

## **Chapter One**

### **Introduction**

#### **1.1. Background of the Study**

Employees' turnover is an important and pervasive feature of the labor market (Martin C., 2003). Labor turnover affects both workers and the organizations. Workers experience disruption, the need to learn new job-specific skills and find different career prospects. Organizations suffer the loss of jobs-specific skills, in performance of organization and incur the costs of hiring and training new workers ([www.le.ac.uk/economics](http://www.le.ac.uk/economics)).

Human resource is considered to be the center of all development processes of economy. But today's competitive business scenario is deteriorating social conditions of human resources, hence causing employee turnover. 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. High turnover rate is problematic and have a negative impact on an organizations performance. The goal of every organization is to make high productivity, profit (especially if it is a profit-oriented organization), and render good quality of services. These goals can only be realized with employees' efforts, supports and contributions. This is because employees are partly responsible for the achievement of organization's goals and strategy. But when these employees are quitting or leaving the jobs and the organization, the aims and objectives of the organization might not be achieved. Loss of employees may have a negative effect on the organizational performance, productivity, and effectiveness. It may also increase the recruitment, selection, and training cost and increase the workload of the remaining employees in the organization. (Price ,1977)

Turnover is a serious and costly problem but it is rarely seen as such by the people who could take action to prevent it (Jenkins S., 1988). In broader sense, turnover refers to the movement of into and out of the organization by the workforce (Fhippo E.B., 1980). Labor turnover is an important parameter indicating the overall health of industry or an establishment in terms of wages, industrial relations, working conditions and other welfare facilities provided by

employers to the workers. High rate of labor turnover indicates lack of stability in the labor force (www.laboureau.inc.in).

The presence of skilled labor in the organization helps to mobilize and direct both the human and non-human resources in the right track, this helps to achieve the organization short and long term objectives. However, due to the competitive environment, lack of appropriate incentive and poor working environment, there is mobility of skilled employees from one organization to the other Organization. This results in negative impact for the future development of the organization.

Employees turnover may be created as the result of many factors, the major factors, are due to poor working environment like inefficient management, search of better payment and compensation.

In Ethiopia, eventhough few studies like, studies conducted on ERA and IRC show about turnover of employees, there is no empirical studies conducted on public organizations employees' turnover which were supported by formal and published research as far as the knowledge of the researcher is concerned. This paper therefore attempts to assess rate of turnover and factors that cause employee turnover and the impact on Nib International Bank.

## **1.2. Background of the Organization**

Nib International Bank (NIB) was established on 26 May 1999 under license no. LBB/007/99 in accordance with the Commercial Code of Ethiopia and the Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994 with paid up capital of birr 27.6 million and authorized capital of birr 150 million by 717 shareholders. The bank commenced its operation in 28 October 1999 by 27 employees. It joined the banking industry as the sixth private bank licensed in the country.

Other than rendering fulfilled Domestic and International Banking services the bank implemented Mobile and Internet Banking through which it issues NIB cards and has placed it's ATMs at various locations throughout the country to provide its diversified products in convenient ways to its esteemed customers. Moreover, to enhance the application of modern banking technologies and provide competitive services via a wide range of card banking

services, the bank has established a strategic partnership with MasterCard, Visa and UnionPay branded cards which is one of the breakthroughs to provide international payment services. A full-scale preparation to upgrade the bank's T24 application to the latest and robust release is completed

With a view to introduce new types of products, other than the previous innovative products and services Gojo-Guozo Foreign Exchange (FX) linked deposit and loan products, credit product to employment agencies and employees working abroad to enhance FX generation and Murabaha interest free financing products were developed.

The development of the 3<sup>rd</sup> strategic plan is now at implementation phase and putting a new structure formulating policy manuals and cascading the various targets of the strategic plan to the implementing units.

The Billion Birr construction projects of NIB's Headquarter and Hawassa buildings are enhanced as per the schedule and the construction of Arat-Kilo and Hosahna buildings will be fully completed in 2018/19 budget year.

Among others, the bank has registered a steady growth and achievement in all aspects of its operations since its establishment. At the end of March 2018/19, its total deposits and loan and advances stood at about birr25.1 billion and birr 17.5 billion respectively. Total assets also grew to about birr 31.1 billion and paid up capital to birr 2.5 billion. To the level of net profit before tax reached birr 673.1 million in March 2018/19. The bank's shareholders are close to 4,585 and the total number of customers exceeds 812,627. The bank's employees reached more than 4,797 as of March 2019.

### **1.3. Statement of the Problem**

An organization that loses predominantly poorer performance employees may have less cause for concern than ones that loses a disproportionately higher number of its better performers. (Werbel J. D. et al, 1989) Employees are one of the resources that organizations need to manage effectively to survive. Employees are not "owned" by organization like any other asset and as

such labor turnover is a reality for organizations. At the country level, the situation is aggravated by the rate of brain drain.

For any organization it is important to have competitive performances within the industry. To create these competitive performances an organization needs to have employees with skill, knowledge and integrity. The resign or turnover of these employees has a negative effect on the organization. As an organization the NIB faces employee's turnover. And this will have negative impacts on performance and effectiveness to realize the expected growth; in addition to this it causes high cost of recruiting, selecting and providing training for new recruits.

Nib International Bank is one of the private banks that contribute for the socio-economic development of the country. The bank provides different services to its customers in a stiff competitive market environment. To win this competition, as a service organization, NIB should maintain adequate number of the right sort of employees with appropriate training, qualification and experience who serve its customers as per the rules of the bank. Currently there are over 4,500 employees in its different branches and head office. However, from time to time, 284 (According to NIB Annual Report of 2017/2018) employees leave the bank to other banks, and organization for various reasons. Currently, NIB is facing a frequent staff turnover, and as such, the high turnover is costing the bank in terms of productivity and money. There are sizeable costs associated with employee turnover-separation pay, the expense of recruiting, selection, and training and so forth. Therefore, the separation of its high-skilled and well experienced workers is adversely affecting the bank. This study will try to relate the problem of high employee turnover by assessing the practice of NIB to get a true picture of the problem. The purpose of this study is, therefore, to identify the level of employee intention to leave and to know the employee turnover rate of NIB.

#### **1.4. Basic Research Question**

To address the above problem, this study tried to seek answer to the following basic research questions:-

- What is the employee level of intension to leave at NIB?
- What is the employee turnover rate at NIB?

- What are the major causes of employee turnover in NIB?
- Does NIB have employee retention strategy? If so, how effective is it?

## **1.5. Objectives of the Study**

### **1.5.1 General Objective**

The general objective of this study is to assess the employee turnover intention of Nib International Bank.

### **1.5.2 Specific Objective**

Specifically, the objectives of the study include the following:-

- To determine the employee intention to leave the bank
- To determine the staff turnover rate in the bank
- To determine the major causes of employee turnover.
- To determine if the bank has retention strategy

## **1.6. Significance of the Study**

Governmental and public sector organizations success can be measured mainly through delivery of quality service to their beneficiaries. This can be achieved through well formulated plans and programs, allocation of resources, assignment and retention of committed and competent staffs.

Otherwise the objective of the organization could not be realized. Therefore, the researcher highly anticipated that the results of this study have the following significance.

- It helps the top management of the organization to take appropriate measure to reduce potential employee turnover.
- It provides information for other similar publically owned financial institution and private organizations.
- It serves as a stepping stone for researchers who are interested to conduct further study.

### **1.7. Scope of the Study**

The researcher aims to assess employee turnover and issues related to the turnover problem of NIB by addressing employees in all and head office in Addis Ababa. This research also focuses on professionals or those technically qualified personnel who do have both managerial and non-managerial positions. Furthermore, the study focuses on voluntary turnover. It does not include involuntary turnover.

### **1.8. Limitation of the Study**

Geographic limitation was the major limitation faced due to this, budget and time constraints the researcher focused on Addis Ababa area only. The other limitation is little studies have been conducted in the bank on the topic of labor turnover. Particularly on private financial institutions, and this was a challenge to incorporate materials from empirical literature.

### **1.9. Organization of the Paper**

The paper comprises five chapters. The first chapter deals with introduction section, which includes background of the organization, statement of the problem, basic research questions, objective of the study, significance of the study and scope and limitation of the study. Chapter two focuses on the theoretical and empirical literature review relevant to the subject matter of the study. Chapter three presents the research design and methodology employed to conduct the study. The fourth chapter analyzes and discusses the findings of the study. The fifth chapter summarizes the findings of the study and presents the conclusions drawn and recommendations forwarded.

## **Chapter Two**

### **Review of Related Literature**

#### **2.1. Turnover Intention**

Turnover intention is defined as an ‘individual’s own expected chance that they are quitting the organization permanently at some spot in the near future and look forward to find the other one. (Purani & Sahadev, 2007; Weisbeg, 1994, Vandenberg and Nelson 1999, p. 1315). According to Price (2001), it is not just intending to quit the location, but the work role, the job, and also the organization.

#### **Types of Turnover Intention**

The intention to leave can be categorized into unpreventable or unavoidable turnover, desired turnover and undesirable turnover.

1. Unpreventable turnover is due to the issues of family, personal illness or retirement.
2. The desired turnover is due to the inability of the employee himself.
3. Undesirable turnover consists of skilled and trained workers leaving due to organizational issue such as poor support, role conflict and lack of supervision.

