

Rethinking Labour Turnover: Prospecting For Shared Leadership

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Abstract

This paper argues that without shared leadership organisations experience high labour turnover. Shared leadership is about collaborative, participatory leadership that takes employees' views and interests on board in decision-making and leadership process. Labour turnover is the movement of people (employees) into and out of organisations. Thus, this study argues that if the interests and opinions of employees are not considered in organisational decision-making process and leadership, they will feel disenchanted as well as alienated from the organisation's leadership. This will in the final analysis cause them to leave for greener pasture. Also, attempts will be made to show that without shared leadership, organisations will have to grapple with challenges of high labour turnover as employees would tend to leave the organisation as their views and welfare are not being taken into consideration. It also deals with why organisations are concerned with labour turnover and steps that could be taken to address it. Thus, this study will be interrogating how, why and when organisations experience high labour turnover as well as approaches that could be used to stem the tide as well as manage human resource for better organisational performance as well as growth.

Key words: labour turnover, organisational performance, shared leadership

JEL Classification: L00

Introduction

In the contemporary organisational era marked by competition, the desire for growth and rewarding human resource planning in the marketplace of entrepreneurial yields, the concept of labour turnover is crucial. Firstly, labour turnover refers to the rate at which employers gain and lose employees (workers). Labour turnover is a significant and overarching element of the labour market. Globally, organisations place high premium on labour turnover which affects both employees and employers. Researches have proved that organisations require human resource to function effectively (Pettman, 1975; Price, 1977; Gardener, 1982). Labour turnover is a correlate of human resource management. Without properly harnessed and cultivated human resource, organisations could barely grow or raise their heads above water in the competitive business environment of today. It is to this end that Storey (2001) has argued that human resource management generates the ability to attract and hold on to talented employees, which is the single most reliable forecaster of overall organisational excellence and increased productivity.

However, when an organisation's leadership structure is not inclusive and distributed, it creates a work environment that makes it extremely difficult for employees to remain in such organisations since their welfare, interests, and opinions are not taken into account in the leadership process. This is crucially important in gauging the level of labour turnover in organisations (Argyle, 1989; Purcell et al., 2003). Researches have empirically demonstrated that there is a strong correlation amongst leadership, organisational performance and labour turnover; assessment of labour turnover is necessary for organisational performance appraisal and good return on capital employed (Delerey & Doty, 1996; Pfiffer & Viega, 1999). Although several business organisations still consider labour turnover as an unavoidable fact – a kind of “necessary evil”, it is also a good management tool, hence it indicates the path that an organisation could take regarding making effective decisions that will impact on productivity and leadership. When an employee leaves an organisation, this can have a multiplicity of effects that not only impacts on the organisation or company, but also the society at large and the employee in question. Thus, Mobley (1983) avers that the impact of labour turnover could be positive or negative to any organisation. Nevertheless, shared leadership reduces the rate of labour turnover as people get represented in the organisational leadership process, which takes into account their inputs as well as interests for the smooth running of such organisations.

In addition, labour turnover can be low or high. No matter the position of labour turnover – low or high, it could be a resource strategy for an organisation. Armstrong's (2009) view here underscores the significance of high/low turnover for strategic, organisational growth: “the aim of this strategy is therefore to ensure that a firm achieves competitive advantage by employing more capable people than its rivals” (364). In this regard therefore, labour turnover could be beneficial to the survival and high productivity of organisations. Conversely, in their seminal work, *Human Resource Management: A Contemporary Approach*, Beardwell et al. (2004) consider this process as posing serious threat to the survival of organisations. They assert:

“Low level turnover can cause difficulties as a lack of people with new ideas, fresh ways of looking at things and different skills and experiences can cause organisations to become stable and rather complacent. It can also be difficult to create promotion and development opportunities for existing employees” (165).

Deductively, every organisation needs labour to function; truly, labour is the heartbeat of every business organisation. So the movement of labour in and out of organisation is vital for growth. This is why labour is one of the four components of production (Baxter & Davis, 1988).

