

## Employees' Separation and Performance of Unionised Organisations in the Food, Beverage and Tobacco Industry in Lagos State, Nigeria

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### ABSTRACT

*The study investigated the effect of employees' separation on performance of unionised organisations in the Food, Beverage, and Tobacco industry in Lagos State. The adopted research design is the survey method. The proportional stratified sampling was used to select equal sample of thirty (30) from each of the organisations surveyed. A total of four hundred and twenty (420) research subjects were drawn from fourteen respondent companies. However, 284 copies of questionnaire were properly completed and used for data analysis. This represents 68 per cent response rate. The research instrument was subjected to validity and reliability testing. The domain of validity also called intrinsic validity was used for the validity estimate. Validity estimate is 0.88 while the Cronbach's Alpha is 0.77 being the reliability coefficient of the instrument. The hypothesis for the study was tested using the Pearson Product Moment Correlation, Regression Model and Chi-square test of goodness-of-fit at 5 per cent level of significance. It was hypothesised that employees' separation does not affect performance of unionised organisations. The result of hypothesis test shows that employees' separation exhibited significant relationship with performance of organisations. Of the ten measures of performance, six positively and significantly associated with employees' separation. Such as public image ( $r = 0.352$ ;  $p < 0.01$ ); staff morale ( $r = 0.340$ ;  $p < 0.01$ ); innovativeness ( $r = 0.190$ ;  $p < 0.01$ ); performance stability ( $r = 0.199$ ;  $p < 0.01$ ); growth in number of employees ( $r = 0.214$ ;  $p < 0.01$ ) and adaptability ( $r = 0.157$ ;  $p < 0.01$ ). However, profitability, market share, operational efficiency and rate of sales were non-significant. The Chi-square test of goodness-of-fit also confirms that employees' separation affect performance of unionised organisations ( $\chi^2 = 103.170$ ,  $df=2$ ,  $p < 0.01$ ). Similarly, from regression Table in the appendix, it could be observed from the result of the regression analysis that employees' separation affects performance of unionised organisations in the Food, Beverage and Tobacco Industry in Lagos State. From the foregoing, it is recommended that organisations should aim at improving remuneration packages; there is empirical evidence to show that on average, employers who offer the most attractive reward packages have lower attrition rates than those who pay poorly. Organisations should adopt rigorous screening procedures for new hires; improve training programmes as well as flexible working hours and employee participation.*

**Keywords:** Employees' Separation, Performance, Unionised Organisations, Food, Beverage and Tobacco Industry, Nigeria.

### 1. INTRODUCTION

Separation or employee turnover (sometimes called labour turnover, wastage or attrition) is the release of staff or employees from an organisation. Separation is also viewed as external staff mobility (Chidi, 2008). Mamoria, Gankar and Pareek (2007) view separation as cessation of service with an organisation. Gomez-mejia, Balkin & Cardy (2001) citing Polsky (1999) posit that an employee's separation occurs when an employee ceases to be a member of an organisation. That is, when the employment relationship is determined or ended and employees leave the organisation. According to Fajana (2002, p.183), "separation represents negative recruitment. This is so because when an employee leaves, his/her departure may create an added task for recruitment." Separation decisions can be initiated by the employer as lay-offs and discharges; but they can also be initiated by the employee as resignations and retirements (Milkovich & Boudreau, 2004). Separation can be costly to an organisation in terms of recruitment costs, selection costs, training and retraining costs, loss of production and sub-optimal service delivery which could lead to loss of goodwill and eventual collapse of the organisation. Whenever there is an exit or departure of seasoned or experienced employees, this could alter the company's destiny and its capacity to achieve its goals in terms of profitability, growth, survival, competitiveness, market share, customer satisfaction, reputation or goodwill and inability to continue operation. In otherwords, such upheavals will negatively affect performance of organisations. An organisation reputable for incessant voluntary labour turnover will find it extremely difficult to attract talents or prospective applicants from the external labour market.

Dreher and Dougherty (2002) argue that voluntary turnover is costly because replacements must be recruited, selected and trained. Thus, an excessive voluntary turnover rate can disrupt the social and communication patterns among stayers and increase stayers' workloads and stress levels. The escalation in the rate of labour turnover is a grave concern for organisations. Dess and Shaw (2001) opine that voluntary turnover represents significant direct costs (replacement, recruitment, selection, management time and temporary staff); indirect costs (staff morale, pressure on remaining staff, cost of training, product/service quality and organisational reputation) and loss of social capital. Thus, studies such as this should be able to provide insights into how effective and efficient human capital management and sound retention strategies could proffer solutions to these problems, with a view to achieving organisational performance. Researchers have used financial and non-financial metrics to determine performance of organisations. The financial metrics include profit, sales, and market share. Non-financial metrics include output or productivity, quality, efficiency, attitudinal and behavioural measures such as commitment, intention to quit, and satisfaction (Khan, 2010).

The objective of this study is to investigate the effect of employees' separation on performance of unionised organisations in the Food, Beverage and Tobacco Industry in Lagos State.

## 2. LITERATURE REVIEW

This section examines the theoretical underpinnings, conceptual issues, and some empirical researches germane to the study.

### 2.1 Theoretical Framework of the Study

The theories of employees' separation explain why people decide to leave or stay with an organisation. Bajwa, Randhawa, and Rafique (2006) in their study of employee turnover problem faced by telecom industry in Pakistan explained that turnover could be examined from various theoretical underpinnings such as the: met expectation model by Porter and Steers (1973); person-organisation (P-O) fit model by Kristof (1996); intermediate linkage model by Mobley (1997); organisational equilibrium model by March and Simon (1958); as well as the unfolding model of voluntary turnover by Lee and Mitchell (1996).

The met expectation model is of the view that when employees' expectations are not met by their organisations they are likely to quit the organisation. The P-O fit model view turnover in terms of mismatch between the person and organisational role and culture. According to the theory, the incompatibility among the personal characteristics and job requirements lead to frustration experienced by employees. Such frustrations could trigger employee turnover. The organizational equilibrium model links turnover to insufficient opportunities for growth and advancement within the organisation as well as the availability of alternatives in the external labour market. The unfolding model explains that insufficient recognitions or appreciations given to employees are likely to cause labour turnover in such organisations. Thus, financial and non-financial rewards are key to employees' retention.