Turnover intention is a major issue, mainly in the field of human resource management. Many researches have shown that turnover intention has direct relationship with actual turn over. According to Castro, & Shepherd, 2007, turnover intention is the major determinants of turnover behavior (i.e., quitting behavior) and it is one of the biggest causes and an immediate symbol of employee’s turnover (Griffeth et al., 2000; Porter & Steers, 1973). Therefore turnover intention is a major area of interest and poses a very crucial challenge for today’s HR managers because intention to leave takes perceptions of job alternatives, poor work performance, poor personal behavior and work ethics and impaired deliverance of quality service to customers, and etc. until the behavior culminates with actual quitting of job and organization. Many researches have also linked turnover intention to lateness, absenteeism, work withdrawal, reduced performance, and poor organizational citizenship behavior, low commitment, and poor work engagement, and invariably declining output (Johns, 1997; Meyer, 1997; Griffeth et al., 2000; Oluwafemi, 2009; 2010; Samad, 2012).

## 2.2. Definition of Employee Turnover

Different authors has define turnover in various ways while Price (1977) defined turnover as 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 Price, et al (2007).

Turnover is a reduction in the number of employees through retirement, resignation, reassignment, transfer or other means than layoffs (Mani & Kumar, 2006: 2).

Employee turnover occurs when employees leave their jobs and must be replaced. The word web dictionary defines employee turnover “as the ratio of the number of workers that had to be replaced in a given time period to the average number of workers”

([www.wordnetprinceton.edu](http://www.wordnetprinceton.edu)).

Frequently, managers refer to turnover as the entire process associated with filling a vacancy: Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained. This replacement cycle is known as turnover (Woods, 1995). This term is also often utilized in an effort to measure relationships of employees in an organization as they leave, regardless of reason.

The first requirement of every organization is to attract a sufficient number of people into the organization and to persuade them to stay at least a reasonable period of time. Organizations depend upon their ability to attract members, and the failure to attract a sufficient number of new members could prevent the organization from functioning effectively (Cherrington, 1998).

“Labor turnover refers to the influx and efflux of the working force. It may be measured in terms of accessions to separation from, or replacements on the payroll and may be classified as avoidable or unavoidable.” In free market economy when it is under manageable conditions, a certain degree of turnover may be desirable, since it creates opportunities to introduce wider experience and new idea to organization besides enabling the organization weed away the dead stock as well as providing career development opportunities for existing workers (Cherrington, et al.(1989).



### **2.3. Types of Turnover**

Griffeth and Hom (2001) offer to focus on the part of turnover that is of real concern to an organization by differentiating between voluntary and involuntary turnover; In other words, did the employee choose to leave the job or was it a decision made by the employer? Then, voluntary resignations are further distinguished between functional (exit of substandard performers) and dysfunctional (exit of effective performers). Finally, unavoidable resignations over which the employer has no influence are also left aside (family move, childbirth, serious illness or death). This leaves the group of avoidable resignations as the key focus (Griffeth and Hom, 2001).

Park et al. (1994) defined dysfunctional, as distinct from functional, turnover. In this definition, dysfunctional turnover occurs when an organization loses good performing employees, whereas functional turnover results from the loss of poor performing employees. Whereas the former is generally inimical to the organization if appropriate replacements cannot be found, the latter might, in fact, be a positive development which gives the organization an opportunity to invigorate itself by finding a more capable substitute (Tettey, 2006).

A certain amount of mobility is inevitable. Illness, accidents, aging, death, and a variety of personal reasons bring about separations, some of these factors, as well as economic and financial conditions in an organization and in the larger community, occasion termination of employment, layoffs, or internal mobility. However, although some degree of mobility is both inevitable and healthy, too much of it can severely reduce productivity, demoralize incumbents, and damage an organization's public image. On the other hand, too little internal mobility stultifies employee ambition, and too low rate of external mobility (separation of "old hands" and inflow of new blood) can result in a moribund organization. Thus in studying past and current rates of mobility it is important for managers to ask: what kind of employee turnover need to be differentiated? (Pigors and Myers, 1981).

### **2.4. What are the Cause of Turnover**

Many reasons explain why employees withdraw from an organization especially in an economy where skills are relatively scarce and recruitment is costly. Employees voluntarily resign their appointments in organizations for various reasons which can be classified into two: pull and push

factors. The pull factors, according to Goyal (2002) include the attraction of a new job especially in a growing economy. In such cases, it is the availability of alternative jobs that attracts an employee to withdraw from a particular organization. It also explains that the push factor may be dissatisfaction with the present job that motivates an employee to seek alternative employment elsewhere. Sometimes, it is a mixture of both the pull and push factors. However, some reasons for leaving are entirely explained by domestic circumstances outside the control of any employer, as is the case when employees relocate with their spouses or partners (Goyal, 2002).

Recent research by the British Chartered Institute of Personnel and Development (2006) shows that push factors are a great deal more significant in most resignations than most managers appreciate. The research contends that it is relatively rare for people to leave jobs in which they are happy, even when offered higher pay elsewhere. Research reveals that about one third of the millions of employees surveyed worldwide plan to quit their jobs within two years.

Some employers attract job applicants with unrealistic and non-existent conditions of service during interviews. However, when these new employees get on board and the conditions of service promised by the employers are not forthcoming, such employees immediately update their resumes and quit for other jobs. The British Chartered Institute of Personnel and Development (2006) notes that a great deal of employee turnover consists of people resigning or being dismissed in the first few months of employment. This is due to poor recruitment and selection decisions, both on the part of the employee and employer. Expectations are high during the recruitment process, leading applicants to compete for and accept jobs for which they are mostly not suited. Organizations do this in order to ensure that they fill their vacancies with sufficient numbers of well qualified candidates as quickly as possible. However, over the longer term, the practice becomes counter-productive as it leads to costly but avoidable turnover and the development of a poor reputation in the local labor market. (The British Chartered Institute of Personnel and Development, 2006.)

According to a study by the Chartered Institute of Personnel and Development (2006) in the United Kingdom (UK), there are factors that are specific to the individual that can influence early turnover. These include both personal and trait-based factors. Personal factors include changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In

addition to these personal factors, there are also trait-based or personality features that are associated with turnover. (The British Chartered Institute of Personnel and Development, 2006.)

These personality traits are some of the same characteristics that predict job performance and counter-productive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production. Most environmental contributors to turnover can be traced to management practices. Turnover tends to be higher in environments where employees feel they are taken advantage of, feel undervalued and inadequately compensated. Management practices that promote inequity, inefficiency and lack of foresight and ability to provide purposeful leadership will encourage skilled and professional employees to leave the organization. Goyal (2002) further argue that skilled employees need space to act independently and freedom to plan and execute work the best way they choose. This requires progressive organizational leadership which allows for independent judgment by employees. Managers can help to address this by removing organizational policies that restrict innovative thinking and practice within the organization (Goyal, 2002)

Certain jobs have peculiar characteristics that contribute to turnover. According to Lanyon (2007) some jobs are characteristically more attractive than others. Someone who enjoys travelling long distances will find sales job attractive while a personality with a strong ability to convince others through argument may find satisfaction in advocacy jobs. However, if these personalities engage in jobs with characteristics other than those peculiar to them, they may not find job satisfaction, which will lead to turnover. It posits that there is turnover that is demographically specific, particularly for women who are balancing significant work and family duties at the same time. Employees may choose to leave an organization instead of sacrificing their other interests and responsibilities in order to make the job work out. Some women elect to quit their jobs after the birth of a child, rather than simply take maternity leave while some relocate with their spouses. These factors translate into higher turnover rates for women in most organizations (Lanyon, 2007.)

Empirical evidence has shown that all the factors enumerated above act individually or collectively to inform an employee's decision to quit or remain in an organization. Overtime, money is considered as the most critical determinant of turnover. However, that assumption has

changed. The new breed of professionals and highly skilled employees now place other factors such as career growth, skills development and training opportunities as the main motivational variables that determine which organization to work for. For organizations to attract and retain quality employees, these variables must be evaluated and integrated into an effective employee retention program of the organization. It is thus important for organizations to first of all recognize what motivates an individual employee before a meaningful retention practice can be developed.

The concepts of turnover and retention are closely related to costs and no meaningful evaluation of the subject will be complete without examining both direct and indirect costs that are usually associated with the two. The following section will discuss costs that are usually associated with retention and turnover in organizations.

Conventional wisdom says that employees leave if they are dissatisfied, and that money will make them stay. People often leave jobs for reasons that have nothing to do with the jobs themselves. Mergers, unsolicited job offers, family responsibilities, spouse relocation, a poor performance appraisal, and administrative changes are all “shocks” that can bring on serious thoughts of leaving, even when people are not dissatisfied with their jobs. Further, people sometimes stay with jobs for non-work reasons. Some factors that limit individual’s willingness to leave the jobs are links between themselves and others, compatibility, or “fit” with the job/organization/community; and potential sacrifice, or what they would have to give up if they left the job.

## **2.5. Measuring Turnover**

The Chartered Institute of Personnel and Development (CIPD) in the United Kingdom developed a simple and most common way of measuring employee turnover. The method, according to the CIPD (2007) is to measure the number of leavers in a period as a percentage of the number employed during the same period, usually on a quarterly or annual basis. This is sometimes called the separation rate (SR). This is expressed as follows:

$$\frac{\text{Number of leavers}}{\text{Average number working}} \times 100 = \text{separation rate}$$

The CIPD (2007:1) further states that, unless there are special circumstances such as a sudden large increases in the size of the workforce, the average number working is usually taken to be the number working at the start of the period added to the number working at the end, the total is then divided by two. This simple index is useful in comparing one organization's employee turnover with that of a local employer's, or with that of the industry as a whole. A crude turnover method involves most organizations simply tracking their crude turnover rates on a month by month or year by year basis. The formula is simply calculated as:

Total number of leavers over period x 100

Average total number employed over period

The total figure includes all leavers, even people who leave voluntarily, dismissal, redundancy or retirement. The weakness of this method is that it does not distinguish between categories of employees, e.g. by length of service, or whether turnover was voluntary or involuntary. It is also important for organizational practitioners to take a record of the retention rate for experienced employees. This is also referred to as the Stability Index (SI) and is calculated as:

Number of staff with one or more years in service x 100

Number employed a year ago

The stability index formula stated above is consistent with the one devised by the CIPD which is calculated as follows:

Number of employees with one year's service (or more) now x 100 = SI

Number of employees one year ago

The stability index is most useful in comparisons over a period or with other similar organizations. Measuring employee retention rate and the costs of turnover to the organization is vital in building a business case for thorough and effective recruitment and retention initiatives. This costing can be a part of performance appraisal ratings especially for line managers and gain top management support for employee management activities. However, it is not all turnovers that attract costs to the organization; some are indeed beneficial and cost effective.