Organisational performance has a lot in common with shared leadership, which is correlative of labour turnover. Shared leadership has been characterised in different forms, all different nomenclatures point to the same theme: collegial leadership, partnership-leadership, distributed leadership, connected leadership, horizontal leadership-followership paradigm and post-heroic leadership among others (Moxley, 2000). Thus, shared leadership is at the heart of labour turnover. This is because in management and leadership studies, organisations thrive when people's voices are heard in the organisation, which affects labour turnover in a positive light. Horizontal and unconnected leadership demoralises employees; it causes employees to leave organisation. It also impacts on leader-follower dynamics. Kerr et al (1974) identified three factors that shared leadership brings to the fore in organisation: 1. Task consideration, 2. Subordinate consideration, and 3. Superior consideration. This style of leadership endorses shared vision (Burnes, 2004) that is capable of increasing sense of solidarity, which is a corollary of organisational growth.

When Opinions Matter: Turnover and Shared Leadership

The term labour turnover means the movement of people or labour out of and into an organisation (Argyle, 1989). In their study, *Factors Influencing Retention of Child Welfare*

Staff: A Systematic Approach, Zlotnic et al. (2005) defined labour turnover as workers who leave the agency, that is those who leave for reasons that include retirement, death, marriage, parenting, spousal job move, simple job exit, and intent to leave, among other variables (33).

In the conception of Linda Wermeling (2009), occupational behavioural research quite often conceptualises labour turnover as “voluntary leaving of job” (1). In expanding the above, Muntaner et al. (2006) offer more detailed explanation of labour turnover:

“Employee turnover occurs when workers leave their positions in organisations. Their reasons for leaving jobs are a measure of employee morale. The rate of employee turnover is one measure of the commitment of employees to organisational goals. Turnover is determined partly by organisational policy and management through factors such as salary, benefits, promotions, training and work schedules, and partly by personal factors that are largely beyond employer’s control – for example, an employee’s desire to relocate” (1010).

So, the concept of labour turnover is predicated upon career management, talent harnessing/creation, retention and training of human capital as well as human resource development for entrepreneurial growth.

Beardwell et al. (2004: 164) have identified two dimensions to measuring labour turnover. They call them qualitative and quantitative methods of analysing labour turnover. First, we shall be considering quantitative method of appraising labour turnover. It is mainly statistical as it uses figures and data to depict where an organisation stands regarding human resource management and planning. In both methods – that is qualitative and quantitative methods, the emphasis is to collate data regarding the numerical strength of employees (worker) and information that will guide organisations to make business decisions that will impact on their efficiency, growth, human resource, value creation and resiliency in the marketplace.

In management science and organisational behaviour, over the past few decades, a shift has occurred regarding how we index, understand and theorise organisational phenomena (Pearce & Conger, 2003; Yukl, 1998; Fletcher, 2002). The image of organisation as a black box, which can only be understood by a mechanistic examination of inputs and outputs with leaders of such organisations at the apex directing, controlling and orchestrating what shape the leadership structure would take, are over. In supplanting this era, organisations have taken a new dimension and shift characterised by an adoption of embedded, interconnected relationships and web of influence. This paradigmatic departure from the way organisations were structured and perceived has gained expression in shared leadership, a management style that accounts for “connective” (Lipman-Bluman, 1996), group-level and interactive leadership.

Evaluating Labour Turnover

Quantitative Analysis

This approach uses statistical data to depict labour turnover as it affects organisational performance. The following indices are usually utilised to determine this.

- Employee Turnover Index (Wastage Index)

In some human resource management literature, employee turnover is also called separation index. It is calculated by dividing the number of leavers in a given period by the average number of people employed in the same duration, or: Number of leavers in a year divided by total number of staff employed in the same period multiplied by 100%. Mathematically, this is represented as thus:

$$\frac{\text{Number of leavers at a given period}}{\text{Total number of staff employed in a year}} \cdot 100 \quad (1)$$

○ Stability Index (labour stability)

Its emphasis is on the percentage of people who stayed throughout a given period. According to Beardwell et al. (2004), this method allows organisations to know “the extent to which labour turnover permeates the workforce” (165). Armstrong (2009: 499) sees it as an “indication of the tendency for longer-service employees to remain with the company”. It has to do with experienced workers. This is the formula (2):

$$\frac{\text{Number of staff exceeding one years service}}{\text{Total number of staff employed a year ago}} \cdot 100 \quad (2)$$

Thus, $\frac{100}{1000} \cdot 100 = 10\%$ the stability index is equally high. Methods to curb them shall be exemplified later in this report. Both methods (that is stability index and labour turnover) could be used to determine organisational performance.

