

**IMPACT OF LABOUR TURNOVER ON ORGANIZATIONAL  
PERFORMANCE, A CASE STUDY OF MBEYA  
REFERRAL HOSPITAL**

**BY**

**HAPPY MARO**

**BHR/11928/61/DF**

**A RESEARCH REPORT PRESENTED TO THE SCHOOL OF BUSINESS AND  
MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE AWARD OF BACHELOR DEGREE OF HUMAN  
RESOURCE MANAGEMENT OF KAMPALA  
INTERNATIONAL UNIVERSITY**

**APRIL, 2009**

## DECLARATION

I, Happy Maro hereby declare that the work embodied in this research report is my own work and has never been presented for a degree or for any other academic award in any University or any other institution of higher learning.

Signature: ..... *Hmaro* .....

**HAPPY MARO**

Date: ..... *27<sup>th</sup> APRIL 2009* .....

## APPROVAL

I, Mr. Ssendagire Hassan, declare that I have supervised the student's work and I have approved it for submission to the University.

Signature.....



**MR. SSENDAGIRE HASSAN WASSWA**

Date.....

27/04/2009

## DEDICATION

I Happy Maro hereby, dedicate this dissertation to my beloved parents Mr. Christopher Maro, Mrs. Anna Maro and my beloved son Leon.

## **ACKNOWLEDGEMENT**

I wish to acknowledge the assistance I got from my supervisor Mr. Ssendagire Hassan Wasswa for the patient proof reading and general guidance in this research for which I am appreciative.

I also thank my parents and guardians for financial, support over this period especially: my beloved Mr. Christopher Maro, Mrs. Anna Maro who helped me in the completion of my studies.

Sincere gratitude goes to my family members; sister Violet Maro, Lydia Maro, Aisia Maro plus my brother Godwin Maro, friends Evelyn. K, Anita R, Rehema M, Hellen M, who have always been there for the love and understanding they have showed me. Without their support, my success in this research and above all my course would not have been reality. May GOD richly bless in all your endeavors.

## TABLE OF CONTENTS

DECLARATION.....	i
APPROVAL .....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES .....	vii
LIST OF FIGURES .....	viii
LIST OF ACRONYMS .....	ix
DEFINITION OF TERMS.....	x
ABSTRACT .....	xi
CHAPTER ONE .....	1
INTRODUCTION.....	1
1.0 Background .....	1
1.1 Statement of the Problem.....	3
1.2 Purpose of the Study .....	3
1.3 Objectives of the Study .....	3
1.4 Research Questions .....	4
1.5 Significance of the Study .....	4
1.6 Scope of the Study .....	5
1.6.1 Content Scope.....	5
1.6.2 Geographical Scope.....	5
1.7 Conceptual Framework .....	5
CHAPTER TWO .....	7
LITERATURE REVIEW.....	7
2.0 Introduction.....	7
2.1 Effects of Employee Compensation on Organizational Performance .....	7
2.2 Effects of high expectations on labour turnover .....	10
2.3 Effects of Working Conditions .....	12

<b>CHAPTER THREE .....</b>	<b>15</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>15</b>
3.0 Introduction.....	15
3.1 Research Design.....	15
3.2 Research Site.....	15
3.3 Study Population.....	15
3.4 Sample size, selection and techniques .....	16
3.5 Research Instruments .....	16
3.5.1 Questionnaire.....	17
3.5.2 Interview.....	17
3.5.3 Documentary Review .....	17
3.5.4 Sources of Data.....	17
3.6 Data Analysis and Processing.....	17
<b>CHAPTER FOUR.....</b>	<b>18</b>
<b>PRESENTATION OF FINDINGS, ANALYSIS AND INTERPRETATION.....</b>	<b>18</b>
4.0 Introduction.....	18
4.1 Background Characteristics of the respondents .....	18
<b>CHAPTER FIVE.....</b>	<b>27</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>29</b>
5.0 Introduction.....	29
5.1 Summary of findings.....	29
5.2 Conclusions.....	29
5.3 Recommendations .....	30
5.4 Areas for further research .....	31
<b>APPENDIX .....</b>	<b>35</b>
<b>APPENDIX 1: BUDGET .....</b>	<b>35</b>
<b>APPENDIX 2: TIMETABLE.....</b>	<b>36</b>
<b>APPENDIX 3: BIBLIOGRAPHY .....</b>	<b>32</b>
<b>APPENDIX 4: QUESTIONNAIRE TO EMPLOYEES (STAFF)</b>	
<b>APPENDIX 5: QUESTIONNAIRE TO ADMINISTRATORS</b>	
<b>APPENDIX 6: INTERVIEW GUIDE FOR HEADS OF DEPARTMENT</b>	