### 2.2 Conceptual Issues

Separation or external staff mobility could be voluntary or involuntary. Voluntary separation is initiated by employees, often when the organisation still requires their services or would prefer to keep them; while involuntary separation involves an action initiated by an employer, often with employees who would prefer to stay (Noe, Hollenbeck, Gerhart & Wright, 2004). Voluntary separation/turnover takes the form of retirement and resignation whilst involuntary separation/turnover takes the form of lay-offs and discharges. Aside from voluntary and involuntary turnover, turnover could be functional or dysfunctional as well as controllable and uncontrollable. Turnover is functional when poor performers or disruptive employees leave the organisation. Dysfunctional turnover occurs when key individuals and high performers leave at critical times (Mathis & Jackson, 2004). Controllable turnover occurs due to factors that could be influenced by the employer, whereas uncontrollable turnover occurs for reasons outside employers' control. Separations are generally costly. With a view to capturing the dynamics of separation, it is worthwhile to present diagrammatically the broad dimensions of voluntary and involuntary separation/turnover for ease of understanding. What follows is the depiction of external staff mobility or separation.

<Insert Figure 1 here>

- **Voluntary Separation**

**Retirement:** Retirement for many employees is bitter sweet (Dessler, 2008). The employee may be free of the daily requirements of his/her job, but at the same time be slightly adrift as a result of not having a job to go to. Retirement age or age of superannuation is usually between the ages of 60 to 65 in the case of compulsory or mandatory retirement. However, in most cases of voluntary retirement, employees retire earlier than the above

age range. Flippo (1984) opines that the compulsory retirement age of 65 years, a practice that dates from the 1880s was pioneered by the then German Chancellor Otto Von Bismarck when he initiated a social security system and arbitrarily chose that particular age. Thus, compulsory retirement is a function of old age. Rao (2005) posits that government employees retire compulsorily after attaining the age of superannuation (either 58 or 60). In the private sector, the retirement age may well go beyond 60, depending on a person's ability to perform.

Retirement like a quit or resignation is normally initiated by the employee. However, retirement differs from resignation in a number of ways. Retirement usually occurs at the end of an employee's career (Rao, 2005); whereas resignation can happen at any time. Retirement often attracts pension or superannuation as well as gratuity from the organisation. With a view to easing post-retirement tension, it is advisable for the human resource manager to put in place policies to guide retirement arrangements as well as instituting pre-retirement counselling. The whole essence of this counselling is to dowse the anxiety of retirees and to infuse into them optimism and positive thinking on how to invest their benefits as well as advice on sundry matters relating to second careers. In some cases, employees die in service; without attaining the age of superannuation. When this occurs particularly if the death is traceable to occupational hazards, the employee gets compensation as per the provisions of Workmen's Compensation Act. On compassionate grounds, some organisations offer to the next-of-kin and dependants of the deceased staff employment.

**Resignation:** Resignation or quits occur when employees choose to leave the organisation for reasons other than retirement. Many researchers and professionals use the term turnover to signify employee quits. However, turnover is confusing because it also signifies quits and their subsequent replacements. That is, the organisations 'turn over' the position to a new person (Milkovich & Boudreau, 2004). An employee may decide to quit an organisation voluntarily on personal or professional grounds such as getting a better job, changing careers, wanting to spend more time with family or leisure activities.

The decision to quit could be traced to the employee's dissatisfaction with the current job, pay, working conditions or colleagues. In some instances, employees may be forced to quit compulsorily owing to negligence of duty, insubordination, and misuse of funds. The resignation in this case, unlike voluntary separation, is initiated by the employer. If the employee refuses to resign or quit, he/she may have to face disciplinary actions which may culminate in discharge or dismissal. It is instructive for the HR manager to examine the factors behind resignations properly. The use of exit interview is most useful in this regard. According to Armstrong (2001), when people leave of their own volition, two actions may be taken; conducting exit interviews and analysing reasons for turnover. Departees should be encouraged to speak out their feelings of frustration with the organisation.

- **Involuntary Separation**

**Lay-off/ Downsizing:** Non-disciplinary separation is called lay-off. For the employer, reduced sales or profit may require lay-off or downsizing. Workforce reduction through lay-offs is one response to employee surpluses. Unlike the case of discharges, employees are seldom directly responsible for the conditions leading to the surplus. This surplus is usually caused by economic reasons such as poor business decision, poor marketing or market declines not under the control of the organisation or the employees (Milkovich & Boudreau, 2004).

Lay-off could be temporary or permanent. Temporary lay-off is a situation in which there is a temporary shortage of work and employees are told there is no work for them but that management would recall them when the condition of work is favourable. In permanent lay-off, the plant is completely shutdown or closed for business and there is no hope of the employees returning to work. Lay-offs in most cases are caused by reductions in product demand, changing technologies that reduce the need for workers; mergers and acquisition are the main factors behind most lay-offs. According to Rao (2005), the purpose of lay-off is to trim the extra fat and make the organisation lean and competitive. Lay-offs have a powerful impact on the organisation and as such should be carried out cautiously. In managing lay-offs, the human resource manager should embark upon the following HR activities:

- **Notice of lay-off / closing:** - Most companies give at least some advance notice of lay-off or plant shutdown. Collective bargaining agreements often require such notice. Some give between 60 to 90 days notice.
- **Order of lay-off:** - Lay-off could be carried out based on seniority or ability. However, trade unions often insist on seniority by adopting the LIFO (Last- In- First- Out) principle as against FIFO (First- In- First-Out) whenever lay-off decision is to be taken.

- **Concession bargaining** :- With a view to reducing the number of lay-off employees, trade unions and employers oftentimes embark on concession bargaining with workers agreeing to reduce their wages/salaries as well as other conditions of employment until situation is favourable.
- **Bumping**: - Bumping occurs in situations where senior employees whose jobs have become obsolete and who may fall victim of lay-off are transferred to jobs of less senior workers. Although, bumping maintains jobs for long-service employees, it can cause problems if it leads to frequent or incessant job changes from a large number of employees.
- **Supplemental Unemployment Benefits**: - Some organisations offer financial assistance up to a certain number of years to the laid off staff.
- **Out-Placement Assistance**: - Out-placement services or assistance is given to the employees in locating and finding new employment. The services could be in form of counselling, recommendation letters, job market information to assist in job search, secretarial support and so forth. Thus, outplacement assistance includes efforts made by the employer to help a recently separated worker find a job (Rao, 2005).

**Discharges:** Discharges end or terminate the employment relationship because the employee's behaviour reflects seriously harmful consequences. Among human resource managers reporting their most serious discipline problems, 60 per cent cited attendance, 17 per cent cited performance and 9 per cent cited alcohol or drugs (Milkovich & Boudreau, 2004). Rao (2005) cited the following as reasons for discharge:-

- Inebriation and alcoholism.
- Willful violation of rules.
- Carelessness.
- Insubordination.
- Physical disability.
- Dishonesty.
- Violent and aggressive acts.
- Inefficiency
- Unauthorised absence from duty for a longtime.