○ Skills Wastage Index

This is normally calculated by considering the number of employees at the end of a given period regarding length of their service divided by the average number of employees employed during such period under review. The formula is thus:

$$\frac{\text{Number of employees at the end of a given period with a given length of service}}{\text{The average number of people employed during such time}} \cdot 100 \quad (3)$$

○ Vacancy Rate

The vacancy rate is based on the number of positions a particular organisation actively intends to fill in relation to the percentage of the number of overall employees. In doing this, the costs of managing talents or skills are considered.

○ Resignation Rate

Apart from involuntary separation which includes early retirement, dismissals, end of fixed term contracts, redundancy, deaths, and ill-health among others, resignation rate is another method of calculating an organisation’s rate of turnover for effective decision-making.

○ Cohort Analysis

This method enables an organisation to gauge service-related leaving samples by factoring in the leaving rates of an identical group of employees who joined such organisation at a given time. Thus, the resulting leaving rate can be calculated on a wastage or survival rate. It is quite pertinent in ascertaining turnover costs for organisational performance.

○ Survival Rate

Another method of ascertaining labour turnover in relation to length of service – as both impact on organisational performance is through survival rate, which hinges on “the proportion of employees recruited in a specific year who are still with the organisation at a certain later date” (Beardwell, 2004: 166). In the thinking of Armstrong (2009), it means “... the proportion of employees who are engaged within a certain period who remain with the organisation after so many months of years of service” (499).

Qualitative Analysis

This method is not statistical; it is based on information gathered. And the following factors are usually factored in when appraising qualitative method.

- Exit Interviews

One of the known methods of ascertaining labour turnover qualitatively is via exit interviews. They are usually carried out soon after employees have left or resigned. It is usually done following voluntary turnover. The hallmark of this pattern is that it unearths some factors that are relevant for continual existence of organisations. The point that it raises are: (a) The leavers' pay and terms of condition in their new employment (b) Reasons for leaving (c) Conditions under which the employee would have stayed (d) Factors that could improve working conditions in the future (e) Adjustments and improvement the companies could make in the future to stop high labour turnover.

- Attitude Surveys

This factor is important as companies grapple to determine the "push" (Beardwell, 2004: 167) factors. The push factors are those variables that motivate workers to do their jobs. This is what Kotter (1990) refers to as "energy surge" (64). Here, the emphasis is on using respondents' views to know what an organisation is not doing right and fix it as soon as possible.

- Risk Analysis

In this case, (Bevan et al., 1997) identified two core reasons for the method, which hinge on the probability of employees leaving and the outcomes of such act. It is a potent way of appraising labour turnover.

- Leaver Questionnaires

This could be sent to people after they had left an organisation. It is usually in a questionnaire design, and is a systematic method of gathering data for appraisal of labour turnover. It is a major method of seeing how an organisation is faring at a given time regarding having the right people to do its job.

Stemming the Tide: Steps to Reduce Labour Turnover

Irrespective of the fact that an organisation could be an "employer of choice" (Purcell et al., 2003), which entails that such organisation is attractive in view of its working environment, pay package, terms of service and other goodies, people still leave such establishment because of personal reasons ranging from location, job design, job specification and others. So when this happens, it causes a lot of problems or issues to organisations, although labour turnover could be valuable. But the emphasis here is how to control labour turnover when it is detrimental to the survival and growth of business organisations. The following factors are germane to curbing labour turnover.

- Recruitment and Selection

In ensuring retention of employees in an organisation, the emphasis should be on its recruitment and selection process, recruitment plan and human capital development strategies. In this case, it needs to review its recruitment plan to factor in variables that will accommodate the needed human resource for increased productivity and growth. This is in tandem with the view of Beardwell and Holden (1994) which says that the right manpower should be selected at a given time in an organisation. Therefore, adequate recruitment plan which will take cognisance of the age, skill sets, professions, key talents and salaries of the people to be hired need to be taken seriously.

- Performance Appraisal

It is crucial in retaining staff in any organisation. There should be a framework for rating performance as well as gauging individual's efforts in organisation for adequate performance management.