## LIST OF TABLES

Table 4. 1: Gender of respondents .....	18
Table 4. 2: Number of years of service of respondents.....	18
Table 4. 3: Marital Status of Respondents .....	19
Table 4. 4: Education level of Respondents.....	20
Table 4. 5: Do you have sound and equitable policies to attract competent staff?.....	21
Table 4. 6: Showing whether the hospital recognizes employees needs .....	22
Table 4. 7: Labor contract is negotiated in joint decision between employees and managers	23
Table 4. 8: Showing whether labour turnover increases administration costs.....	24
Table 4. 15: Perceptions of respondents to compensation, time to clear payments and exit interviews.....	27



## LIST OF FIGURES

Figure 4. 1: Sex of employees.....	18
Figure 4. 2: Years of Service .....	19
Figure 4. 3: Marital Status of Employees .....	20
Figure 4. 4: Bar graph showing education level of respondents .....	20
Figure 4. 5: Pie Chart showing whether the hospital has sound and equitable policies to attract competent staff? .....	21
Figure 4. 6: Pie chart showing whether the hospital recognizes employee needs .....	22
Figure 4. 7: Bar Chart showing how labor contract is negotiated in joint decision between employees and managers.....	23
Figure 4. 10: Bar graph showing you experienced increase in duties when colleagues depart? .....	25
Figure 4. 11: Bar graph showing whether the hospital incurs costs due to termination .....	26
Figure 4. 13: Bar graph showing areas the HR department needs to address.....	27

## LIST OF ACRONYMS

HR	-	Human Resources
HRM	-	Human Resource Management
KIU	-	Kampala International University
ROI	-	Return on Investment
SN	-	Serial Number

## DEFINITION OF TERMS

Turnover rate: It refers to the rate of individual leaving an organization.

Tenure: Is the length of time an individual is employed by the organization and is usually related to the concept of employee loyalty.

Separation: Termination of employment.

Voluntary quits: Individuals who are absent without authorization for seven consecutive days or sometimes less.

Labour turnover: Is the rate of change in the employee of an organization during a definite period.

Organizational performance: Is the measure of how effectively or efficiently employees use resources to satisfy customer needs to achieve organizational goals.

## ABSTRACT

The general objective of the study was to establish the effects of labour turnover on the organizational performance. Labour turn over was characterized by wage reasons, employee job expectations and working conditions. Organizational performance on the other hand is the ability to satisfy the clients with quality service, efficient financial control in carrying out his/her duties.

The study was guided by the following objectives;

- (i) To examine the effect of employee compensation on performance at Mbeya Referral Hospital.
- (ii) To establish the effects of high expectations on labour turnover at Mbeya Referral Hospital.
- (iii) To appraise the working conditions and their effect on performance at Mbeya Referral Hospital.

The study adopted a case study research design whereby both qualitative and quantitative strategies of data analysis were used. Through qualitative strategies the researcher would use this strategy to collect information about employees' attitudes, opinions, or habits about phenomenon being investigated. The quantitative strategies were used to formulate numerical database. Given the population of 497 workers at Mbeya Referral as illustrated above, the researcher drew a sample of 30 respondents from both hospital officials (administrators).