Discharge is most stressful and distasteful method of separation. The employee is deemed to be fundamentally unsatisfactory in terms of performance and/ or attitude (Flippo, 1984). In other words, disciplinary separation refers to discharge. Discharge takes the form of termination and dismissal.

**Termination:** Historically, in the absence of a specified contract, either the employer or the employee could sever the employment relationship at any time. The severing of this relationship could be for good cause, no cause or even bad cause. Over time, this policy has been referred to as the employment-at-will doctrine (Noe, Hollenbeck, Gerhart & Wright, 2003). However, in the presence of specified employment contract, either party is expected to give reasonable notice of separation. Both termination and dismissal are outcomes of disciplinary actions. According to Monappa and Saiyadain (1996), termination of employment or of service broadly signifies the separation of an employee from an organisation. However, in terminating an employee's employment, the employer is bound by law to give reasonable notice or payment in lieu of notice. An employee whose employment is terminated can still be paid his/her entitlements if confirmed.

**Dismissal:** A dismissed employee forfeits his/her entitlements as dismissal is fallout of severe infringements of company rules. No notice of dismissal is given to the affected employee. This is referred to as summary dismissal. However, in meting out dismissal, the HR manager must ensure that the organisation has complied with the doctrine of progressive discipline as well as abiding by the 'red hot stove' rule of discipline. Progressive discipline approach states that discipline is imposed in a progressive manner, giving an opportunity to the employee to correct his/her misconduct voluntarily. The concept of progressive discipline states that penalties must be appropriate to the violation or offence committed. Thus, progressive discipline is a process in which the consequences become more serious if the employee repeats the offence (Noe et al., 2004). The normal corrective or progressive discipline process entails the following steps as given by Noe et al. (2004), and Armstrong (2009):

- **Unofficial / Informal warning** :- A query is issued to errant staff and based on his/her response, a verbal or informal warning is given to the employee in the first instance or instances of minor offences. The warning is administered by the employee's immediate supervisor or manager.
- **Official / Formal Warning**: - A written or formal warning is given to the employee in the first instance of more serious offences or after repeated instances of minor offences. It states the exact nature of the offence and specifies any future disciplinary action which will be taken against the employee if the offence is

repeated. A copy of the written warning is placed in the employee's personnel record or file. The employee is required to read and sign the formal warning and has the right to appeal to his/her management if he/she thinks the warning is unjustified.

- **Further Disciplinary Action:** - If despite previous warnings, an employee still fails to reach the required standards in a reasonable period of time, it may become necessary to consider further disciplinary action. The action taken may be interdiction with half pay, suspension without pay or termination as the case may be.
- **Summary dismissal:** - An employee may be summarily dismissed. That is, given instant dismissal without notice only in the event of gross misconduct, as defined in company rules. Dismissal could be fair or unfair in nature.
- **Appeals:** - In all circumstances, an employee may appeal against suspension, termination or summary dismissal.

Thus, the principles of natural justice suggest that the organisation prepare for problems by establishing a formal discipline process in which the consequences become more serious if the employee repeats the offence. Such a system is called progressive discipline. This is diagrammatised below:

<Insert Figure 2 here>

In designing disciplinary procedure and policy, the 'red hot stove' rule should be observed. This rule was developed by McGregor (1960). The rule draws an analogy between touching a hot stove and undergoing discipline. According to the 'red hot stove' rule, disciplinary action should have the following consequences.

- Burns immediately: That is, requires immediate action.
- Provide warning. For instance, it is important to provide advance warning that punishment will follow unacceptable behaviour. As you move closer to a hot stove, you are warned by its heat that you will be burnt if you touch it. Thus, 'red hot stove' rule is a theory that discipline should be immediate, consistent, impersonal and should include warning. Finally, creating a formal discipline process is the primary responsibility of the human resource practitioners. They should identify unacceptable behaviour and establish rules and consequences for violating the rules, if the organisation is to achieve set goals and objectives.

There is a vast literature on the causes of separation/turnover dating back to the 1950s. The relationship between alternatives and turnover on an individual basis has been researched widely since March and Simon's (1958) seminal work on ease of movement. Separation occurs when the employment relationship is determined or ended and employees leave the organisation. In general, organisations endeavour to avoid the need for involuntary separation and to minimise or reduce to the barest minimum voluntary separation, especially among top performers in view of the astronomical costs involved in replacing leavers. According to Armstrong (2006), separation /turnover may be a function of low job satisfaction, poor pay and poor working conditions. The following reasons are given by Armstrong(2006) for turnover:

- more pay
- better prospects(career move)
- more security
- more opportunity to develop skills
- better working conditions
- poor relationships with manager/ team leader
- poor relationships with colleagues
- bullying or harassment
- Personal-pregnancy, illness and relocation.

As the CIPD (2001) has commented, turnover may be a function of negative job attitudes, low job satisfaction, combined with an ability to secure employment elsewhere, that is, the state of the labour market. Martin (2003) investigated the effect of unions on turnover and found clear evidence that unionism is associated with lower turnover. Martin (2003) argues that lower turnover is a result of the ability of unions to secure better working conditions for their members; thus, increasing the attractiveness of staying in their current job. For retention, addressing hygiene factors will reduce turnover/separation whilst addressing motivational factors will enhance employees' calculations of the attractiveness of staying with the organisation. According to Armstrong (2006), exit interviews should aim at establishing why people leave an organisation, not to persuade them to stay. Armstrong (2006) opines that exit interviews are not completely reliable as some leavers may want to conceal the reasons for their leaving. A survey of the views of existing employees through attitude surveys is ideal.



According to IDS (2004), to gain an accurate perspective of internal causes of turnover, it is useful to look at both quantitative and qualitative information. Organisations should have an understanding of their rates of labour turnover and how turnover affects organisations' effectiveness (CIPD, 2004). The following measures are used to calculate the rate of labour turnover: a) crude wastage rate (this calculates the number of leavers in a given period as a percentage of the average number of employee during the same period); b) resignation rate (this entails measuring turnover based on voluntary leavers or resignation rates only, thus excluding employees who have left for other reasons such as retirement, redundancy and dismissal); c) vacancy rate (this involves determining the number of vacancies that need to be filled in the organisation or department. It is expressed as a percentage of the number of overall employees); d) stability index (this measure gives an indication of the extent to which experienced employees are being retained. It is calculated as the number of employees with one year's service or more as a percentage of the number of people employed a year ago, a low stability index indicates high labour turnover); e) cohort analysis (this involves analysing the leaving rates of homogeneous groups of employees who joined the organisation at the same time.); f) wastage and survival curves (for wastage curves, the number of leavers is plotted against their length of service on leaving. A characteristic turnover pattern shows a high level for new starters, which then decreases with length of service. Alternatively, survival curves represent the number of people who stay against length of service, providing a measure of retention instead of turnover).

