

LABOR TURNOVER: A Monstrous Development in a Mono-Cultural Capitalist Economy

Dr. Omah Ishmael (Corresponding Author)

B.Sc, M.Sc, M. Phil & PhD.

Department of Accounting and Finance

Faculty of Management Sciences

Lagos State University

omahishmael@yahoo.com

Osamor . I.P

(B.Sc, M.Sc, ACA,)

Department of Accounting and Finance,

Faculty of Management Sciences

Lagos State University

ifyposamor@yahoo.com

Ojo Agbodu Ayodele Abraham

(B.Sc, M.Sc, ACIT, FCA)

Department of Accounting and Finance,

Faculty of Management Sciences

Lagos State University

ojoagbodu@yahoo.com

ABSTRACT

Objective:

- *Labor turnover in an illusionary capitalist economies of the 3rd world nations has been on the verge of eroding momentum in the last decade. Hence, the objective of this study is centered on the determination of adverse trend in the mono-cultural society.*
- *To determine the rate of influx of labor turnover using “TENDON SCALE” methodology, that will aid in establishing the evils of unemployment generated by it.*
- *To examine the advantages of labor turnover, if any, to the organization, as well as the general society, and to recommend a lasting solution that will curb the effects of LT, re-strengthen the labor relation laws of the advantage to the masses.*

Methodology/Approach: *The data collection is mostly based on primary sources as well as historical review of related literature was embarked upon to obtain a wider scope of coverage. Factual discussion was applied on time schedule on selected industries. A structured interview questionnaire was prepared consisting of (50) fifty in number tailored towards allowing individual respondents to expatiate his/her view on the rate of LT in his/her working place. The structured questionnaire was prepared in such away as to segmentize the labor structure/work force on functional basis in order to determine most affected segment of labor force of the organization.*

Findings: *The analysis revealed that labor turnover is a hybrid of mono-cultural economy which begets the evils of unemployment ravaging the third world nations. A mono-cultural economy is one without alternative source of revenue, handicapped by vested interest of maraudours governance. A mono-cultural economy is characterized by ambiguity of approach due inconsistency in government policy and ideology, which has nothing to offer (survival of the fittest). When an economy is heavily dependent on one source of mainstay is described as mono-cultural society.*

Research Limitations/Implications:

- *Putting financial constraint apart, the study has been characterized by poor responses due to limited knowledge of the term labor turnover to the average worker.*
- *Labor laws in most third world nations are tailored to favor the employers rather than the employees, hence the actual cause/causes of LT cannot be ascertained based on responses from the employers and employees.*
- *Reasons for job satisfaction/unsatisfaction cannot be established due to the nature of labor laws that permits individual employer to determine the fate of the employees in his organization in mono-cultural economy.*
- *Data collection was handicapped by poor responses from the lower segment of the workforce that were restricted from having open interaction with outside visitor.*

Originality/Value: *Labor turnover should be a concern of the government for the benefit of its citizenship in all practical wisdom, but this is not the case in mono-cultural economy. It is a case of survival of the fittest, where a citizen is subjected to death penalty by labor laws which should have been in favor of the workforce. Mono-cultural governments are “banana” governments viable only to the survival of the fittest.*

Keywords: *mono-cultural economy, Banana government, eroding momentum, survival of the fittest, labor laws, heavily dependent, work-force, labor turnover.*

INTRODUCTION

Labor turnover can be compared with a “**Clinical Thermometer**”. A high reading on thermometer is a sign to the physician that there is something wrong with human organism. Similarly, a high index of labor turnover is a warning to the management of the organization that there is something wrong with the health of the enterprise. A thermometer does not diagnose. A high reading may mean pneumonia, measles or mumps. Similarly, a high labor turnover may mean poor personnel practices, poor supervisory practices or poor company policies or poor working conditions. It should be remembered that too low a turnover of labor is also a danger signal like below normal reading on the thermometer.