The study findings also showed that the majority of respondents had worked in the hospital for up to 5 years which suggests a very low retainment and very high labour turnover rating. The study findings showed in table 4.6 show that the majority of respondents did not think the hospital recognized employees needs as seen by 46.67% while 30% believed that the hospital did recognize employees' needs.

Basing on the findings the following recommendations were suggested by the researcher; the reward systems at the hospital need to be reappraised so that they are more general and fair to the whole staff. This should be in line with the government pay scales.

The human resource management department should carry out its career management policy and make relevant changes so as to *take* into considerations the many factors that individuals may require at the hospital.

## CHAPTER ONE

### INTRODUCTION

This study was undertaken to investigate the impact of labour turnover on organizational performance in Tanzania. This chapter presents the background, statement of the problem, objectives of study, scope of the study, research questions and significance of the study.

#### **Background**

This study was about Labour turnover is a major organizational phenomenon. Employee turnover is important in an organizational perspective; employer turnover can represent significant costs in terms of recruiting, training, socialization and disruption as well as a variety of indirect costs. Given the significance of turnover, it is important for the manager to be able to analyze, understand and effectively manage employee turnover (Mobley, 1982). This study therefore will be guided by what was propounded by different scholars, specifically Jack and Addele. According to these scholars, labour turnover is a phenomenon that continues to be the one of the most unappreciated and unevaluated issues facing business leaders. This stems from several important assumptions and conclusions about turnover.

- All stakeholders involved in the issue, including human resources managers, underestimate the time cost of employee turnover.
- The solutions to reduce turnover do not generate the derived results.
- Many of the preventive measures for turnover are either too much or they often miss the mark altogether.
- Any process to measure the success of retention solutions and place a monetary value on managing retention does not exist in most organization.

Labour turnover is defined as the rate of change in the employees of an organization during a definite period. It measures the extent to which old employees leave and new employees enter into an organization (Subba Rao, 2001). It is also defined as the rate at which people leave a firm due to a number of reasons for example dissatisfaction with their current pay or promotion opportunities or receipt for a better offer to work elsewhere (Griffin, 1996). According to Jack and Addele (2003), labour turnover, the opposite retention, refers to the percentage of employees leaving the organization for whatever reasons. The working

definition for this study is that; labour turnover refers to the percentage of employees leaving the organization for whatever reasons. The labour turnover in this study will be characterized by wages, high expectation and working conditions that either discourage or encourage labour turnover which impacts on the organizational performance. Labour turnover measures the extent to which old employees leave and new employees enter into an organization due to wage reasons, high expectations and working conditions (Subba Rao, 2001). Organizational performance is a measure of how efficiency and effectively managers use resources to satisfy customers and achieve organizational goals (Jones et al, 2000). According to "European Commission 2001" organizational performance is the accomplishment of a given task measured against presents standards of accuracy, completeness, costs and speed. In this study the researcher will be guided by this definition; "Organizational performance is a measure of how efficiency and effectively managers use resources to satisfy customers and achieve organizational goals.

Working conditions are the terms of a contract of employment that affect or pertain to working environment (Griffin, 1996). When the working conditions of employment are not favorable, it tends to discourage employees by reducing morale and eventually discouraging employees from work all together. Employee expectations on the other hand, are the feelings and potential opportunities that employees attribute to their job. This when not consistently taken care of and natured directionally, leads to demotivation and eventual loss of employees resulting in high levels of employee turnover. Compensation on the other hand is the payment to an employee in return for their contribution to the organization, for doing their job (Griffin, 1996). Compensation when not to the level expected by the employees results in employee turnover.