## **2.6. Turnover as Benefit and Cost**

### **2.6.1. Turnover as Benefit**

A recent study by the United Kingdom Chartered Institute of Personnel and Development (2007) reveals that not all turnovers are harmful to organizations. Some turnover impact positively and are cost effective. This happens mostly whenever a poor performer is replaced by a more effective and efficient employee.

According to Mello (2006), turnover allows the organization to hire new employees with more current training who are not locked into existing ways of doing things. Fresh ideas from outsiders can be crucial to organizations that have become stagnant and are in need of innovation. Turnover can also lower the average tenure of employees and translate into lower payroll expenses. (Mello et al., 2006) further contends that turnover may allow the organization to find an even better performer than the employee who left, possibly at a lower salary (Mello et al., 2006).

### **2.6.2. Turnover as Cost**

According to (Mello et al., 2006) there are three broad categories of costs in the basic turnover costing model: separation cost, replacement cost, and training costs.

#### **I. Separation Cost**

The following are four cost elements in separation costs:

- Exit interview, including the cost of the interviewer's time and the cost of the terminating employee time.
- Administrative functions related to termination, for example, removal of the employee from the payroll, termination of benefits, and turn-in of company equipment
- Separation pay,

- Increased unemployment tax, which may come from either of both of two sources. First, it states that base unemployment tax rates on each company turnover rate, high turnover will lead to a higher unemployment tax rate. (Mello et al., 2006)

## **II. Replacement Cost**

There are eight cost elements associated with replacing employees who leave:

- Communicating job availability
- Pre-employment administrative functions, for example, accepting application and checking references.
- Entrance interview, or perhaps multiple interview
- Testing and/or other types of assessment procedure
- Staff meeting, if applicable, to determine whether replacements are needed, to recheck job analysis and job specification, to pool information on candidates, and to reach final hiring decisions
- Travel and moving expenses, for example, travel for all applicants and travel plus moving expenses for all new hires.
- Post-employment acquisition and dissemination of information, for example, all activities associated with in-processing new employees.
- Medical examination, if applicable, either performed in-house or contracted out. (Mello et al., 2006)

## **III. Training cost:-**

This third component of turnover costs includes three elements:

- Informational literature (e.g. an employee hand book)
- Instruction in a formal training program
- Instruction by employee assignment (e.g. on- the –job training).
- Hidden cost: includes costs not obvious but that affect lost productivity, decreased customer service. (Mello et al., 2006)

Competent employees who are satisfied with their employers, who know what is expected, and who have minimal absenteeism and reduced turnover potential are assets to the organization. But just as individual in an organization can be a competitive advantage, they can also be a liability. When few employees know how to do their jobs, when people are constantly leaving, and when the employees who do remain work ineffectively, human resource is a problem that puts the organization at a competitive disadvantage. Individual performance, motivation, and employee retention are key for organization to maximize the effectiveness of individual human resources. (Mello et al., 2006)

## **2.7. How to Reduce Employee Turnover**

Employee turnover is a very serious consideration for management of different organizations all around the globe because it hurts the overall performance of the firm significantly and creates operational problems for the businesses which ultimately results in low productivity and poor performance. The top management as well as HR management should strive to reduce high turnover rate.

According to Gabriel Dwonoh and Thomas Koralcye (2012), here are some ways to lower turnover in your workplace:

- Hiring the right people from the start, most experts agree, is the single best way to reduce employee turnover. Interview and vet candidates carefully, not just to ensure they have the right skills but also that they fit well with the company culture, managers and co-workers.
- Setting the right compensation and benefits is important too. Work with human resources to get current data on industry pay packages, and get creative when necessary with benefits, flexible work schedules and bonus structures.
- Review compensation and benefits packages at least annually. Pay attention to trends in the marketplace and have HR update you
- Pay attention to employees' personal needs and offer more flexibility where you can. Consider offering telecommuting, compressed schedules or on-site or back-up day care.



- Bolster employees' engagement. Employees need social interaction and a rewarding work environment. They need respect and recognition from managers, and a challenging position with room to learn and move up
- Managers often overlook how important a positive work environment is for staffers, and how far meaningful recognition and praise from managers can go to achieve that. Awards, recognition and praise might just be the single most cost-effective way to maintain a happy, productive work force.
- Simple emails of praise at the completion of a project, monthly memos outlining achievements of your team to the wider division, and peer-recognition programs are all ways to inject some positive feedback into a workforce. Also, consider reporting accomplishments up the chain. A thank you note to the employee is good. Copying higher-ups makes that note even more effective. To make it easier to identify accomplishments, ask your team for weekly or monthly updates of their achievements. Ask for specific numbers, examples or emails of praise from co-workers or customers
- Outline challenging, clear career paths. Employees want to know where they could be headed and how they can get there. Annual reviews or midyear check-ins are one obvious venue for these discussion, but you should also encourage workers to come to you with career questions and wishes throughout the year. (Gabriel Dwonoh and Thomas Koralcye (2012).

## **2.8. Retention of Human Resources**

### **2.8.1. What is Employee Retention**

“Employee retention is a process in which the employees are encouraged to remain with the organization from the maximum period of time or until the completion of the project or retirement.” ([www.retention.naukrihub.com](http://www.retention.naukrihub.com)).

Retention is a voluntary move by an organization to create an environment which engages employees for long term. According to Chaminade (2007), this attachment relationship should be durable and constant and link the employee to the organization by common values and by the way in which the organization responds to the needs of the employees. The main purpose of retention is to prevent the loss of competent employees from the organization, which could have

an adverse effect on productivity and service delivery. Also, retention allows senior and line managers to attract and effectively retain critical skills and high performing employees. This is achieved by providing these managers with information on retention and retention strategies that will ensure that the goals and objectives of the organization are realized. (Chaminade, 2007)

Talented and high performing employees should be encouraged to remain in the organization by designing retention policies that will provide individual employees with opportunities to demonstrate their skills and ensure that they are matched with the right jobs. Such retention policies should, in the view of Chaminade (2007) also include strategies that will enable employees to balance their work life demand with their family life by establishing family friendly policies and enabling flexible work arrangements to accommodate essential personal commitments. With such effective retention policies in place, managers are able to keep the employee turnover at a manageable rate. (Chaminade, 2007)

Retention must be viewed as a strategic business issue. Until a few years ago, turnover was a routine HR matter requiring records and reports, but top management did not get involved. However, what was once a bothersome detail can become a substantial money issue for many employers. There are now fewer qualified and productive people in the workforce, and the good ones are even more in demand. (Melo et al, 2006).

Some employers have placed such a high priority on employee retention that they have designated retention officers. Often an individual in the HR area is assigned a specific focus of retention to ensure that it receive high priority. (Melo et al, 2006).

### **2.8.2. Factors that affect Employee Retention**

Mathis & Jackson (2004) discuss factors that affect employee retention as follows:

A number of organizational characteristics influence individuals in their decision to stay with or leave their employers. Organizations experience fewer turnovers when they have positive, distinctive cultures; effective management; and recognizable job security.

### **2.8.3. Culture and Value**

Organizational culture is a pattern of shared values and beliefs of a workforce. Those items provide organizational members with meaning and rules for behavior. According to McKenna and Nic Beach (2007) culture has been a subject of investigation in social anthropology where research have sought to understand the shared meaning and values held by groups in society which give significance to their actions. (McKenna and Nic Beach, 2007.)

### **2.8.4. Management and Retention**

Other organizational components that affect employee retention are related to the management of the organization. Some organization sees external events as threatening, whereas others are changes as challenges requiring responses. The latter approach can be a source of competitive advantage, especially if an organization is in a growing, dynamic industry. The attitudes and approaches of management are the key.

### **2.8.5. Visionary Quality of Organizational Leadership**

Another factor affecting how employees view their organization is the visionary quality of organizational leadership. Often, leaders demonstrate their vision by having an identified strategic plan that guides how the firm responds to changes. If a firm is not effectively managed, then employees may be turned off by the ineffective responses and inefficiencies they deal with in their jobs. Organization that have clearly established goals and hold managers and employees accountable for accomplishing results are viewed as better places to work, especially by individuals wishing to progress both financially and career wise. Further, effective management provides the resources necessary for employees to perform their jobs well. (McKenna and Nic Beach, 2007.)

### **2.8.6. Job Security**

Many individuals have seen a decline in job security over the past decade. All the downsizing layoffs, mergers and acquisitions, and organizational restructuring have affected employee loyalty and retention. Also, as co-workers experience layoffs and job reduction, the anxiety

levels of the remaining employees rise. Consequently, employees start thinking about leaving before they too get cut. On the other hand, organizations in which job continuity and security are high tend to have higher retention rates. A survey by SHRM showed that about 75% of employees are at least somewhat satisfied with the job security provided by their employers, while 13% are at least somewhat dissatisfied. Younger, employees experience more concern about job security than do older workers.