### 2.3 Empirical Researches Germane to the Study

Employees' separation (turnover) is an important measure of the health of an organisation (Neal, 1989). According to Martin and Jackson (2005, p.31), "labour turnover rates are also a good measure of the health of an organisation". The literature on labour turnover and firm performance has viewed labour turnover in a negative light (Dess & Shaw, 2001). This negative view of labour turnover is supported by the results of several empirical studies.

According to Glebbeek and Bax (2004), because of the high cost of turnover as well as its negative effect on organisational performance, organisations make tremendous efforts to reduce the number of quality employees that quit their jobs. Huselid (1995) found high labour turnover to be negatively linked to labour productivity in his sample of 968 U.S firms. McElroy, Morrow and Rude (2001) investigated the effects of turnover on organisational performance. They examined the differential effects of three types of turnover (voluntary, involuntary and reduction-in-force) on performance. They found that each form of turnover exhibited adverse effects on performance when examined separately. However, partial correlation results revealed greater and more pervasive adverse effects for reduction-in-force (RIFs) turnover (i.e. downsizing) in comparison with the effects of voluntary and involuntary turnover. The results confirm the negative effect of downsizing, suggesting the need to move beyond the traditional voluntary-involuntary classification scheme used in turnover research. They argue that reductions-in-force (RIFs) are the source of the negative relationship between turnover and performance. They further posit that turnover-performance relationship is negative in practice because replacement costs are not likely to be offset by any productivity gains. Meier and Hicklin (2007) in their study of turnover in public organisations using data from several hundred public organisations over a nine-year period found that moderate levels of turnover positively affect organisational performance. Thus, according to Meier and Hicklin (2007) one provocative argument in the literature is that employee turnover is not necessarily bad for an organisation, that in some situations, increased turnover may benefit an organisation. For employees who are under performing significantly, the cost of replacement and retention can be quickly compensated for by higher performance from a new employee in which case turnover benefits an organisation. More so, replacing poor performers can serve as a motivational signal to others remaining in the organisation and stimulate them to perform better (McElroy, Morrow and Rude (2001). It can also provide a source of new ideas for innovation and reform (Meier & Hicklin, 2007). In a similar vein, Mathis and Jackson (2004, p.94) found that "not all turnover is negative for organisations because some workforce losses are desirable, especially if those workers who leave are lower-performing, less reliable individuals or those who are disruptive to co-workers."

According to Armstrong (2009), one of the features of non-unionised organisations is that labour turnover is higher comparable to unionised organisations. According to Martin (2003), there is clear evidence that unionism is associated with lower employee turnover. Martin (2003) argues that lower turnover is a result of the ability of unions to secure better working conditions, thereby increasing the attractiveness for workers to stay in their current job. Unionised organisations have significantly lower quit rates than non-union organisations. This can be explained by the fact that the union provides a voice mechanism through which employees can negotiate better compensation and addresses workers' problems as an alternative to quit (Freeman & Medoff, 1984). According to Katz and Kochan (2004), union establishments have been found to have lower quit rates. Quit rates in U.S telecommunications establishments in 1998 ranged from 3.3 per cent in unionised establishments

(all had a grievance procedure) to 14.9 per cent in non-union establishments that had no formal complaint resolutions procedure (Katz & Kochan, 2004).

### Research Hypothesis:

Ho: Employees' separation does not affect performance of unionised organisations in the Food, Beverage and Tobacco Industry in Lagos State.

### 3. METHODS

This section concentrates on the adopted methods or procedures for carrying out the study. It highlights the research setting, research design, population of study including sample and sampling techniques, research instrument/measurement of variables, validation of research instrument, administration of instrument and the statistical techniques for the test of hypothesis.

The setting for the study is Lagos State, situated in the South-Western part of Nigeria. Lagos State is Nigeria's financial, commercial and economic capital, with the largest concentration of unionised organisations in the Food, Beverage and Tobacco Industry. Besides, Lagos is the most urbanised State in Nigeria. Lagos has a population of 9,013,534 people according to the Central Bank of Nigeria Statistical Bulletin 2007, based on the 2006 census. The research setting is important to this study as majority of the organisations in the Food, Beverage and Tobacco Industry have their head offices in Lagos as well as their human resource management/administrative departments that could assist with both primary and secondary data for the study. The adopted research design is the survey method. The justification for choosing the survey method is based on the fact that the study is interested in gaining an understanding of the problem being investigated (Ezirim, Briggs & Maclayton, 2004) without any attempt to manipulate or control the sample subjects (Asika, 1991). More so, the study is interested in the attitude or opinion of the respondents as opposed to their behaviour. The survey method is ideal since large sample of respondents are required and the researcher is interested in subjecting the collected data to rigorous statistical (hypothesis) testing. More so, it is economical.

For this study, the organisations in the Food, Beverage and Tobacco Industry in Lagos State constitute the population of the study. There are 80 companies in the fold of the Association of Food, Beverage and Tobacco Employers (AFBTE) in Nigeria as obtained from the directory of member-companies as of 2011 (AFBTE Annual Report, 2011). Of this number, 54 companies are located in Lagos. The target respondents for the survey were the executive management and senior employees in charge of human resource management functions. A total of fourteen (14) respondent companies that are unionised were drawn from the population using the simple random sampling technique. The stratified random sampling was further adopted to determine individual respondents at different job levels. Researchers use stratified random sampling to ensure that different groups of a population are adequately represented in the sample so as to increase the level of accuracy when estimating parameters (Frankfort-Nachmias & Nachmias, 2009).

In this study, the proportional stratified sampling was used to select equal sample of thirty (30) from each of the organisations surveyed. A total of four hundred and twenty (420) research subjects were drawn from fourteen respondent companies. The sampling technique and sample size were employed in order to have representation of the various cadres of staff because the population does not constitute a homogenous group (Briggs, 2007; Kothari, 2004). The sampled companies are Cadbury Nig. PLC, Guinness Nig PLC, Nigerian Bottling Company PLC, West African Seasoning Co.Ltd, Niger Biscuit Co. Ltd., Seven-Up Bottling Co. PLC, Nigerian Breweries PLC, Ragolis Waters Ltd., Promasidor Nig. Ltd., OK Foods Ltd., Nestlé Nig. PLC, Flour Mills Nig. PLC, Friesland Foods (WAMCO) Nig. PLC and GlaxoSmithKline Consumer Nig. PLC. However, 284 copies of questionnaire were properly completed and used for data analysis. This represents 68 per cent response rate.