Although every manager and team member is aware of problems associated with turnover, a review of its major consequences puts retention in the proper perspectives. At Mbeya referral hospital, a tertiary institution which is purposely established to provide tertiary health services in further highlands of Tanzania, labour turnover rates have increased year after year. Out of 808 workers needed, the hospital has only 497 workers; this is a deficiency of 315 workers. According to the regulations which were made in this institution, it demands it to have the above mentioned staff so that it can perform harmoniously to the services standard required. Worse enough the number has been deteriorating progressively for instance up to May 2008 the statistics shows that only 497 workers are available in this

hospital (Mbeya Referral Hospital Population Profile, 2008). Following this extreme situation, labour turnover retention has been high to the extent of endanger the whole system of standard service delivery with this study the prime goal is centered on recognizing the major causes of labour turnover in the particular institution as, an entry point to alleviate the ongoing problem situation.

### **Statement of the Problem**

During the last decade, employee turnover has become a serious and perplexing problem for all types of organizations (Jack and Addele, 2003). Managing retention and keeping labour turnover below target at Mbeya Referral Hospital is one of the challenges that hinder the hospital from achieving competitive advantage in the provision of modern medical services (Disaster Training Package, held on June, 2006). According to the regulations which necessitated the establishment of this hospital, it demands this institution to have a number of 808 staff so that it can perform its operations harmoniously. However, the background of the hospital shows that, this institution has never managed to have adequate staffing level, worse enough the number has been deteriorating progressively for instance up to May 2008, the statistics shows that only 497 staff are currently available (Mbeya Referral Hospital Population Profile, 2008). From this scenario, this is a clear indication that labour turnover will endanger the hospital from delivery standard medical services. It is from this context that, this study titled “impact of labour turnover an organizational performance was carried, with the prime goal of recognizing the major causes of labour turnover in the particular institution as an entry point to alleviate the ongoing problem situation.

### **Purpose of the Study**

This study sought to establish the effects of labour turnover on the organizational performance. Labour turn over was characterized by wage reasons, employee job expectations and working conditions. Organizational performance on the other hand is the ability to satisfy the clients with quality service, efficient financial control in carrying out his/her duties.

### **Objectives of the Study**

The study was guided by the following objectives;

- i. To examine the effect of employee compensation on performance at Mbeya Referral Hospital.

- ii. To establish the effects of high expectations on labour turnover at Mbeya Referral Hospital.
- iii. To appraise the working conditions and their effect on performance at Mbeya Referral Hospital.

### **Research Questions**

In order to achieve the objectives of the study, the research sought to answer the following research questions;

- (i) What are the effects of employee compensation on organizational performance?
- (ii) What are the effects of high expectations on Mbeya Referral Hospital's labour turnover?
- (iii) What are the working conditions and effects on performance at Mbeya Referral Hospital?

### **Significance of the Study**

- To help the policy makers to learn how to design policies that reduces the rate of labour turnover. It may act as a strategy to help HR practitioners to keep turnover in an acceptable range by implementing a variety of preventive measures, tracking leading indicators and placing alerts along the way to signal when action is needed.
- Based on the findings that will be produced later, this field research may act as a practical paper to provide managers or manpower planners direction about pertinent issues pertaining to labour turnover.
- The study will also assist other scholars and will act as the basis upon which further studies can be carried out apart from adding on the stock of knowledge that already exist about the effects of labour turnover on the organization performance.
- Finally it is the researcher's hope that managers at all levels will find this field research a useful tool in helping them fully understand the key issues and problems and, more important, the cost of the turnover.



## Scope of the Study

### 1.6.1 Content Scope

This study sought to address the effects of labour turnover on the organization performance. The study also seeks to examine salient issues that discourage labour turnover. Data was collected from the hospital staff starting from the time this institution was established to date.