LITERATURE REVIEW

An organization has a perpetual existence, but its working force does not remain constant all the time. Some old workers leave the organization and some new workers join it. This is natural phenomenon in industrial sector and it gives rise to the problem of labor turnover (LT). A considerable amount of disagreement exists as to what labor turnover means. It can be said to be influx and exit of individuals/labor into and out of the working force of an organization over a specified period of time. It can also be referred to as quantitative measurement of instability of working force of the organization. Some authors are of the view that labor turnover figures should reflect only replacements, while others argue with an equal show of authority that avoidable separation, whether they are replaced or not, is the proper figure to be taken for determination of labor turnover. Therefore, labor turnover can be said to be the rate of change in the average working force of an organization during a specified period. The word change should be taken to mean separations or accessions, replacements or the average of separations and accessions according to the concept acceptable by the management. The idea will be further clarified by the different formulae being used for determining labor turnover.

Mathematical Induction: The measurement of LT invariably depends upon the employment manager’s conception and notion about labor turnover. The following are the historical methods of measuring labor turnover.

- **Separation Method:** LT here is considered as a relationship between total number of separations from the company during a specified period of time (a month or a year) and the average number on the payroll during the corresponding period.

$$\text{Labor Turnover Rate} = \frac{S \text{ (separations) in a period}}{F \text{ (Av. Working force) in the period}} \times 100$$

If at the beginning of the period the payroll showed 900 employees and at the end of the period it showed 1100 employees, the average force would be 1000. If during this period 90 employees left, the turnover would be:

$$\frac{90}{1000} \times 100 = 9\%$$

- **Avoidable Separation Method:** Some personnel administrators and employment managers are of the view that above simple formulae do not tell the whole story about LT and therefore, inadequate. In support of their contention, they point out that frequently large number of the total separations for any given period is not attributable to any fault of the employers or to any internal conditions of the plant or industry. A certain amount of turnover is inevitable. Sickness, old age, death, family conditions and seasonal and cyclical fluctuations in business contribute to the percentage of separation. Therefore, separation should be classified into “**Avoidable and Unavoidable**”, as per their assertions. One limitation of this method is that such classification is at best quite arbitrary and therefore, unsatisfactory, if not misleading. It is very difficult exercise to classify the separation into two categories of “**avoidable**” and “**unavoidable**”. Under this method relationship of “avoidable separation” is measured with average working force during the

related period. It is called “refined” method of determining labor turnover, but its implementation involves numerous practical problems. It involves the following formula:

$$\text{Labor Turnover Rate} = \frac{\text{Avoidable Separation in a Period}}{\text{Av. Working Force during the Period}} \times 100$$

- **Accession Method:** Some authors are of the view that accession is the logical basis for determining labor turnover. Suppose an organization has 900 employees at the beginning of the period and 1100 at the end of the period, 90 employees left the organization. It means that there were 290 accessions during the period [(1100 + 90) – 900].

$$\text{Labor Turnover} = \frac{A (\text{Accessions})}{F (\text{Av. Working Force})} \times 100$$

$$\text{Labor turnover rate therefore: } \frac{290}{1000} \times 100 = 29\%$$

- **Replacement on Net Turnover Method:** Labor turnover rate here is the relationship between actual number of replacements in the working force during a given period of time and the average number on the payroll during the same period on a percentage basis.

$$T (\text{LTR}) = \frac{R (\text{Replacement})}{F (\text{Average working force})} \times 100$$

Certain separations, which are not replaced, cost nothing and in some cases these separations lead to economic advantages on the organization. This system does not give undue emphasis to rapid expansions or contractions of the labor force.