The instrument was designed using opinion and factual questions or categorical questions. The Likert 4-point scale ranging from strongly agree (4) to strongly disagree (1) was adopted for opinion questions to elicit information from respondents. Also, the 3-point scale ranging from always (3) to never (1) was adopted. The instrument is comprised of two sections with alphabetical numbering. Section A sought the views of respondents regarding employees' separation in their organisations. Section B x-rayed the demographic profiles of respondents. The research instrument was subjected to validity and reliability testing. Asika (1991) posits that validity is superior to reliability, and that both are useful in ascertaining the usefulness of measuring instruments. Validity is the ability of the research instrument or scale to measure what it is designed to measure (Asika, 2004). The domain of validity also called intrinsic validity was used for the validity estimate. The domain of validity is obtained by calculating the square root of reliability (Guilford, 1954; Uwaoma, Udeagha & Madukwe, 2011). Validity estimate is 0.88 while the Cronbach's Alpha is 0.77 being the reliability coefficient of the instrument. An alpha level of 0.70 and above is generally considered satisfactory internal consistency

(Nunnally, 1978; Cronbach, 1951). Data analyses were done using Statistical Product and Service Solutions (Ho, 2006); formerly Statistical Package for the Social Sciences (SPSS) software version 16. Frequency distribution showing absolute and relative frequencies or percentages was adopted as well as pictorial representation or visual displays of data such as bar charts. The hypothesis for the study was tested using the Pearson Product Moment Correlation, Regression Model and Chi-square test of goodness-of-fit at 5 per cent level of significance

#### 4. RESULTS

<Insert Table 1 here>

Table 1 reveals that 72.9 per cent of the respondents are males; while 27.1 per cent are females. This indicates that there are more male than female respondents. About 55 per cent of respondents are in the age bracket of 30-39 and they constitute the largest number of respondents. This sector has many younger workers below 40 years old and this constitutes 68.3 per cent. The marital status shows the preponderance of married respondents with 68.7 per cent. With respect to educational qualifications, 40.5 per cent of respondents possess first degree, 28.9 per cent of respondents hold the HND and 25.7 per cent are holders of Master's degree. In a nutshell, 66.6 per cent of the respondents possess university degrees. With respect to job category, 79.9 per cent are senior staff while 20.1 per cent are management staff. As regards organisational size, 66.5 per cent of respondents belong to organisations with membership size of 501 and above. This is followed by 20.4 per cent for 251-500 membership size and 13 per cent for 101-250 membership size. With respect to union status, 100 per cent of respondents are from unionised organisations.

<Insert Table 2 here>

From Table 2 employees' separation affects performance of unionised organisations with a mean item score of 3.05 and a standard deviation of 0.62. Of the 281 respondents, 75 per cent agreed and strongly agreed that separation behaviour is higher in non-unionised comparable to unionised organisations. It is also revealed that separation may be a function of low job satisfaction. Of the 283 respondents, 84.1 per cent agreed and strongly agreed to the statement, with a mean item score of 3.04 and a standard deviation of 0.64. Of the 283 respondents, 86.6 per cent agreed and strongly agreed that separation may be a function of poor pay. It was also found that unionisation is associated with lower employee turnover with a mean item score of 2.45 and a standard deviation of 0.70. Of the 280 respondents, 60.9 per cent agreed and strongly agreed that separation has its positive effects on organisations. This statement has a mean item score of 2.70 and a standard deviation of 0.77. With respect to exit interview, 62.3 per cent of the respondents are of the view that it is used to establish why staff leave whenever there is separation in their organisations. As regards methods used to measure or calculate rate of turnover, of the seven methods listed, vacancy rate has the highest mean item score of 2.20 with a standard deviation of 0.64. This is followed by resignation rate with a mean item score of 2.11 and a standard deviation of 0.56.

<Insert Figure 3 here>

It was hypothesised that employees' separation does not affect performance of unionised organisations. The result of hypothesis test shows that employees' separation exhibited significant relationship with performance of organisations. Of the ten measures of performance, six positively and significantly associated with employees' separation. Such as public image ( $r = 0.352$ ;  $p < 0.01$ ); staff morale ( $r = 0.340$ ;  $p < 0.01$ ); innovativeness ( $r = 0.190$ ;  $p < 0.01$ ); performance stability ( $r = 0.199$ ;  $p < 0.01$ ); growth in number of employees ( $r = 0.214$ ;  $p < 0.01$ ) and adaptability ( $r = 0.157$ ;  $p < 0.01$ ). However, profitability, market share, operational efficiency and rate of sales were non-significant. The Chi-square test of goodness-of-fit also confirms that employees' separation affect performance of unionised organisations ( $\chi^2 = 103.170$ ,  $df = 2$ ,  $p < 0.01$ ). Similarly, from regression Table in the appendix, it could be observed from the result of the regression analysis that employees' separation affects performance of unionised organisations in the Food, Beverage and Tobacco Industry in Lagos State. From the test of hypotheses it was found that employees' separation affects performance of unionised organisations in the Food, Beverage and Tobacco Industry in Lagos State. Also, from descriptive statistics in Table 2; it can be observed that employees' separation affects performance of unionised organisations with a mean item score of 3.05 and a standard deviation of 0.62. It was found that separation behaviour is higher in non-unionised than in unionised organisations. The study also found that unionisation is associated with lower employee turnover. It was also found that separation is a function of poor pay and low job satisfaction. One of the findings of the study is that separation has its positive effects on the performance of organisations. Thus, contrary to popular literature, an optimistic view of turnover as a predictor of corporate performance was revealed in the study.



## 5. DISCUSSION OF FINDINGS

The results of the study are consistent with the literature. From the test of hypothesis it was found that employees' separation affects performance of unionised organisations. Huselid (1995) found high labour turnover to be negatively linked to labour productivity in his sample of 968 U.S firms. McElroy, Morrow and Rude (2001) investigated the effects of turnover on organisational performance. They examined the differential effects of three types of turnover (voluntary, involuntary and reduction-in-force) on performance. They found that each form of turnover exhibited adverse effects on performance when examined separately. However, partial correlation results revealed greater and more pervasive adverse effects for reduction-in-force (RIFs) turnover (i.e., downsizing) in comparison with the effects of voluntary and involuntary turnover. The results confirm the negative effect of downsizing, suggesting the need to move beyond the traditional voluntary-involuntary classification scheme used in turnover research. They argue that reductions-in-force (RIFs) are the source of the negative relationship between turnover and performance. They further posit that turnover-performance relationship is negative in practice because replacement costs are not likely to be offset by any productivity gains. One of the findings of the study is that separation has its positive effects on the performance of organisations. Thus, contrary to popular literature, an optimistic view of turnover as a predictor of corporate performance was revealed in the study. This finding is consistent with the finding of Meier and Hicklin (2007) who found in their study of turnover in public organisations using data from several hundred public organisations over a nine-year period that moderate levels of turnover positively affect organisational performance.