- Psychological Contract

This is a tricky phenomenon in human resource management and planning. It essentially dwells on employee's belief, terms of contract and aspirations in relation to the employer's in a reciprocal exchange. It is usually a kind of tacit or implicit form of agreement that does not oftentimes spell exactly the dimensions of work to be carried out and duties *vis a vis* that of the employer. Thus, Rousseau (1989) as cited in Pate et al. (2003) sees psychological contract as thus:

“An individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement... key issues here include the belief that a promise is been made and a consideration offered in exchange for it” (558).

- Work-Life Balance and Communications

When employees have their opinion factored in regarding organisational management, it will engender democratic culture, which is essential to survival of businesses in the contemporary era. Also, there should be effective communication amongst all and sundry for free flow of information and dissemination without which it will be difficult to drive change and growth. In doing this, there should be balance between work and people's life, hence, there should be employment packages in place to make sure people are not pressured – their family and other social need have to be considered during their recruitment.

- Wholesome Work Environment

This variable is crucially important for an organisation's effective, competitive edge. As with other measures, its restaurants have to be routinely inspected for hygiene, health and safety and quality product consumption.

- Cost of Hiring “Knowledge Architects”

The concept of “knowledge architecture” looks at harnessing the inputs from knowledgeable employees as well as moulding leading skills. It concentrates on the intellectual health of an organisation so as to drive change in the right direction. It also has a lot in common with the ascendancy of human capital development to drive organisational growth. In the age which Peter Drucker (1969) has identified as “knowledge-based economy” in his famed book, *The Age of Discontinuity: Guidelines to Our Changing Society*, the need to re-engineer the activities of knowledge architects, facilitators or knowledge aware employees (Evans, 2003) so as to drive change in the right perspective is very essential. Accordingly, the knowledge architects are part and parcel of the core workforce (Armstrong, 2009), who are habitually responsible for organisational change and transformational leadership as well as organisational development. They help to galvanise what Burns (1985) calls transformational leadership, which is a concomitant of improved yield as well as organisational growth.

- Training and Development

Organisations should place high premium on employee training and development which are crucially needed in the global marketplace. Training and development should be established for an organisation to be constantly integrating the modern approaches to its way of doing business.

- Appropriate Human Resource Management

There is no gainsaying the fact that appropriate management of talents and skills as well as care for employees bring about satisfaction in the employees. As the level of satisfaction and interest are stimulated, employees do their best for the growth of the organisation.

- Coherent flexibility plan and Knowledge Management

A work pattern that addresses flexibility and retention for knowledge architects (Evans, 2003) is necessary. This is also what Peter Drucker calls the “knowledge worker” thesis, which makes sure that people who have the talent and knowledge to drive change in organisation are selected and retained for the benefit of the organisation. Retention approach (Bevan, 1997; Beardwell et al., 2004: 176) should take care of these major measures (though not exhaustive):

1. Clear-cut job design;
2. Pay and bonuses;
3. Appropriate management style;
4. Wholesome recruitment and selection strategy.

- Age/Gender

The age as well as gender of employees is necessary in determining the impact of labour turnover in organisation.

Accounting Why Employees Leave Organisations

As has been stressed, labour turnover is very important for any organisation to achieve its performance goal. In the CIPD (2008a) survey of recruitment, retention and turnover as well as wastage analysis of average rate of turnover (that is the number leaving as a percentage of the number employed) in the United Kingdom was 17.3 per cent. It is therefore imperative to gauge why people leave organisations. The reasons why people leave shall be highlighted below.

1. Strenuous performance review system;
2. Work pressure and stress;
3. Lack of development opportunities;
4. Job specification clarity;
5. Lack of work challenge;
6. Lack of knowledge expansion, training and development;
7. family-friendly policies and regulations;
8. Relations with work colleagues and management;
9. Lack of involvements or inputs in decision-making process;
10. Poor pay and reward system;
11. Reputation of the organisation;
12. Accessibility to work place.

The list above regarding why people leave organisations is not exhaustive, but is a rich one which demonstrates the *raison d'être* for this employment situation.

Appropriating Labour Turnover Indicators for Organisational Performance

Information gathered from ascertaining labour turnover could be appropriated by organisation for strategic management and human resource planning. The following factors are usually impacted as turnover information is gathered by any organisation.