### **2.8.7. Job Design/Work and Retention**

Some jobs are considered “good” and others are thought to be “bad”-but not all people agree on which are which. People vary considerably in their preferences of particular job features. As a result, some people like some kinds of work and others like different kinds of work. That is fortunate, because it means there are people willing to do most jobs. (McKenna and Nic Beach, 2007)

### **2.8.8. Job/Person Match**

Matching people with jobs they like and fit can be a challenge. If people do not fit their jobs well, they are more likely to look for other employment, so retention is affected by the selection process. A number of organization have found that high turnover rates in the first few months of employment are often linked to inadequate selection screening efforts.

Once individuals have been placed in jobs, several job/work factors affect retention. Because individuals spend significant time on job, they expect to have modern equipment, technology, and good working conditions, given nature the nature of the work. Physical and environmental factors such as space, lightning, temperature, noise and layout affect retention employees (McKenna and Nic Beach, 2007)

### **2.8.9. Time Flexibility**

Flexibility in work schedules has grown in importance. Work load pressures have increased because of downsizing. Many approaches to time flexibility are informal. It is estimated that informal arrangement are more common than formal ones. However, informal schedule

arrangement can cause communication problems among people who do not see each other, and hostility among some employees. Formal policies indicating who is eligible for schedule flexibility and how problems will be handled are needed. (McKenna and Nic Beach, 2007)

#### **2.8.10. Career Opportunities and Retention**

Surveys of workers in all types of jobs consistently indicate that organizational efforts to aid career development can significantly affect employee retention. Such surveys have found that opportunities for personal growth lead the list of reasons why individuals took their current jobs and why they stay there. That component even more essential for technical professionals and those under age 15, for whom opportunities to develop skills and obtain promotions rank above compensation as a retention concern. (McKenna and Nic Beach, 2007)

#### **2.8.11. Training/Development and Mentoring**

Organization addresses training and development in a number of ways. Tuition aid programs, typically offered as a benefit by many employers, allow employees to pursue additional educational and training opportunities. These programs often contribute to higher employee retention rates. However, just offering such programs is not sufficient. Employers must also identify ways to use employee's new knowledge and capabilities inside the organization. Otherwise, employees are likely to feel that their increased "values" is not being recognized. Overall, training and development efforts are designed to meet many employees expectation that their employers are committed to keeping their knowledge, skills, and abilities current.

Mentoring can increase retention, as it provides both career opportunities and development. Mentoring can be formal or informal. As the number of contacts grows through mentors or others, it turns into a career networking system, either inside the organization or outside, or perhaps both. According to Bernardin (2004) mentoring consists of establishing formal relationship between junior and senior colleagues or peers. These relationships contribute to career functions- For example coaching and protection of the colleague and assignment of challenging work. (Bernardin, 2004)

### **2.8.12. Career Planning/Advancement**

Organization also increases employee retention through formal career planning efforts. Employee discuss with their managers career opportunities within the organization and career development activities that will help the employee grow. Also, companies can reduce attrition by showing employees that they are serious about promoting from within. According to Wayne (2006: 179) a career is a sequence of positions occupied by a person during the course of time. He also states that career planning is important because the consequences of career success or failures are closely linked to an individual self-concept and identity. (Wayne, 2006: 179)

### **2.8.13. Rewards**

The tangible rewards that people receive for working come in the form of pay, incentive, and benefits. Numerous surveys and experiences of HR professionals reveal that one key to retention is having competitive compensation practices. Many managers believe that money is the prime retention factor. Often, employees cite better pay or higher compensation as a reason for leaving one employer for another. However, the reality is a bit more complex (Wayne, 2006: 179)

### **2.8.14. Competitive Pay**

Pay and benefit must be competitive, which means they must be close to what other employers are providing and what individuals believe to be consistent with their capabilities, experience, and performance.

Monetary compensation is important, however, as it ensures that:

- The pay is sufficient to attract the right people to the organization
- The pay is perceived as equitable so that good employees can be retained.
- The rewards ensure that the organization can maintain its competitive advantage
- The rewards are available to increase productivity and profitability
- Legal obligations are met, such as equal pay for equal work
- The organizational pay structure is clearly defined and transparent to avoid criticism that could lead to legal action. (Wayne, 2006: 179)

### **2.8.15. Performance and Compensation**

Many individuals expect their rewards to be differentiated from those of others based on performance. That means, for instance, that if an employee receives about the same pay increase and overall pay as others who produce less, are absent more, and work fewer hours, then that person may feel that the situation is “unfair.” This may prompt the individuals to look for another job where compensation recognizes performance differences. Generally individuals are more satisfied with the actual levels of their pay than with the process used to determine pay. That is why the performance management systems and performance appraisal process in organization must be designed so they are linked to compensation increase.

To strengthen links between organizational and individual performance, a growing number of private-sector firms are using variable pay and incentive programs. These programs offer cash bonuses or lump-sum payments to reward extra performance. (Wayne, 2006: 179)

### **2.8.16. Recognition**

Employee recognition as a form of reward can be either tangible or intangible. Tangible recognition comes in many forms, such as “employee of the month “plaques and perfect-attendance certificate. Intangible and psychological recognition includes feedback from managers and supervisors that acknowledges extra effort and performance, even if monetary rewards are not given. (Wayne, 2006: 179)

### **2.8.17. Employee Relationship and Retention**

Such areas as the reasonableness of HR policies, the fairness of disciplinary actions, and the means used to decide work assignment and opportunities all affect employee retention. If individuals feel that policies are unreasonably restrictive or are applied inconsistently, then they may be more likely look at jobs offered other employers.

Other relationship that affects employee retention are supervisors/management support and co-worker relations. A supervisor or manager builds positive relationships and aids retention by being fair and non-discriminatory, allowing work flexibility and work/family balancing, giving

feedback that recognizes employee efforts and performance, and supporting career planning and development.

Many individuals build close relationship with co-workers. Such friendships do not appear on employee records, but research suggests that they can be an important signal that a workplace is positive. (Wayne, 2006: 179)

## **2.9. Managing Retention**

### **2.9.1. Retention Measurement and Assessment**

To ensure that appropriate actions are taken to enhance retention, management decisions require data and analysis rather than subjective impressions, anecdotes of selected individuals' situations, or panic reactions to the loss of key people. Having several absence and turnover measurements to analyze is important. Two other sources of information might be useful before analysis is done: employee survey, attitude survey and exit interviews. (Chaminade, 2007)

### **2.9.2. Employee Survey**

Employee survey can be used to diagnose specific problem areas, identify employee needs or preferences, and reveal areas in which HR activities are well received or are viewed negatively. For example, questionnaire may be sent to employee to collect ideas for revising a performance appraisal system or to determine how satisfied employees are with their benefits programs. Regardless of the topic of a survey, obtaining employee input provides managers and HR professionals with data on the "retention climate" in an organization. (Chaminade, 2007)

### **2.9.3. Attitude Survey**

One specific type of survey used by many organizations is an attitude survey that focuses on employees' feelings and beliefs about their jobs and the organization. By obtaining data on how employees view their jobs, their supervisors, their co-workers, and organizational policies and practices, these surveys can be starting points for reducing turnover and increasing the length of time that employees are retained. Some employers conduct attitude surveys regularly (such as every year), while others do so occasionally. Attitude surveys are developed by consulting firms,



academicians, and others. They can also be custom designed to address specific issues and concerns in an organization. (Chaminade, 2007)

#### **2.9.4. Exit Interview**

One widely used type of interview is the exit interview, in which individuals are asked to give their reasons for leaving the organization. In one survey of employers, 87 % of them claimed to conduct exit interview, and more than half used the information gathered to make changes to aid retention. A wide range of issued can be examined in exit interview, as described in the HR practices on conducting them. (Chaminade, 2007)

#### **2.9.5. Determining Retention Management Action**

The analysis of data mined from turnover and absenteeism records, surveys of employees, and exit interview is an attempt to get at the cause of retention problems. Analysis should recognize that turnover and absenteeism are symptoms of other factors that may be causing problems. When the causes are treated, the symptoms will go away. Some of the first areas to consider when analyzing data for retention include the work, pay/benefits, supervision, and management systems. (Chaminade, 2007)

#### **2.9.6. Retention Evaluation and Follow-Up**

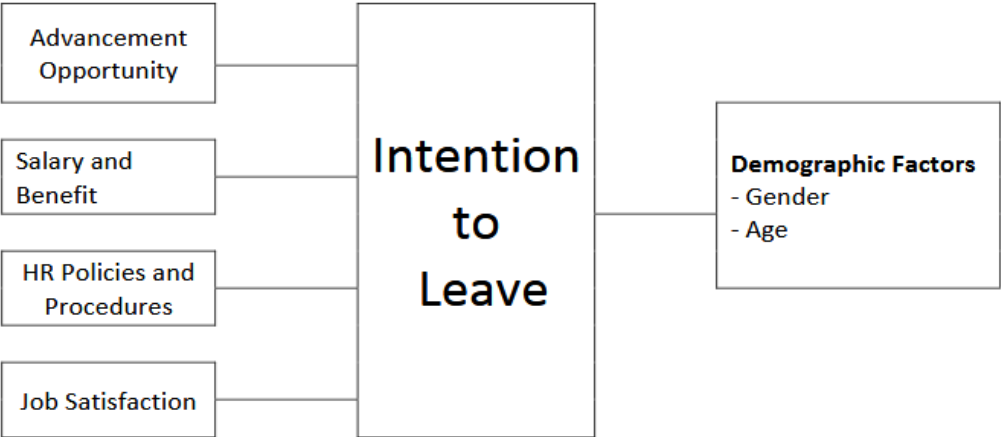
Once appropriate management actions have been implemented, it is important that they be evaluated and that appropriate follow-up be conducted and adjustment made. Regular review of turnover data can identify when turnover increases or decreases among different employee groups classified by length of service, education, department and gender, etc. (Chaminade, 2007)

### **2.10 Conceptual Framework**

Taking into account the objective of this study, an assessment of factors that contribute to the intention of leaving such as the existence and application of HR policies and procedures, job satisfaction, issues related to pay and advancement opportunities is essential as there is a direct relationship between them. Conceptual frame work is defined as a theoretical structure of

assumptions, principles, and rules that holds together the ideas comprising a broad concept and the presumed relationship among them. It explains either graphically, or in narrative form, the main things to be studied – the key factors, concepts or variables (Miles and Huberman, 1994, p18 as quoted by Voughan 2008). The conceptual framework shown in the figure below is used for this study that also take into account the relationship, if any, based on certain characteristics.