Thus, according to Meier and Hicklin (2007) one provocative argument in the literature is that employee turnover is not necessarily bad for an organisation, that in some situations, increased turnover may benefit an organisation. For employees who are under performing significantly, the cost of replacement and retaining can be quickly compensated by higher performance by a new employee in which case turnover benefits an organisation. More so, replacing poor performers can serve as a motivational signal to others remaining in the organisation and stimulate them to perform better (McElroy, Morrow & Rude (2001). It can also provide a source of new ideas for innovation and reform (Meier & Hicklin, 2007). According to Mathis and Jackson (2004), turnover is functional when poor performers or disruptive employees leave the organisation while dysfunctional turnover occurs when key individuals and high performers leave at critical times. It was found that separation behaviour is higher in non-unionised than in unionised organisations. This finding is in line with Armstrong (2009) who found that one of the features of non-unionised organisations is that labour turnover is higher comparable to unionised organisations.

The study also found that unionisation is associated with lower employee turnover. This finding is consistent with that of Martin (2003) who found that there is clear evidence that unionism is associated with lower employee turnover. Martin (2003) argues that lower turnover is as a result of the ability of unions to secure better working conditions, thereby increasing the attractiveness for workers to stay in their current job. Unionised organisations have significantly lower quit rates than non-union organisations. This can be explained by the fact that the union provides a voice mechanism through which employees can negotiate better compensation and addresses workers' problems as an alternative to quit (Freeman & Medoff, 1984).

According to Katz and Kochan (2004), union establishments have been found to have lower quit rates. Quit rates in U.S telecommunications establishments in 1998 ranged from 3.3 per cent in unionised establishments (all had a grievance procedure) to 14.9 per cent in non-union establishments that had no formal complaint resolutions procedure (Katz & Kochan, 2004). It was also found that separation is a function of poor pay and low job satisfaction. Griffeth, Hom and Gaertner (2000), noted that pay and pay-related variables have a great effect on employee turnover. Therefore, management should compensate employees adequately and equitably with a view to retaining high performers. Taplin, Winterton and Winterton (2003), in a study of British clothing industry observed that the employer initiatives to reduce turnover included a range of measures such as improving remuneration packages, rigorous screening procedures for new hires, improved training programmes, flexible working hours and employee participation. There is evidence to show that on average, employers who offer the most attractive reward packages have lower attrition rates than those who pay poorly (Gomez-Mejia & Balkin, 1992).

## 6. CONCLUSION AND IMPLICATIONS FOR POLICY

This study set out to investigate the effect of employees' separation on performance of unionised organisations in the Food, Beverage, and Tobacco industry in Lagos State. It was found from the study that separation has its positive effects on performance of organisations. Therefore, managers should devise strategies to manage separation in such a way that would benefit organisations. Turnover is inevitable and may be desirable. It should be managed in the sense that the organisation seeks to minimise its drawbacks and maximise its potentials for

improvement. Thus, organisations should attempt to limit turnover in general, and efforts should be made to prevent the loss of key or irreplaceable talents through retention strategies. Not all turnover is negative for organisations because some workforce losses are desirable, especially if those workers who leave are lower-performing, less reliable individuals or those who are disruptive to co-workers. However, employees should be allowed to leave if the cost to retain exceeds the cost to replace. This is the cornerstone of the optimal turnover rate. Retaining top performers should be the goal so long as this can be achieved at a reasonable retention cost. It is recommended that organisations should aim at improving remuneration packages; there is empirical evidence to show that on average, employers who offer the most attractive reward packages have lower attrition rates than those who pay poorly. Organisations should adopt rigorous screening procedures for new hires; improve training programmes as well as flexible working hours and employee participation.

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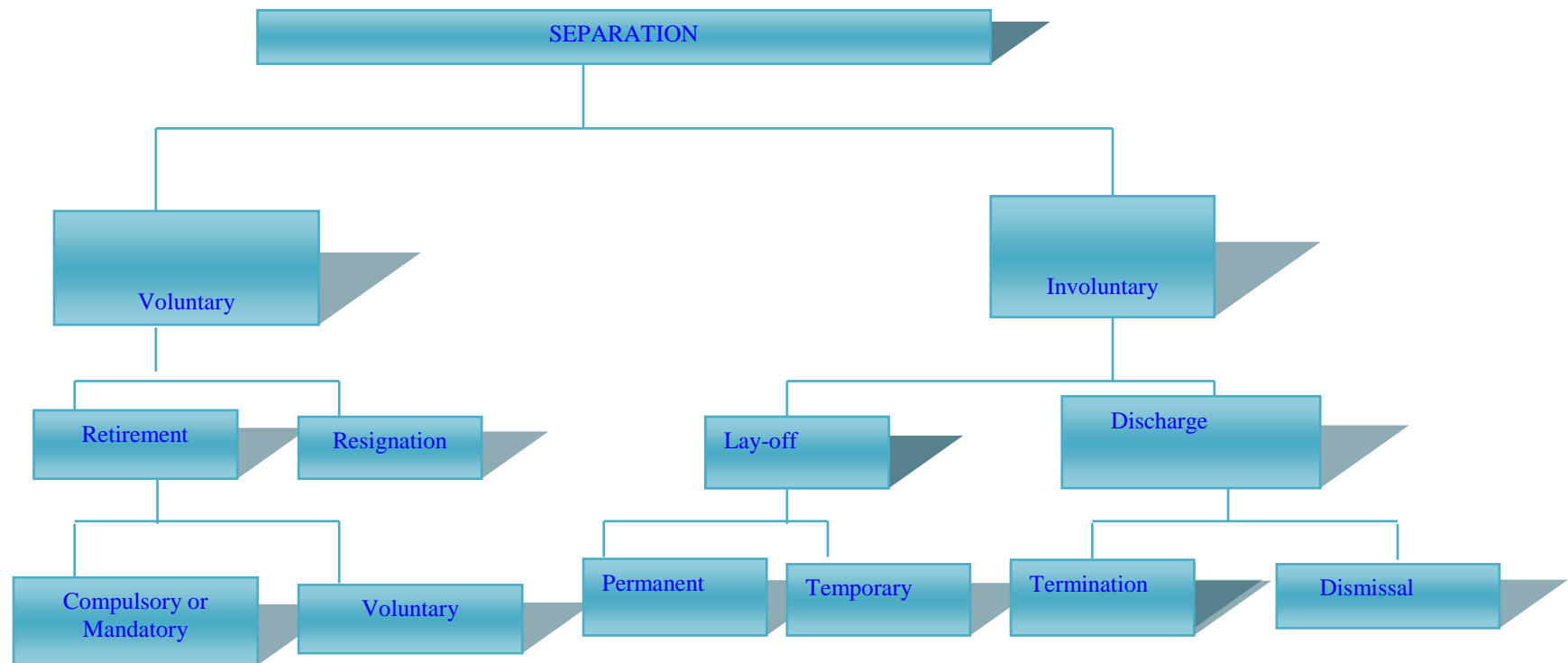
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### APPENDIX OUTPUT OF REGRESSION RESULTS