For example:

Labor force at commencement	900
Labor force at the end of a period	1100
Separations	90
Accessions	290

$$\text{LTR by replacement is } \frac{90}{100} \times 100 = 9\%$$

- **Stable Labor Force System:** Brissendey and Franke suggested that a better divisor under stable system might be the total of employees who remained on the payroll for the entire period. They said any of the previously described basis can be adopted in combination with the concept of stable force system. The USA coal corporation counted all the employees who did not miss more than two payroll periods for determining the labor turnover.
- **Flux Method:** The flux system takes into consideration both accessions and separations:

$$\text{LF (labor flux)} = \frac{[S(\text{separations} + A (\text{Accessions}) \div \text{Stable force}] \times 100}{\text{SF (Stable force)}}$$

$$\text{LF (labor flux)} = \left[\frac{S(\text{separations} + A (\text{Accessions}) \div \text{Stable force} \times 100}{2} \right]$$

$$\text{LF} = \frac{\text{No of Separations} + \text{No. of Accessions} \times 100}{\text{Average work force}}$$

Three Aspects of the Problem of Labor Turnover

- Why are employees unvoluntarily leaving the organization: This is the most important aspect of the problems. The causes for unvoluntary separation cannot be investigated by categorizing the causes as to avoidable and unavoidable. Under mono-cultural economy management is always aware of employees leaving the organization, because a limited job available is sought by many unemployed.
- Which segment of organization is more affected by unvoluntary separations: Comparison of LT in different segments of the organization may lead to a very important and useful information ie finance, production personnel etc.
- What types of employees are leaving unvoluntarily: it will be helpful to collect data about the age, sex marital status, nationality and length of service as well as the grade of employees leaving the organization (skilled, semiskilled, unskilled or casual workers). The data collected is processed in different ways to form valid conclusions.

Causes of Labor Turnover: The right solution of labor turnover cannot be found unless causes of LT are properly analyzed. The various causes can be sub-divided into two categories:

- i. Avoidable Causes.
- ii. Unavoidable Causes.

Avoidable Causes: These causes include:

- a. Dissatisfaction with wages.
- b. Dissatisfaction with working environment: The factory may be poorly lighted, dangerous
- c. Dissatisfaction with the job: The job may be too hard. The routine job may be very fatiguing involving undue strain, dangerous, noisy, dirty, oily, wet or smoky.
- d. Dissatisfaction with personnel policies: Autocratic administration may prevail, limited promotional policies.

Unavoidable Causes: These causes include:

- i. Personnel betterment – avail attractive opportunities.
- ii. Family circumstances.
- iii. Climate conditions.
- iv. Community conditions: racial discrimination.
- v. Physical reasons: ill health.
- vi. Marriage.
- vii. Retirement and death.
- viii. Migratory nature.
- ix. Dismissal or discharge
- x. **Redundancy:** This may be due to seasonal trade, shortage of materials, lack of planning, lack of courage and foresight of management.

It must be remembered that the above mentioned causes of LT (avoidable and unavoidable) are non-existence in mono-cultural economies of 3rd world countries. This is due to lack of alternative or diversified employment opportunities. Mono-cultural economies are characterized by Jobless opportunities and economic strangulation.

Cost of Labor Turnover: A change in the personnel of an organization entails a financial loss, uncles outweighed by certain gains. LT signifies a heavy investment rather than expense for unproductive effort. It essentially constitutes an outgo, that bears little or no relationship to output. This can be examined under two headings:

- **Preventive Cost:** This includes:
 - i. **Personnel Administration:** A function concerned with maintaining good relationship between management and workers. It is the maintenance of human relationship within the organization.
 - ii. **Medical Service:** The health of a worker has a marked effect upon productivity. Enlightened companies arrange for annual physical checkup of all the staff and employees.
 - iii. **Welfare:** This includes the cost of sports facilities, laundry services. These provisions are made to retain the services of workers.
 - iv. **Pension Schemes:** It is noted that workers tend to remain in employment of organizations that operate pension schemes.
 - v. **Requisites:** These remunerations are paid aimed at discouraging labor turnover.
- **Replacement Costs:** LT is associated with replacement. Replacement necessitates recruitment, training and absorption of new workers. If a worker is replaced, a new worker must be trained to

substitute the replaced worker. There will be wastage and loss of production, if a worker is new in his place of work. Replacement cost will include all these cost elements.

- i. **Inefficiency of New Worker:** It is difficult to measure exactly the losses due to inefficiency of a new worker, but the extra wages cost can be determined by applying the formula:

$$\text{Extra Wages} = D - (A \cdot B \cdot C)$$

Where: D = Wages paid
 A = Output in good units.
 B = Standard time per unit.
 C = Standard rate of pay.