Figure 1 Conceptual Framework



## **Chapter Three**

### **Research Design and Methodology**

#### **3.1. Research Design**

The study is assessment of the level of intention to leave of employees of NIB. Hence, the research design used is mainly descriptive.

#### **3.2 Research Methodology**

The methodology employed for this research is a mixed type. Both quantitative and qualitative analysis has been used. According to Creswell (2011), the mixed research approach uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent within one method with the strengths of the other method.

#### **3.3 Data Source and Collection Methods**

The main source of data for this is study primary data generated through the use of self-administered questionnaires. In addition unstructured interview and meeting with the Human resources officials of NIB has also been an additional source of primary data. Secondary data has also been generated through the review of annual reports of NIB and human resources policies and procedures.

#### **3.4 Target Population, Sampling Technique and Sample size**

##### **3.4.1 Target Population**

The target population taken to this assessment is employees of NIB that are working in Addis Ababa who hold the position of branch management, officers and clerk as the study focus is towards this group.

NIB has four district offices in Addis Ababa area: - North, South, East and West Addis Ababa District office from which the researcher has selected two branches from each district office purposefully. And the total population of the study area is estimated to be about 1,098 working in

these 8 branches namely Nifassilk, Gofasefer, Addis Ketema, Anwar Mesgid, Megenagna, Bole, Addis Ababa and Arat-kilo branch and in the department of HRD. HRD division is also selected purposefully by the researcher because they do have in depth knowledge on employee turnover and its effect on the performance of the organization.

### **3.4.2 Sampling Technique**

For the purpose of this study both simple random and purposive sampling method were used for. While for existing employee the researcher has used simple random sampling methods due to homogeneity and similar characteristics of the respondents.

### **3.4.3 Sample size**

Among the different method of the sample size determination, the one which is developed by Carvalho (1984) is used by the researcher to determine the number of respondents to be included in the study for existing employees. Accordingly, to have a good representative, the researcher has used high sample size i.e. 125. Simple random sampling was preferred as it gives equal chance for the representative of the population furthermore the respondent are similar in characteristics and there is homogeneity among the respondent. Or

The sample size for this study is calculated using the single population proportion formula with the following assumptions: from surveys done on private banks turnover rate was between 6% and 9%; and for this research 9% is considered to get adequate number of sample size. Using the estimated average proportion of employee turnover (i.e.  $p = 0.09$ ,  $q = 1 - p$ ), tolerance error of 0.05 and level of significance  $\alpha = 0.05$  (two tailed Z-value is 1.96), and confidence level of 95% ( $E =$

0.05); the sample size of this study is determined using the following equation which resulted in the sample size of 126.

$$\text{Sample size} = (z_{\alpha/2})^2 * p * (1-p) / E^2 =$$
$$(1.96)^2 * 0.09 * 0.91 / (0.05)^2 = 126$$

### **3.5 Data Analysis Method**

To meet the objective of the study, the data gathered from both primary and secondary sources have been analyzed using descriptive statistics such as frequency distribution, mean and percentage to give a condensed picture of staff turnover and its retention practices using different variables.

### **3.6 Ethical Considerations**

Ethical considerations identified in connection with this study included the need to provide information about the purpose and confidentiality of the data collected, the protection of the anonymity of the respondents and their free participation, including the right to withdraw their consent to participate. The completed questionnaires have never been shared by me with anybody within or outside the organization. Confidentiality and anonymity is reinforced by the fact that the results are always presented – whether in this thesis or when discussing them with anybody else - in a collective manner.

## Chapter Four

### Data Analysis and Interpretation

This chapter is the main part of the study, in this chapter the collected and recorded data via interview with management of NIB and data collected from both current and ex- employees of the organization are discussed, analyzed and interpreted. The first part of analysis shows the trend of employee turnover at NIB over the past five years. The second part of the analysis deals with the demographic characteristics of the respondents. The third part is data presentation and analysis.

#### 4.1 Trend of Turnover at NIB

Employees' turnover at NIB was high over the first three years starting from 2014/15 up to 2016/17 but is showing a decrease over the past two years 2017/18 & 2018/19. The following table clearly shows this trend of turnover.

Table 1: Trend of Employee Turnover at NIB

	Fiscal year				
	2014/15	2015/2016	2016/17	2017/18	2018/19
Total number of employees at the beginning of the fiscal year	2351	2622	3069	3681	4332
Total number of employees at the end of the fiscal year	2622	3069	3681	4332	4972
Total number of new employees who joined by the end of the fiscal year.	541	729	941	935	910

Total number of Employees who left their jobs by the end of the fiscal year.	282	270	329	284	270
Average number of working for the fiscal year.	2487	2846	3389	4007	4652
Separation Rate	11.3%	9.5%	9.7%	7.1%	5.8%

Source: <https://www.nibbanksc.com/download/annual-report>

The commonly used formula to calculate a crude turnover rate for any give period is described below by the United Kingdom based Chartered Institute of Personnel and Development (CIPD) 2006 report.

$$\frac{\text{Number of leavers}}{\text{Average number working}} \times 100 = \text{separation rate}$$

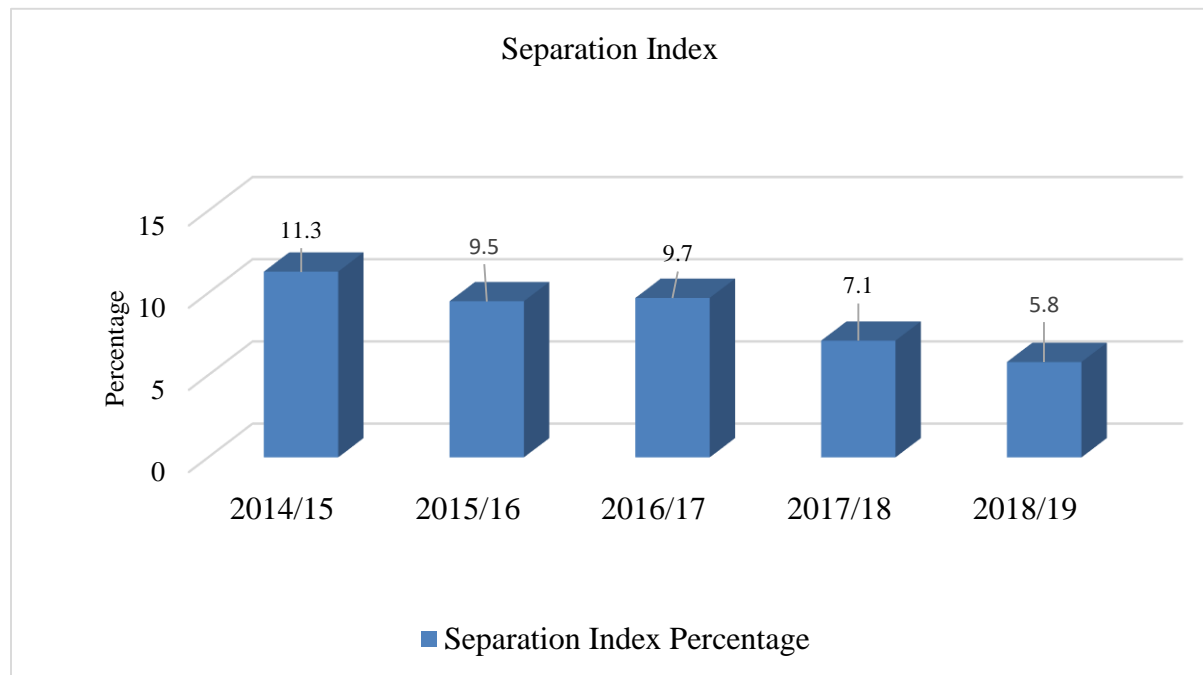
Based on the above table, the employee turnover rate of NIB during the last five years is calculated as follows:-

1. Turnover rate in the year 2014/15 =  $282/2487 * 100 = 11.3\%$
2. Turnover rate in the year 2015/16 =  $270/2846 * 100 = 9.5\%$
3. Turnover rate in the year 2016/17 =  $382/7635 * 100 = 9.7\%$
4. Turnover rate in the year 2017/18 =  $284/4007 * 100 = 7.1\%$
5. Turnover rate in the year 2018/19 =  $270/4652 * 100 = 5.8\%$

As we can see from the above analysis during the year the turnover rate for the year 2014/15 was very high standing at 11.3%. Over the next two years 2015/16 and 2016/17 the turnover rate was almost the same standing at 9.5 & 9.7 showing a slight decrease. In the next year 2017/18 the rate of turnover has shown a decrease of 2.6% as compared to the previous year. While in the final year of the study 2018/19 the rate of turnover continued the trend of the previous year and showed a decrease of 1.3% from the previous fiscal year. Over the course of the five years the

data that has been reviewed by this study the employee turnover or the separation rate of NIB has shown a decrease of 48.6%.