S/N	Measures of Performance	Overall Model Summary	Employees' Separation
1.	Rate of Sales	R= 0.390 R <sup>2</sup> = 0.152 (F= 9.573 ; p< .01)	$\beta$ = 0.087 t-value =1.456 p-value =0.146 Remark: ns
2.	Operational Efficiency	R=0.322 R <sup>2</sup> =0.104 (F= 6.197 ; p< .01)	$\beta$ = 0.108 t-value =1.745 p-value =0.082 Remark: ns
3.	Performance Stability	R=0.355 R <sup>2</sup> =0.126 (F=7.738 ; p< .01)	$\beta$ =0.180 t-value =2.955 p-value =0.003 Remark: s
4.	Public Image	R=0.428 R <sub>2</sub> = 0.183 (F= 12.003 ; p< .01 )	$\beta$ = 0.310 t-value =5.270 p-value =0.000 Remark: s
5.	Staff Morale	R= 0.408 R <sup>2</sup> = 0.167 (F= 10.681 ; p< .01 )	$\beta$ = 0.307 t-value =5.151 p-value =0.000 Remark: s
6.	Innovativeness	R= 0.382 R <sup>2</sup> =0.146 (F= 9.110 ; p< .01)	$\beta$ =0.173 t-value =2.868 p-value =0.004 Remark: s
7.	Growth rate of number of employees	R= 0.426 R <sup>2</sup> =0.181 (F= 11.821 ; p< .01 )	$\beta$ = 0.156 t-value =2.641 p-value =0.009 Remark: s
8.	Adaptability	R=0.328 R <sup>2</sup> =107 (F= 6.451 ; p< .01)	$\beta$ = 0.151 t-value =2.450 p-value =0.015 Remark: s
9.	Market Shares	R= 0.216 R <sup>2</sup> = 0.047 (F= 2.624 ; p<0.05 )	$\beta$ = 0.018 t-value =0.287 p-value = 0.775 Remark: ns
10	Profitability	R=0.317 R <sup>2</sup> =0.101 (F= 5.986 ; p< 0.01)	$\beta$ = -0.025 t-value =-0.410 p-value =.682 Remark: ns

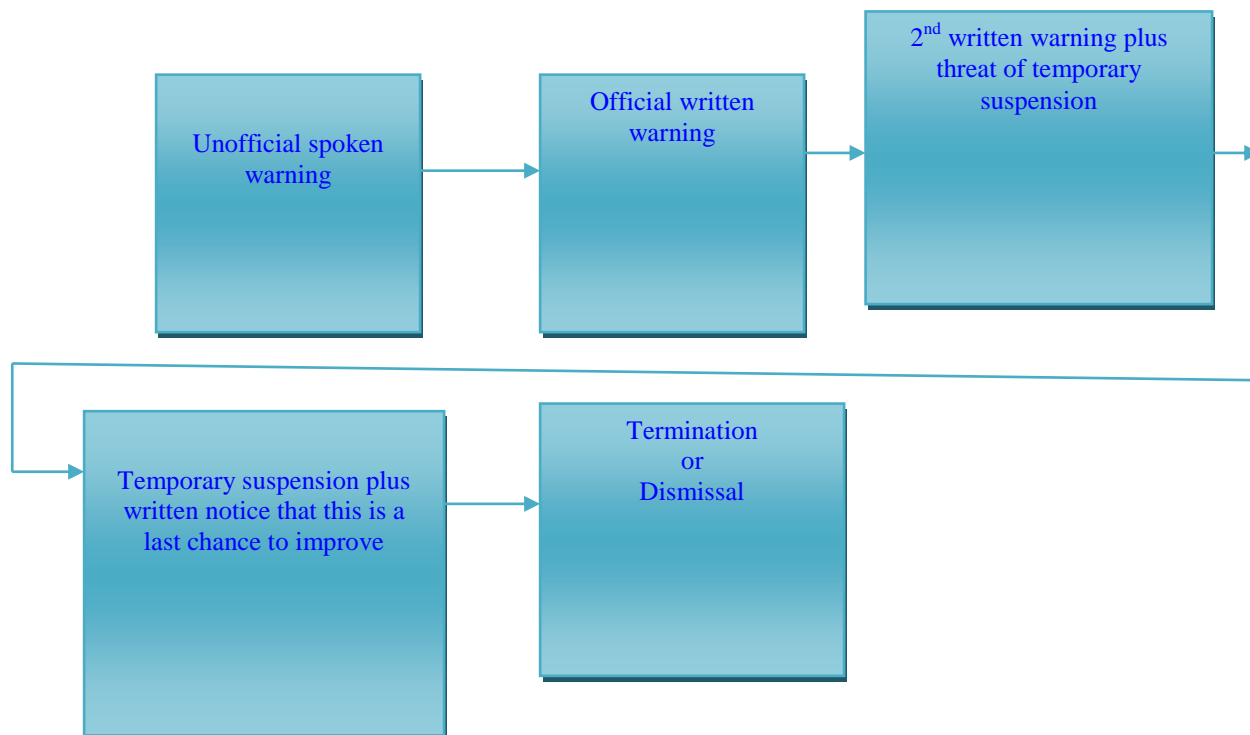
**Legend:** ns = non-significant      s = significant



**Source:** Chidi, O.C. (2008). Managing internal and external staff mobility: Roles of human resource management professionals. *Yaba Journal of Management Studies*, 5 (2), pp.39-50.

**Fig.1: Voluntary and Involuntary Separation**





**Source:** Adapted from Noe, R. A., Hollenbeck, J.R., Gerhart, B., & Wright, P.M. (2004). *Fundamentals of human resource management*. New York: McGraw – Hill/ Irwin.