The inefficiency of labor results in extra usage of services available in the organization. This means additional overhead cost.

- ii. **Employment Department:** The cost of recruitment should be included in the cost of LT.
 iii. **Training and Induction:** This should be included in the cost of LT.
 iv. **Loss of output due to delay in obtaining new workers:** Experience has revealed that some time lapses exist before a new worker is replaced to join the organization. During this period, scheduled output is met by:
 a. Carrying a surplus labor force.
 b. Working overtime.
 c. If scheduled output is not met, then there is direct loss of profit. All these factors add to cost of labor turnover.
 v. Cost of tools and machine breakage.
 vi. Accident frequency and severity.
 vii. Cost of scrap and defective work.
 viii. Loss of good will or disadvantageous labor contract: if new worker is not put to the job, it will be difficult to meet the scheduled programme. In the verge of hurrying to save the goodwill of the organization, some disadvantageous labor contracts may be entered into. This forms part of LT cost.

$$\text{Labor Turnover Cost} = \frac{\text{Total Cost of labor turnover}}{\text{Av. No. of workers employed or replaced}}$$

Accountant's View – LTC: The cost of LT is part of overhead. When costs are divided into "Preventive Costs" and "Replacement Costs", preventive costs are charged to departments in proportion to labor strength. Replacement costs may be directly charged to product or it may be treated like preventive costs. It does not appeal to reason to charge the replacement cost to a particular department, particularly when replacement cost arises due to short-sighted policy of management.

Poly-Cultural Economy and LT Reduction:

- i. **Adequate Statistical Control:** The management must have a complete information about separations by shops, departments, occupations, sex, age, race, nationality, length of service and education. This information will help on a critical analysis of labor. This will attract management attention to labor problem of the organization.
 ii. **Scientific System of Recruitment, Selection, Placement and Follow-up:** These steps will strike a balance on the root of LT problem. It will provide mental rest to all new employees. Right worker at the right job, which in turn will bring down labor turnover of organization.
 iii. **Job Analysis and Evaluation:** The workers in the organization will be assigned positions, for which they are physically, mentally and technically qualified. These steps invariably will remove reasons for dissatisfaction. New conditions will react favorably on the rate of labor turnover.
 iv. **Enlightened Labor Supervision:** This will introduce.
 a. Desirable standards of wages, hours and conditions of employment.
 b. A suitable system of promotion.
 c. A programme of health and safety care.
 d. Facilities for education and training.
 e. Opportunities for self-development.
 f. Overall improvement human relations in the organization.
 v. **Joint Control:** Joint Control can be instituted through committees representing management and workers. The committee will from time to time review labor regulations, grievances. The formation of this committee will encourage mutual understanding and general co-operation.

- vi. **Use of Exit Interview:** Organization must arrange exit interview, when call for his pay off wage. A better way of getting necessary information is call for interview with the employee after he has left the organization. For this purpose exit questionnaire is prepared. This step will lead to useful information which will have profound effect on reducing labor turnover.

Mono-Cultural Economy and LT Reduction

A Mono-Cultural Economy is an illusionary economy characterized by limited agenda, which holds nothing in common with global trend of economic development. In a Mono-Cultural economy, every meaningful agenda is eroded with dishonesty, corruption, and unpatriotism. It is a government of fraudsters (power lords), technically, referred to in this article as the “banana government”). Labor turnover in a Mono-Cultural capitalist economy is “tantalizing-mirage trade with Opaque vicinity, ravaging the threshold of the economic system. LT is a general phenomenon in every economic system. In a poly-cultural economy, it is a miniature having two components/constraints, either favorable or adverse trend. Whereas in a Mono-Cultural economy, its existence is lopsided, having only a negative influence ravaging the economic system.

Curbing the system of LT in a Mono-Cultural economy must go a long way of making the economy an industrial base, which will take decades of economy planning (long-term alternatives). The population reduction campaign agenda in Mono-Cultural economies failed due to maraudeous governance of insider practices. The Malthusian theory of population and the inherent evils are apparently envisaged in Mono-Cultural economies.