Figure 2: Separation Index from 2014/15 to 2018/19



#### 4.2 Demographic Characteristics of Respondents

A total of 126 questionnaires were distributed which is the actual sample size. After checking completeness of the questionnaires, the analysis is carried out using 126 questionnaires. The gender distribution of the respondents shows that 40.5% are female while the remaining 59.5 % are male. Regarding the age group of the respondents, 2.4% are less 25 years, 28.6 are between the ages of 25-30, those who are in 31-35 years of age amount to 47.6%, while 8.7% are in the 36-40 age bracket. And about 12.7% are above the age 40. The majority of respondents 76.2% are between the ages of 25 and 35. The mean average age of the respondents is 32.1 for men and 28.9 for female. In terms of marital status 50% are married while 48.4% are single and 1.6% are divorced. Concerning the educational background of the respondents, 15.9% have at diploma level while first degree holders and second degree and above are 73.8% and 10.3% respectively.



The table below shows the general characteristics of the respondents in terms of age, sex, marital status, years of service and educational qualification. The data obtained are analyzed accordingly.

Table 2: Demographic Characteristics of Respondents

Item	Measurement	Current Employees	
		Number	Percentage
Age group	Below 25	3	2.4
	25-30	36	28.6
	31-35	60	47.6
	36-40	11	8.7
	Above 40	16	12.7
Total		126	100
Sex	Male	75	59.5
	Female	51	40.5
Total		126	100.0
Marital Status	Single	61	48.4
	Married	63	50.0
	Divorced	2	1.6
Total		126	100.0
Educational Qualification	Diploma	20	15.9
	BA/BSC	93	73.8
	MA/MSc	13	10.3
	PHD	0	-
	Other	0	-
Total		126	100.0
Service Year	< 1 year	19	15.0
	1 to 3 years	47	37.3
	4 to 6 years	33	26.2
	7 to 9 years	17	13.5

	10 years & more	10	7.9
Total		126	99.9

Source: own survey, 2019

As shown in the above table, when it comes to the years of service, the majority of the respondents, 63.5, have been with NIB for 1-6 years, while those who have served NIB more than 7 years constitute 21.4%. The remaining 15% have been with NIB for less than one year.

### 4.3 Analysis of Data Pertaining to the Study

This section deals with the analysis and interpretation of data that obtained from the existing and ex-employees through the distribution of questionnaire. It also presents the data that obtained via interview with the manager of Human Resource Transaction and secondary data also analyzed accordingly.

### Intention of Employees to leave NIB

Table 3: Intention of Employees to leave NIB

Question	strongly disagree		disagree		neutral		agree		strongly agree		total
	F	%	F	%	F	%	F	%	F	%	
1. I have intention to resign from NIB within a shorter time	24	19	26	20.6	23	18.3	45	35.7	8	6.3	100
2. Whenever I get a job in another bank definitely I leave this bank	11	8.7	28	22.2	34	27	32	25.4	21	16.7	100
3. I am already fed up working in NIB so I am searching for a better job in a better organization at the moment	13	10.3	38	30.2	30	28.3	27	21.4	18	14.3	100
4. I am being dissatisfied working for NIB due to one or other reasons, so I would probably look for outside opportunities	10	7.9	35	27.8	29	23	34	27	18	14.3	100

As shown in the above table, 40% of interviewed employees do not have intention to resign from NIB in short period but 42% have intention to leave NIB. From the respondents, 42% is agree to definitely leave the bank when they get job in another bank unlike 31% who don't want to leave and 27% neutral. Additionally, around 36% of respondents are searching for alternative job but 40% are not. It is an obvious fact that intention is a fore runner before the actual turnover takes place. This study shows huge number of employees are intent on leaving NIB for one or another reason. So, the bank needs to see it carefully so that it will not lose its highly competent and experienced employees. Above all the HRM has to examine reasons for the intention and design a retention strategy.

Table 4: Employee response about their job

Item	About your job	Response	Response categories					Mean value
			SD	D	N	A	SA	
1	Monotonous jobs	F	5	9	7	34	25	3.81
		P	6.3	11.2	8.7	42.5	31.3	
2	I was motivated to join NIB for gain of experience?	F	14	10	9	8	39	3.61
		P	17.5	12.5	11.3	10.0	48.7	
3	job was stress	F	6	13	11	35	15	3.51
		P	7.5	16.3	13.7	43.8	18.7	
4	I was satisfied with the sense of achievement I get from my work	F	9	14	15	29	13	3.28
		P	11.2	17.5	18.7	36.3	16.3	
5	I feel what I contribute is less	F	21	15	8	21	15	2.92
		P	26.3	18.7	10.0	26.3	18.7	
6	I believe the work activity disrupt when employee leave	F	9	15	11	29	16	3.35
		P	11.3	18.7	13.8	36.2	20.0	

7	The work skill I currently have do match with the skill I need to do my job	F	16	11	18	23	12	3.05
		P	20.0	13.8	22.5	28.7	15.0	
8	There is many customer complaints when the existing employee leave	F	7	12	16	35	10	3.36
		%	8.7	15.0	20.0	43.8	12.5	
9	Your supervisor arrange you flexible working condition	F	38	25	9	5	3	1.87
		%	47.5	31.3	11.2	6.3	3.7	

Source: own survey, 2019

As shown in item (1) of table 4 about 59(73.8%) of the respondent agree about the monotonous of the jobs, on the other hand, 7(8.7%) of the respondents were indifferent and 14(17.5%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.81, which is closer to the value of agree. Accordingly it can be concluded that monotonous of the jobs can lead to employees turnover.

As shown in item (2) of table 4, about 47(58.7%) of the respondent agree they motivated to join NIB for gain of experience, on the other hand, 9(11.3%) of the respondents were indifferent and 24(30.0%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.61, which is closer to the value of agree. Accordingly it can be concluded that majority the respondent agree they motivated to join NIB for gain of experience.

As shown in item (3) of table 4 about 50(62.5%) of the respondent agree about stressfulness of the job, on the other hand, 11(13.7%) of the respondents were indifferent and 19(23.8%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.51, which falls on the value of agree. Accordingly it can be concluded that most of the respondent 50(62.5%) agree about the stressfulness of the job which may leads to high turnover rate.

As shown in item (4) of table 4, about 42(52.6%) of the respondent agree about the sense of achievement they get from their work, on the other hand, 15(18.7%) of the respondents were indifferent and 23(28.7%) disagree on this aspect. Moreover, the mean of the distribution of

response was found to be 3.28, which is closer to the value of agree. Accordingly it can be concluded that most of the respondent agree about the sense of achievement they get from their work. This implies majority of the respondents are achieved what they want to achieve at their work.

As shown in item (5) of table 4, about 36(45.0%) of the respondent agree they feel what they contribute is less, on the other hand, 8(10.0%) of the respondents were indifferent and 36(45.0%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 2.92, which is closer to the value of agree. Accordingly it can be concluded that most of the respondent agree about that their contribution is less to organizational goal achievements. This implies their belongingness to the organization goal is reduced.

As shown in item (6) of table 4, about 45(56.2%) of the respondent believe the work activity disrupt when employee leave, on the other hand, 11(13.8%) of the respondents were indifferent and 24(30.0%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.35, which is closer to the value of agree. Accordingly it can be concluded that most of the respondent agree and believe the work activity disrupt when employee quit their job. This affects the productivity and the efficiency of the organization.

As shown in item (7) of table 4, about 35(43.7%) of the respondent agree the work skill they currently hold match with the skill they need to do their job, on the other hand, 18(22.5%) of the respondents were indifferent and 27(33.8%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.05, which is closer to the value of agree. Accordingly it can be concluded that most of the respondent agree about the skill they have matched with the skill they need to do their job.

As shown in item (8) of table 4, about 45(56.3%) of the respondent agree there is many customer complaints when the existing employee leave, on the other hand, 16(20.0%) of the respondents were indifferent and 19(23.7%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.36, which is closer to the value of agree. Accordingly it can be concluded that 45 (56.3%) of the respondent agree there are many customer complaints when the existing employee leave this might affect the reputation of the organization.

As shown in Table 4item (9), Respondents were asked to what extent they agree or disagree about their supervisor arranges flexible working condition, 63(78.8%) disagree, 9(11.2%) are neutral, 8(10.0%) agree. Moreover, the mean of the distribution of response was found to be 1.87 which is closer to the value of disagree. Accordingly, we can conclude that most of respondent 63 (78.8%) disagree that their supervisor have arranged flexible working condition.

Table 5: Employee response about remuneration

Item	About remuneration	Response	Response categories					Mean value
			SD	D	N	A	SA	
1	I was satisfied with remuneration scheme of the organization?	F	10	12	9	35	14	3.38
		P	12.5	15.0	11.3	43.7	17.5	
2	Incentive is made based on the performance	F	12	39	8	16	5	2.33
		%	15.0	48.7	10.0	20.0	6.3	

Source: own survey, 2019

Table no. 5item (1) summarizes to what extent they agree or disagree on the remuneration scheme of the organization, 22(27.5%), disagree, 9(11.3) neutral, 49(61.2%) agree. Moreover, the mean of the distribution of response was found to be 3.38 which is closer to the value of agree. Accordingly, we can conclude that most of respondent 49 (61.2%) are happy about the remuneration scheme of the organization. this implies remuneration scheme is good.