- Length of service

The risk of leaving is quite high when employees are on short-term service. It is also high when people are dismissed, made redundant, retired early or leave as a result of involuntary wastage, which includes death and ill-health. So, informed data got from labour turnover analysis could help organisations to make far-reaching decisions that improve its outlook and growth in the final analysis.

- Wastage

This is another crucial concept that information gathered from turnover analysis could aid an organisation to ascertain. Wastage in human resource planning essentially has to do with the total loss of employees to other sector, which causes organisations to loss investment made in the employees through training and development. This needs to be checked for the benefit of the organisation.

- Ascertaining Occupation

Labour turnover equally helps organisations to know various occupations or skill sets necessary in order to make their organisation a “learning organisation”. The concept of “learning organisation” is fathered by Peter Senge (1990) in his book, *The Fifth Discipline: The Art and Practice of the Learning Organisation*. Senge (1990) as cited in (Armstrong, 2009) sees this concept as:

“where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together” (657).

So, a learning organisation attunes itself to understanding current patterns, attitudes, culture and learning in order to position itself strategically in cutting-edge knowledge for organisational growth and competitiveness.

- The use of 360-degree feedback

This is relevant in apprehending the complex nature of management and the aetiological dimension of inputs from various sources in an organisation and beyond for effective, organisational decision-making. This method is also known as “multi-source assessment” (Armstrong, 2009: 644). Through turnover appraisal, organisations know how, why and when to get feedback from other sources for better human resource management and planning. Here, information is collected about an employee from his or her line manager, subordinates, senior managers and other sources.

- Performance management

Performance management is an integral aspect of human resource management (Weiss and Hartle, 1997). Measuring organisational performance is a critical factor in determining how an organisation is faring in terms of operation, efficiency, profitability, service provision and value creation (Armstrong, 2009: 618). Organisational performance gives an indication of areas that need to be addressed organisationally, as well as aspects of the organisation that are on the right course.

Conclusion

At this point, the major thrusts of this assignment will be recapitulated. It has been evaluated critically why organisations should be concerned with (high) labour turnover and steps that should be taken to address it. Understanding the dynamics of labour turnover is necessary for the survival of business organisations. Labour turnover has a lot in common with shared leadership. When leadership is not shared, participatory, distributed and inclusive of all

stakeholders in an organisation, it affects the employee's morale and commitment to work. This usually impacts on an organisation's rate of labour turnover. Labour turnover is traditionally indicative of organisational low performance as well as poor management structure. In order to transcend this situation, shared leadership is a sine qua non for better organisational performance and reduced labour turnover.

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Regândirea fluctuației forței de muncă: previziuni în cazul conducerii distribuite

Rezumat

Articolul de față susține ideea că lipsa leadership-ului distribuit în cadrul organizațiilor conduce la o fluctuație ridicată a forței de muncă. Conducerea distribuită este o conducere în colaborare, participativă, care ia în considerare opiniile și interesele angajaților în luarea deciziilor. Fluctuația forței de muncă reprezintă mișcarea forței de muncă a angajaților) în cadrul și în afara organizației. Astfel, studiul de față susține că dacă interesele și opiniile angajaților nu sunt luate în considerare în procesul organizatoric de adoptare a deciziilor, precum și de conducere, ei se vor simți lipsiți de importanță și chiar înstrăinați de conducerea organizației. În final, acest lucru va conduce la orientarea lor către o zonă mai prosperă. De asemenea, vom încerca să arătăm că fără o conducere împărtășită, organizațiile vor fi obligate să lupte cu creșterea fluctuației forței de muncă, întrucât angajații vor tinde să plece din organizație atâta vreme cât opiniile și starea lor de bine nu sunt luate în seamă. Se vor discuta și motivele pentru care organizațiile sunt preocupate de fluctuația forței de muncă și pașii care ar putea fi urmați pentru a depăși situația. Astfel, studiul de față va încerca să răspundă la întrebări precum de ce, cum și când se confruntă organizațiile cu fluctuația forței de muncă și se vor prezenta abordări ce ar putea fi utilizate pentru a calma fluctuațiile și a coordona resursa umană pentru o mai bună dezvoltare și performanță organizațională.