Unemployment Rate in Mono-Cultural Economy: ‘Million’										
Yr:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Rate	12.3	13.6	14.8	13.4	11.9	14.6	10.9	12.8	19.7	21.1

Source: National Bureau of Statistics 2010

Data Presentation and Analysis: The chi-square statistical method of testing hypothesis was adopted. The X² test is an important extension of hypothesis testing and is used when it is desired to compare an actual (observed) distribution with a hypothesis or expected distribution. To determine either to accept or reject a course of research work, the hypothesis is tested using chi-square (x²) by applying the formula.

$$x^2 = \frac{\sum(O-E)^2}{E}$$

- Where: O = The observed frequency.
- E = The expected frequency
- ∑ = Summation
- X² = Chi-square

Also E = $\frac{CT \times RT}{GT}$

- Where: CT = Column total
- RT = Row total
- GT = Grand total

And: V = (R – 1) (C – 1)

- Where: V = Degree of freedom
- R = Total No. of Row
- C = Total of No. of Column

The hypotheses are tested using 95% confidence interval at 5% level of significance.

Observed “O” and Expected Frequency “E”: chi-square is considered as a measure of discrepancy between observed “O” and expected frequencies. If there is no discrepancy, then x² = O. As the discrepancy becomes larger the x² becomes larger. The frequencies that are obtained from the samples are called the observed frequencies and the frequencies expected on the basis of null hypothesis are called the expected frequencies.

Decision Rule: If the chi-square (χ^2) calculated is greater than the table value of hypothesis, the alternative is accepted, whereas the null hypothesis is rejected. But if the chi-square calculated is less than the table value of hypothesis, the alternative hypothesis is rejected and null hypothesis accepted.

Hypothesis Testing with Selected Responses:

H₁: Is Labor Turnover an indication of adverse approach to organizational “Human Resources Problem/Solution?”

Response I: LT is a surd of two edges, having equal capacity/force that can be favorable in one aspect and adverse in another. When unemployment is ravaging the economic system, LT is not at its best, because unemployment is a sign of economic instability. LT is said to be favorable when the opportunity to choose among the competing alternative jobs are available. In a society where employment opportunity is very scarce due to economic dependent on one source of revenue and is the only avenue of employment to the citizens, LT becomes adverse to economic growth.

Response II: In a mono-cultural economy like that of the third world nations, LT cannot in anyway be favorable to the economic development. LT with its inherent evils, reduces the human resources labor to a mere “Slave” of the “have” employer. Labor union in such situation simply exist in nutshell without bargaining power with the employer. This is because the labor laws are tailored in the interest of the few employers.

**Data Presentation: H₁
Observed Frequency Table I:**

Sex	SA	A	SD	D	Total
Male	14	30	1	2	47
Female	15	7	1	3	26
Total	29	37	2	5	73

Where: SA = Strongly Agree
 A = Agree
 SD = Strongly Disagree
 D = Disagree

To get the expected frequency, I apply the formula:

$$E = \frac{CT \times RT}{GT}$$

Where: E = Expected Frequency
 CT = Column Total
 RT = Row Total
 GT = Grand Total

Male:

$$\text{Strongly Agree} = \frac{29 \times 47}{73}, \text{ Agree} = \frac{37 \times 47}{73}$$

$$= 18.7 \qquad \qquad \qquad = 23.8$$

$$\text{Strongly Disagree} = \frac{2 \times 47}{73}, \text{ Disagree} = \frac{5 \times 47}{73}$$

$$= 1.3 \qquad \qquad \qquad = 3.2$$

Female:

$$\text{Strongly Agree} = \frac{29 \times 26}{73}, \text{ Agree} = \frac{37 \times 26}{73}$$

$$= 10.3 \qquad \qquad \qquad = 13.2$$

$$\text{Strongly Disagree} = \frac{2 \times 26}{73}, \text{ Agree} = \frac{5 \times 26}{73}$$