As shown in item (2) of table 5, about 51(63.7%) of the respondent disagree the incentive in the organization is made based on the performance of employee, on the other hand, 8 (10%) of the respondents were indifferent and 21(26.3%) agree on this aspect. Moreover, the mean of the distribution of response was found to be 2.33, which is closer to the value of disagree. Accordingly it can be concluded that 51 (63.7%) of the respondent agree incentive is not made based on the performance of the employee. This might discourage top performers.

Table 6: Employee response about management and employee Relation

Item	About management and employee	Response	Response categories					Mean value
			SD	D	N	A	SA	
1	Management Seeks the view of employee /employee representative	F	38	25	9	5	3	1.87
		P	47.5	31.3	11.2	6.3	3.7	
2	You have freedom of innovative thinking and the organization motivates you	F	23	14	17	18	8	2.67
		P	28.7	17.5	21.3	22.5	10.0	
3	The organization higher officials allowed you to participate in decision making process	F	12	39	8	16	5	2.38
		P	15.0	48.7	10.0	20.0	6.3	
4	Disciplinary procedure were properly laid down	F	17	10	16	25	12	3.06
		P	21.2	12.5	20.0	31.3	15.00	
5	Dispute/grievance handling mechanisms are good	F	20	32	12	10	6	2.37
		%	25.0	40.0	15.0	12.5	7.5	
6	I feel there is strong relationship between managers and employees	F	9	16	15	23	17	3.28
		%	11.3	20.0	18.7	28.7	21.3	

Source: own survey, 2019

As shown in item (1) of table 6, about 63(78.8%) of the respondent disagree about management seeks the view of employee/employee representative, 9(11.2%) of the respondents were indifferent and 8(10.0%) agree on this aspect. Moreover, the mean of the distribution of response was found to be 1.87, which closer to the value of disagree. Accordingly it can be concluded that 63(78.8%) of the respondent agree management does not seek the view of employee.

As shown in item (2) of table 6, about 37(46.2%) of the ex-employee respondents disagree they have freedom of innovative thinking and the organization motivates them, on the other hand, 17(21.3%) of the respondents were indifferent and 26(32.5%) agree on this aspect. Moreover, the mean of the distribution of response was found to be 2.67, which is closer to the value of disagree. Accordingly it can be concluded that the organization did not motivate the employees for innovative thinking. This may force the employees to search for other job opportunity in other organization.

As shown in item (3) of table6, about 51(63.7%) of the current employee respondents disagree about the organization higher officials allowed them to participate in decision making process, on the other hand, 8(10.0%) of the respondents were indifferent and 21(26.3% ) agree on this aspect. Moreover, the mean of the distribution of response was found to be 2.38, which is closer to the value of disagree. Accordingly it can be concluded that the organization higher officials did not participate employees in decision making process. This may affect their sense of belongingness to the organization.

As shown in item (4) of table 6, about 37(46.3%) of the current employee respondents agree disciplinary procedure were properly laid down in the organization, on the other hand, 16(20.0%) of the respondents were indifferent and 27(33.7%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.06, which is closer to the value of agree. Accordingly it can be concluded that the organization disciplinary procedure were properly laid down.

Table6 item no (5) summarizes the levels of the extent of whether grievance (dispute) handling mechanisms were good at NIB, 52(%) disagree, 12(15.0%) are neutral and 16(20.0%)agree respectively. Moreover, the mean of the distribution of response was found to be 2.37, which is closer to the value of disagree. This indicate that majority of respondent said the grievance handling mechanism is not good.

As shown in item (6) of table 6, about 40(50.0%) of the current employee respondents agree there is strong relationship between managers and employees, on the other hand, 15(18.7%) of the respondents were indifferent and 25(31.3%) disagree on this aspect. Moreover, the mean of



the distribution of response was found to be 3.28, which is closer to the value of agree. Accordingly it can be concluded that there is strong relationship between managers and employees. This helps the organization to realize its objective.

Table 7: Employee view about promotion and career development

Item	About promotion and career development	Response	Response categories					Mean value
			SD	D	N	A	SA	
1	Equal opportunity for promotion and career development	F	11	34	18	12	5	2.37
		P	13.7	42.5	22.5	15.0	6.3	
2	Management has provided a clear path for development	F	18	31	11	12	8	2.51
		P	22.5	38.8	13.7	15.0	10.0	
3	Management recognized employees for their contribution	F	19	28	15	10	8	2.30
		P	23.8	35.0	18.7	12.5	10.0	

Source: own survey, 2019

As shown in table 14 in item (1) , to what extent the respondents agree or disagree on equal opportunity for promotion and career development, 11(13.7%) and 34(42.5%) respond “strongly disagree” and “disagree” respectively. Moreover, the mean of the distribution of response was found to be 2.37, which is closer to the value of disagree. Accordingly it can be concluded that the majority 45(56.2 %) respondents respond there is no equal opportunity for promotion and career development this may leads to employee turnover.

In relation to table 14 item (2), to what extent the respondent agree or disagree management has provided a clear path for development, 49(61.3%) disagree, 11(13.7%) are neutral and 20(25%) agree about it. Moreover, the mean of the distribution of response was found to be 2.51, which is closer to the value of disagree. These indicate that most of the respondents 49(61.3%) agree that management does not provide a clear path for development.

As shown in table 7 item (3) summarizes, respondent were asked about to what extent they agree or disagree whether they receive recognition from their managers, 47(59.1%) disagree, whereas 15(18.7%) are neutral and 18(22.5%) agree on this respect. Moreover, the mean of the distribution of response was found to be 2.30, which is closer to the value of disagree. Accordingly, we can conclude that majority i.e. 47(59.1%) of the respondent says they do not receive recognition from their management.

Table 8: Employee response about working environment

Item	About working environment	Response	Response categories					Mean value
			SD	D	N	A	SA	
1	Working environment of NIB was good	F	9	16	15	23	17	3.28
		P	11.3	20.0	18.7	28.7	21.3	

Source: own survey, 2019

As shown in item (1) of table 8, about 40(50.0%) of the respondent agree about the conduciveness of working environment of NIB, on the other hand, 15(18.7%) of the respondents were indifferent and 25(31.3%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.28, which is closer to the value of agree. Accordingly it can be concluded that working environment of NIB is good. This contributes to reduce and stabilize employee turnover rate.

Table 9: Response about training and development

Item	About training and development	Response	Response categories					Mean value
			SD	D	N	A	SA	
1	I was motivated to join NIB b/c I thought NIB has good opportunity for training and development	F	10	14	9	21	26	3.48
		%	12.5	17.5	11.2	26.3	32.5	

2	I have taken training/development that develop my skill	F	24	28	15	13	0	2.21
		P	30.0	35.0	18.7	16.3		

Source: own survey, 2019

As shown in item (2) of table 9, about 47(58.8%) of the respondent agree they motivated to join NIB because they thought NIB has good opportunity for training and development, on the other hand, 9(11.2%) of the respondents were indifferent and 24(30.0%) disagree on this aspect. Moreover, the mean of the distribution of response was found to be 3.48, which falls to the value of agree. Accordingly it can be concluded that 47(58.8%) of the respondent agree they joined NIB because they thought it has good opportunity for training and development.

As shown in item (2) of table 9, about 52(65.0%) of the respondent disagree they have taken training/development that develop their skill, on the other hand, 15(18.7%) of the respondents were indifferent and 13(16.3%) agree on this aspect. Moreover, the mean of the distribution of response was found to be 2.41, which is closer to the value of disagree. Accordingly it can be concluded that 52(65.0%) of the respondent agree they did not take training that develop their skill. It may create dissatisfaction on the part of employee and finally leads to employee turnover.

#### **4.4 Views of the Management on Employee Turnover**

In this sub section, the results of the interview made with the HR Manager on issues related to magnitude, reason, cost of employee turnover and retention strategy has discussed. Which helps us to know why employees quit, the cost related to turnover and the then followed by what measure has been used to tackle the problem of employee turnover.

##### **4.4.1 Reasons for termination**

The Management of HR is aware of the mobility of skilled manpower which occurs at a significantly higher rate from time to time which has caused an operational disruption. As per the

view of the manager of HRT, the organization is losing its skilled manpower mostly branch managers to other private organizations where the compensation system is higher than NIB. When these employees leave, he believes that the normal work activity disrupt also there is so many customer complains. Moreover he agrees that it takes so many time to recruit and placement process to assign a new person.

Even though no exit interviews were made when employees leave the organization, management tried to understand the reason for termination via the application letter employees submit when they resign. The manager of HRT believes that most employees quit for search of better opportunity and remuneration in the market like private commercial banks and NGO.

Furthermore, he mentioned that there is equal opportunity for promotion and development in the organization. According to him to inform all the employees about the vacant post, the bank has created its own web site address also hard copy is distributed to each concerned department and organ.

Regarding the criteria for selection and promotion he reveals that the bank use individual performance evaluation criteria and their seniority in the bank are given much attention. He reserved to talk about whether the bank provides clear path for career advancement to its employee.

In relation to the relationship between management and employees, he believes that there is smooth relationship between management and employees as there is no significance dispute or grievance raised to the administration attention by the employees. If any the case will be resolved by the collective agreement of the bank and its employees.

## Chapter Five

### Summary, Conclusion and Recommendations

This chapter presents the summary of findings and their relationship with previous study literatures. Based on the summary of findings Conclusions are drawn in such a way that they are answering the basic research questions stated. Finally Recommendations to the selected company are forwarded with regard to improving employee turnover.

#### 5.1. Summary of the Findings

The main objective of this study is to assess the magnitude, causes and effect of employee turnover in NIB and recommend possible strategic solutions that would help to minimize employee turnover in the organization.

Based on the analysis and interpretation made in the previous chapter the major findings are summarized as follows.

