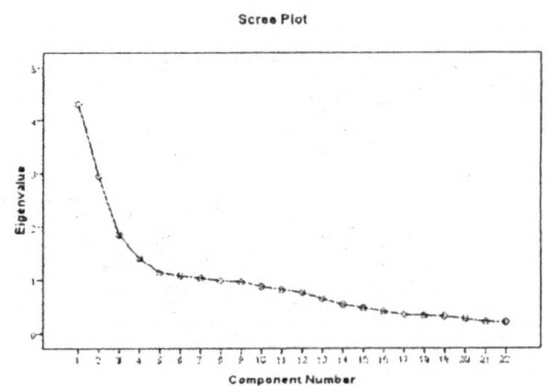

Figure 2: Scree Plot

The output of the Omnibus tests of model coefficients for final step was presented in following Table 4 and the corresponding hypotheses are as follows.

H_0: the model is not significant

H_1: the model is significant

According to Table 4, the significant value is .001<0.05. Therefore, the null hypothesis was rejected. The model is significant at 5% level of significance. The Cox & Snell R square value for the final model was .169 and Nagelkerke Rsquare was .226. This shows that both R square values are less than 1. Hosmer and Lemeshow test was illustrated in Table 5 and the corresponding hypotheses are shown below.

H_0: The model adequately fits the data

H_1: The model does not adequately fit the data

Table 5 illustrates the significant value of the final step of the model (step 7) and it is 0.582>0.05. Therefore, the null hypothesis was not rejected. The model adequately fits the data at 5% level of significance.

Table 4: Omnibus tests of model coefficients

	Chi-Square	df	Sig.
Step	-1.258	1	.262
Block	27.253	9	.001
Model	27.253	9	.001

Table 5: Hosmer and Lemeshow test

Step	Chi-square	df	Sig.
1	6.325	8	.611
2	6.367	8	.606
3	8.334	8	.402
4	5.090	8	.748
5	4.980	7	.662
6	7.938	8	.440
7	6.582	8	.582

Moreover, the Table 6 shows the variables in the equation together with its odds ratio (Exp(B)).

Table 6: Variables in the equation

		B	Sig.	Exp(B)
Step 7[a]	Dept(2)	-3.549	.005	.029
	Dept(3)	-2.516	.046	.081
	Dept(4)	-2.477	.041	.084
	Unawareness	-.548	.007	.578
	Constant	3.644	.006	38.232

According to the Table 6 the equation of the binary logistic model can be expressed as follows,

Log e (P (Turnover)/P (not Turnover)) = 3.644 -3.549 Department (2) -2.516 Department (3) -2.477 Department (4) – 0.548 (lack of awareness of other job opportunities)

That is binary logistic regression on employee's intention towards turnover depends on the type of the department that the employee works and the unawareness of availability of other job opportunities.

Departments of the company vary based on its process, work environment and workload. Therefore, the intention towards turnover heavily depends on the department that the employee works. This scenario could be confirmed by the model.

5 CONCLUSION

The objective of the study is to identify the causes that influence the intention of labor turnover at Prime Polymers.

The study revealed that more than 50% of the employees work at this company with the intention of turnover within the next couple of months. Moreover the intention towards employee turnover is associated with salary and incentives, department (work load, work environment) and shift

method. Therefore, the company should design appropriate strategies to provide a satisfactory level of benefits and a favorable and safety working environment to their employees in order to retain skilled employees at worker level.

Furthermore, unawareness of the company rules and availability of other job opportunities reduce the intention towards turnover up to some extent. These finding are very useful for the company to overcome the weaknesses of management practices and thereby to retain their skilled workers for a sustainable business.

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