$$= 0.7 \qquad \qquad \qquad = 1.8$$

Calculation of X² Table 1.1

		Observed	Expected	(O-E)	(O-E) ²	$\frac{(O-E)^2}{E}$
Male	SA	14	18.7	-4.7	22.09	1.181
	A	30	23.8	6.2	38.44	1.615
	SD	1	1.3	-0.3	0.09	0.069
	D	2	3.2	-1.2	1.44	0.450
Female	SA	15	10.3	4.7	22.09	2.145
	A	7	13.2	-6.2	38.44	2.912
	SD	1	0.7	0.3	0.09	0.129
	D	3	1.8	1.2	1.44	0.800
				0		9.297

There are two (2) rows and four (4) columns the degree of freedom (DF) will be $(R - 1) (C - 1) = (2-1) (4 - 1) = (1) (3) = 3$. The X² value at 5% level of significant and three (3) degree of freedom is 7.81. Hence, the alternative hypothesis is accepted which states that “LT is an indication of adverse approach to organizational human resource problem.

H₂: Is LT a “Clinical thermometer” that does not diagnose the patient?

Selected Response:

Reponses I: Unlike clinical thermometer, LT diagnoses the economy that is heavily dependent on a single source of revenue and the only avenue of employment generation. Timid rate of unemployment is a hybrid of labor turnover and a signal to the government of the day that there is something wrong with the economic system. In the “Tendon’s Scale”, LT measures the economic trend, which is always in adverse direction in a mono-cultural economy.

Response II: LT is a hybrid of sick economy and a signal to worsening environmental/human degradation. It is a downtrend in economic empowerment and a support to poverty generation. It has no psotive influence in any meaningful human endeavor.

**Data Presentation: H₂
Observed Frequency Table II:**

Sex	SA	A	SD	D	Total
Male	13	32	1	1	47
Female	14	9	2	1	26
Total	27	41	3	2	73

Expected frequency (EF) = $\frac{CT \times RT}{GT}$

Male:

Strongly Agree = $\frac{27 \times 47}{73}$, Agree = $\frac{41 \times 47}{73}$
 = 17.4 = 26.4

Strongly Disagree = $\frac{3 \times 47}{73}$, Disagree = $\frac{2 \times 47}{73}$
 = 1.9 = 1.3

Female:

Strongly Agree = $\frac{27 \times 26}{73}$, Agree = $\frac{41 \times 26}{73}$
 = 9.6 = 14.6

Strongly Disagree = $\frac{3 \times 26}{73}$, Agree = $\frac{2 \times 26}{73}$
 = 1.1 = 0.7

Calculation of X^2 Table II.I

		Observed	Expected	(O-E)	(O-E) ²	$\frac{(O-E)^2}{E}$
Male	SA	13	17.4	-4.4	19.36	1.113
	A	32	26.4	5.6	31.36	1.188
	SD	1	1.9	-0.9	0.81	0.426
	D	1	1.3	-0.3	0.09	0.069
Female	SA	14	9.6	4.4	19.36	2.017
	A	9	14.6	-5.6	31.36	2.148
	SD	2	1.1	0.9	0.81	0.736
	D	1	0.7	0.3	0.09	0.129
				0		7.826

Since there are two (2) rows and four (4) columns, the degree of freedom is $(R - 1)(C - 1) = (2-1)(4-1) = (1)(3) = 3$. The X^2 value at 5% level of significant and three 3 degree of freedom is 7.826. Based on the computation, the alternative hypothesis is accepted, which means "LT", unlike clinical thermometer does not diagnose the patient.

Observation from Responses: LT is a chronic disease world over and most importantly to the mono-cultural economics of the third world nations, its influence has never being favorable in any form. It is unlike clinical thermometer, it measures the labor degradation of any economic system.

Conclusion: Diversification of economic revenue generation particularly in a mono-cultural economy of the third world nations will go a long-way to resolving LT problems. Developing industrial base, rather than relying heavily on one source of revenue generation will enable a rapid growth, thereby provide more opportunities for job existence. LT is the parental hybrid of corruption, dishonesty and unpatriotism. It is a dilemma.

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