- 42% have intention to leave NIB have intention to resign from NIB in short period but 40% of interviewed employees do not. From the respondents, 42% is agree to definitely leave the bank when they get job in another bank unlike 31% who don't want to leave and 27% neutral. Additionally, around 36% of respondents are searching for alternative job but 40% are not. It is an obvious fact that intention is a fore runner before the actual turnover takes place. This study shows huge numbers of employees are intent on leaving NIB for one or another reason.
- The turnover rate for the year 2014/15 was very high standing at 11.3%. Over the next two years 2015/16 and 2016/17 the turnover rates of 9.5 & 9.7, respectively has shown a slight decrease. In the next year two years 2017/18 & 2018/19 the rate of turnover was 7.1 & 5.8, respectively. Over the course of the five years the data that has been reviewed by this study the employee turnover or the separation rate of NIB has shown a decreased from 11.3 to 5.8. This shows a decrease of 48.6%.
- 73.8% of employees strongly believe the nature of the job is stressful and monotonous.

- 45.2% of employees of the organization believe that their contribution is less to realize the organization goals.
- 56.0% of employees disagree about equal opportunity for promotion and career development in the organization. This could motivated employees to search for other opportunity
- Employees of the organization gained valuable working experience due to the chance they obtained to work at NIB.
- Management of the organization is not providing clear path for employees to advance their career.
- Based on the data analysis employees respond they did not take training/ development that develop their skill and this leads to high employee turnover rate and creates dissatisfaction on employee. Finally productivity and efficiency of the organization affected adversely.
- 66.7% of employees are happy about the remuneration scheme of the organization. This tells us that the remuneration of the organization is good.
- NIB does not set acceptable and tolerable standard of employee turnover rate.
- Employees disagree about the good of the grievance handling mechanisms of the organization.
- Employee claim the working environment is conducive.
- Employees of the respondent joined NIB because they thought it has good opportunity for training and development.
- Higher officials of the organization do not allowed employees to participate in decision making process.

## **5.2. Conclusion**

Based on the main findings and analysis the following conclusions are drawn.

- The employee turnover intent of NIB is high and more than a third of its current employees are actively searching for a new job.
- The secondary sources of data disclose that the employee turnover rate in NIB decreasing over the past five years.
- Based on the analysis of the questionnaire employees identified that due to the employee's turnover in NIB, the efficiency, effectiveness and the overall performance of the organization has been disrupted.
- Most of the employees are found to be male, single and had been in the organization for less than three years. This implies that most of the existing staffs are young and energetic.
- Employee respond incentive is not made based on their performance. This discourages top performers.
- Equal opportunity for promotion and career development in the organization is not maintained. These negatively affect the efficiency and productivity of the organization.

## **5.3. Recommendations**

On the basis of the findings derived and conclusions drawn with regard to the employee turnover in NIB, the following recommendations are made with the hope that implementation would alleviate or reduce the problem identified.

- ✓ NIB should set a higher salary scale that makes it competitive with other banks and financial organizations.
- ✓ NIB should give Training and Development as much as possible to increase the retention rate through well-developed training programs.
- ✓ NIB should train its managers on having smooth and better relationships with their subordinates.

- ✓ Managers of the organization should work closely with subordinates and arrange flexible working condition such as empowering employees, offering flexible working arrangements to retain employees without compromising the productivity of the organization.
- ✓ Managers better to discuss with their employee career opportunities within the organization and career development activities that will help the employee grow. Managers can reduce attrition by showing employees that they are serious about promoting from within.
- ✓ Performance appraisals help in making a number of HR decisions related to training, promotion, and even termination. Performance appraisal provides an objective basis for many types of personnel decisions including pay increase, training, promotion, etc. Therefore NIB better to employ work on a method to evaluate the performance of its employees.
- ✓ Give power and make them to participate in decision making to make them to feel sense of belongingness to their organization by taking their new ideas that could help the organization performance.
- ✓ Arrange young professions to have their own innovative thinking and give them freedom and support them by all means by assigning these highly talented employees to the right place such as research and developments.
- ✓ Talented and high performing employees should be encouraged to remain in the organization by designing retention policies that will provide individual employees with opportunities to demonstrate their skills and ensure that they are matched with the right jobs
- ✓ Provide positive work environment for employee and how far meaningful recognition and praise from managers can go to achieve that. Awards, recognition and praise might just be the single most cost-effective way to maintain a happy, productive work force.
- ✓ Work on retention mechanisms like encourage employees to participate in decision making, arrange good working environment, giving promotions, sharing benefits based on their performance, giving clear path for career advancement, could still work on good training and development mechanisms.



- ✓ NIB should set or fix acceptable and tolerable standard rate of employee turnover in its human retention strategy documents to mitigate the increasing turnover rate.

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## Appendices

### Appendix 1: Questionnaires

St. Mary's University

School of Graduate Study

MBA Program

#### Questionnaire filled by Employees of Nib International Bank (NIB)

You are being invited to participate in a research study about employee turnover on Nib International Bank. The objective of this research project is to attempt to understand why employees leave their jobs.

There are no costs for participating in the study. In order for the survey to give a true picture your genuine response will have a great impact. So feel free and respond to the questions in the way you really feel. The information you provide is confidential. Therefore, you are not expected write your name.

Indicate your choice by putting “✓” on the box.

Thank you for your cooperation!

#### Part I. Background Information

##### 1. Your age Group

- a) Below 25       c) 31-35       e) above 40   
b) 25-30       d) 36-40

##### 2- Sex

- a) Male       b) Female

3. Marital Status

- a) Married       b) Single       c) Divorced

4. Qualification

- a) Diploma                       c) MSc /MA   
 b) BSc/BA                       d) PHD

5. How many years in total have you worked in NIB?

- a) Less than 1 Year       c) 4 to less than 6 years       e) 10 years & more   
 b) 1 to less than 3 years       d) 7 to less than 9 years

Part II

Instruction

Indicate your level of agreement to the statement given below by putting a “√” mark in the appropriate space

**Intention of employees to leave NIB**

Question	strongly disagree		disagree		neutral		agree		strongly agree		total
<b>1. I have intention to resign from NIB within a shorter time</b>											
<b>2. Whenever I get a job in another bank definitely I leave this bank</b>											

3. I am already fed up working in NIB so I am searching for a better job in a better organization at the moment										
4. I am being dissatisfied working for NIB due to one or other reasons, so I would probably look for outside opportunities										

Part III

Instruction

Indicate your level of agreement to the statement given below by putting a “√” mark in the appropriate space

S.no.	About your job	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	The job I perform is monotonous.					
2	I am satisfied with the sense of achievement I get from my work.					
3	I was motivated to join NIB					

	because I did not have any other job.					
<b>4</b>	I was motivated to join NIB because of the salary scale.					
<b>5</b>	I was motivated to join NIB because I thought NIB has good opportunity for training and development.					
<b>6</b>	I feel that what I contribute is less.					
<b>7</b>	I received information about my job, objective, mission, and core values of the organization during induction.					
<b>8</b>	I am satisfied with remuneration scheme of the organization.					
<b>9</b>	I was motivated to join NIB for gain of experience.					
<b>10</b>	My expectation were met as I joined NIB.					
<b>11</b>	My job is stressful.					
<b>12</b>	The work skill I currently have do match with the skill I need to do my current job.					
<b>13</b>	NIB has provide you training that develop your skill.					
<b>14</b>	NIB had changes to the way organization is run.					
<b>15</b>	There are employees representatives in the organization.					



<b>16</b>	Seeking the views of employee Representative.					
<b>17</b>	Responding to suggestions from employee representatives.					
<b>18</b>	Allowing employees/employees representatives to influence final decision.					
<b>19</b>	There is many customer complaints when the existing employees leave.					
<b>20</b>	I believe the work activity disrupt when employee quit.					
<b>21</b>	I share many of the value of NIB.					
<b>22</b>	I feel loyal to NIB.					
<b>23</b>	Your supervisors arranged you flexible working condition					
<b>24</b>	You have freedom of innovative thinking and the organization motivates you.					
<b>25</b>	I feel there is strong relationship between managers and employees.					
<b>26</b>	Your supervisors arranged you flexible working condition.					
<b>27</b>	The organizations higher officials allowed you to participate indecision making.					
<b>28</b>	Management has provided a clear path for advancement.					

<b>29</b>	Management recognized employees for their contribution.					
<b>30</b>	Communication system with management was Properly laid down.					
<b>31</b>	Disciplinary procedures were properly laid.					
<b>32</b>	Dispute/grievance handling mechanisms were good.					
<b>33</b>	Working environment of NIB is good.					
<b>34</b>	I wish to stay in NIB.					

## **Interview question for the Manager of Human Resource Transaction**

Interview session was held with the manager of HRT to assess whether the organization is aware of about the existence of turnover rates , causes and costs of the employee turnover and retention mechanism followed( if any) to reduce the turnover ratio of NIB.

1. Do you feel that the turnover rate is hurting the bank normal operation?
2. What is your view about the intensity of labor turnover?
3. Does the bank make exit interview, when employees resign?
4. If No, what type of method does the bank use to assess the reason of resignation?
6. Do you feel that there exists equal opportunity for promotion for all employees of the organization?
7. Which type of advertising method does NIB use to vacant the post?
8. Do managers of NIB show clear career development and path to their employees?

## Appendix 2: Category of Mean Value

Table 4: Category of Mean Value

Mean value	Extent of the response
1.00 – 1.50	Strongly disagree
1.51 – 2.50	Disagree
2.51 – 2.75	Indifferent
2.76 – 3.50	Agree
3.51 – 5.00	Strongly agree

### Appendix 3: Carvalho sample determination

Table 1: Carvalho sample size determination

Population size	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-45000	200	500	800

Source: - Carvalho 1984