**Fig. 2: Progressive Disciplinary Process**

**TABLE: 1 Demographic Profiles of Respondents**

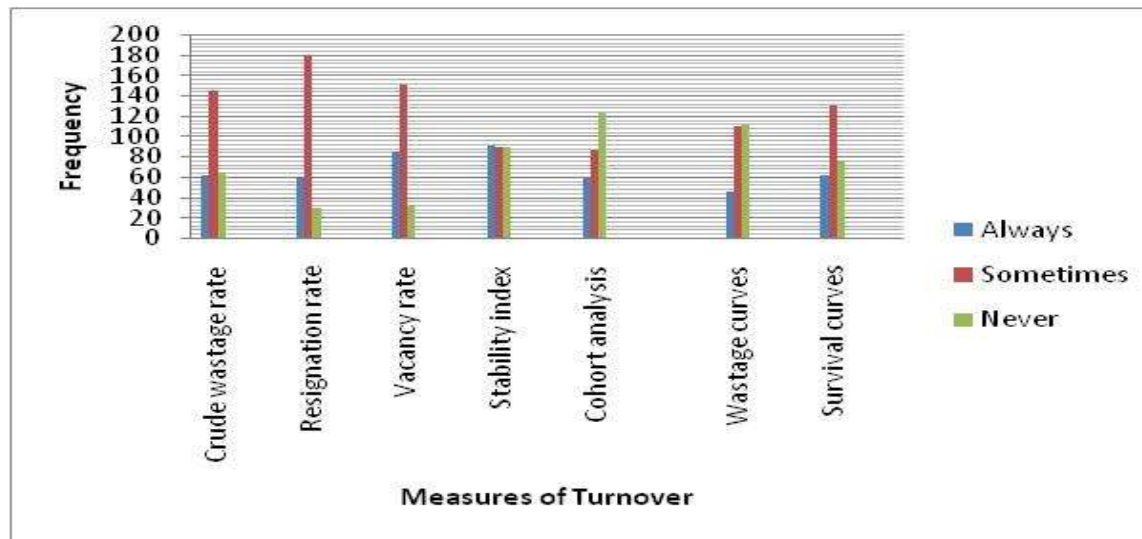
S/N	Variables	Absolute Frequency	Relative Frequency (%)
1.	<b>Sex of Respondents:</b>		
	Male	207	72.9
	Female	77	27.1
2.	<b>Age of Respondents:</b>		
	Less than 20years	-----	-----
	20-29	38	13.4
	30-39	156	54.9
	40-49	85	29.9
	50 and above	5	1.8
3.	<b>Marital Status:</b>		
	Married	195	68.7
	Single	83	29.2
	Separated	2	0.7
	Divorced	4	1.4
4.	<b>Qualifications:</b>		
	OND	12	4.2
	HND	82	28.9
	First degree	115	40.5
	Master's degree	73	25.7
	Ph.D.	1	0.4
	Professional diploma	----	----
	Others(Pls. specify)	1	0.4
5.	<b>Job Category:</b>		
	Junior	-----	-----
	Senior	227	79.9
	Management Staff	57	20.1
6.	<b>Organisational Size:</b>		
	Less than 50 staff	-----	-----
	50-100 staff	-----	-----
	101-250 staff	37	13
	251-500 staff	58	20.4
	501 & above	189	66.5
8.	<b>What is the union status of your organisation?</b>		
	Unionised	284	100
	Non-unionised	----	-----
9.	<b>How long have you been working for your organisation? (Please specify in years)</b>		
	Less than 5years	79	27.8
	5-10years	109	38.4
	11-15years	51	18
	16years and above	29	10.2
	No Response	16	5.9

**Source:** Field Survey, 2012

**TABLE: 2 Perceptions of Respondents on Employees' Separation**

S/N	STATEMENTS	N	SA	A	D	SD	MIS	STD
			<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>		
<b>1</b>	Separation behaviour is higher in non-unionised than unionised organisations	281	(81) 28.5%	(132) 46.5%	(66) 23.2%	(2) 0.7%	3.04	0.74
<b>2</b>	Employees' separation affects performance of unionised organisations	282	(61) 21.5%	(174) 61.3%	(47) 16.5%	-----	3.05	0.62
<b>3</b>	Separation may be a function of low job satisfaction	283	(58) 20.4%	(181) 63.7%	(40) 14.1%	(4) 1.4%	3.04	0.64
<b>4</b>	Unionisation is associated with lower employee turnover	283	(13) 4.6%	(122) 43%	(126) 44.4%	(22) 7.7%	2.45	0.70
<b>5</b>	Separation may be a function of poor pay	283	(40) 14.1%	(206) 72.5%	(35) 12.3%	(2) 0.7%	3.00	0.54
<b>6</b>	Separation has its positive effects on the organisation	280	(39) 13.7%	(134) 47.2%	(92) 32.4%	(15) 5.3%	2.70	0.77
<b>7</b>	Exit interview is used to establish why staff leave whenever there is separation in my organisation	280	(63) 22.2%	(114) 40.1%	(80) 28.2%	(23) 8.1%	2.78	0.89
<b>8</b>	How often does your organisation use the following method(s) to measure or calculate rate of turnover?	N		Always	Sometimes	Never	MIS	STD
<b>i</b>	Crude wastage rate (this calculates the number of leavers in a given period as a percentage of the average number of employee during the same period)	272		(62) 21.8%	(146) 51.4%	(64) 22.5%	1.99	0.68
<b>ii</b>	Resignation rate (this entails measuring turnover based on voluntary leavers or resignation rates only)	270		(60) 21.1%	(181) 63.7%	(29) 10.2%	2.11	0.56
<b>iii</b>	Vacancy rate (this involves determining the number of vacancies that need to be filled, expressed as a percentage of overall employees.	270		(86) 30.3%	(151) 53.2%	(33) 11.6%	2.20	0.64
<b>iv</b>	Stability index (this measure gives an indication of the extent to which experienced employees are retained. It is calculated as the number of employees with one year's service or more as a percentage of the number of employees employed a year ago	270		(91) 32%	(90) 31.7%	(89) 31.3%	2.01	.82
<b>v</b>	Cohort analysis (this involves analysing the leaving rates of homogenous groups of employees employed at the same time)	269		(59) 20.8%	(87) 30.6%	(123) 43.3%	1.76	0.79
<b>vi</b>	Wastage curves (the number of leavers is plotted against their length of service on leaving)	268		(45) 15.8%	(111) 39.1%	(112) 39.4%	1.75	0.73
<b>vii</b>	Survival curves (the number of people who stay against length of service, providing a measure of retention instead of turnover)	270		(62) 21.8%	(131) 46.1%	(77) 27.1%	1.94	0.72

**Source:** Field Survey, 2012.



**Source:** Generated by the Author from Table 2

**Fig.3:** Bar Chart of Methods for Calculating Employee Turnover