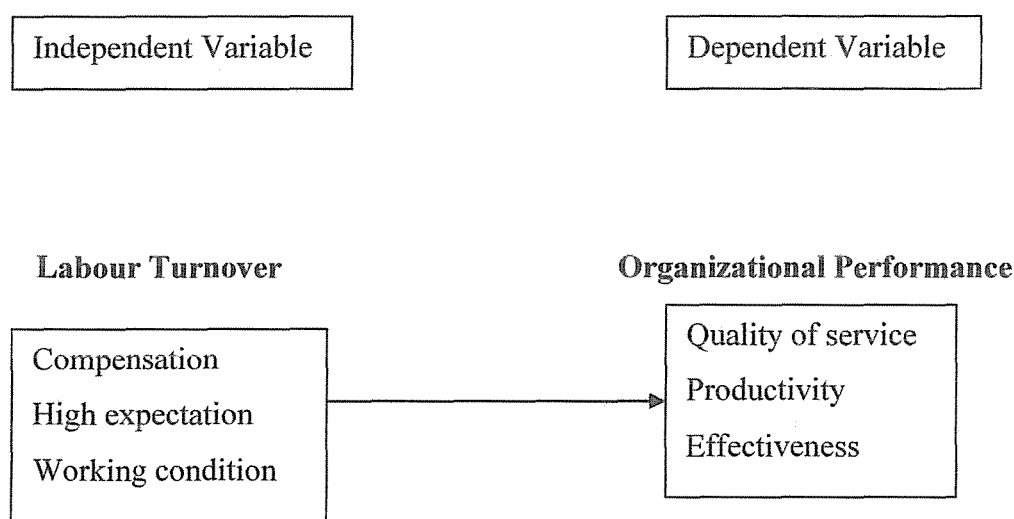
### 1.6.2 Geographical Scope

The study was undertaken at Mbeya, Referral Hospital a tertiary hospital situated within Mbeya City.

## Conceptual Framework

The conceptual framework below showed the relational framework of the study variables. That is the relationship between the independent and dependent variables.

**Figure 1.1 Conceptual Frameworks**



Source: (Researcher, 2009)

The conceptual framework above showed the relation between the study variables, labour turnover (the independent variable) and organizational performance (the dependent variable). The figure showed that labour turnover according to the study dimensions is composed of employee compensation, job expectations and the working conditions. The framework shows that organizational performance on the other hand is composed of quality of services that

meet client needs and satisfaction, productivity of employees to reduce operational costs and effectiveness of employees in carrying out their work activities. The conceptual framework shows that when employees are well compensated, their expectations about the job they do are met satisfactorily; there is generally a higher level of organizational performance. This is also true in the case of working conditions within the organization, which may include; work equipment, protective wear and sanitary environment as well as suitable working hours and pay which enable job appreciation. The framework therefore shows that when these three study variables are meaningfully catered to by management, the results are increased quality of services to clients, highly productive work force and effectiveness of the employees all resultant in a vibrant, motivated and steady workforce which are characteristics of organizations with low turn over.

## CHAPTER TWO

### LITERATURE REVIEW

#### **Introduction**

This chapter was about literature related to the impacts of labour turnover on organizational performance. It focused on the effects of employee compensation, working conditions and employee expectations on organizational performance.

#### **Effects of Employee Compensation on Organizational Performance**

Compensation is payment to an employee in return for their contribution to the organization, that is, for doing their job (Griffin, 1996). The most common forms of compensation are wages, salaries and tips. Organizations usually associate compensation/pay ranges with job descriptions in the organization. The ranges include the minimum and the maximum amount of money that can be earned per year in that role. Employees have certain monies withheld from their payroll checks, usually including federal income tax, state income tax, FICA (social security) contributions, and employee contributions to the costs of certain benefits (often medical insurance and retirement). According to (Jack and Addele, 2003), compensation is the reward provided as either base pay and/or variable pay. This base pay is based on the role in the organization and the market for the expertise required to conducting that role. Variable pay is based on the performance of the person in that role, for example, for how well that person achieved his or her goals for the year. Incentive plans, for example, bonus plans, are a form of variable pay. Some people might consider bonuses as a benefit, rather than a form of compensation. Working definition for this study; Compensation is the reward provided as either base pay and/or variable pay (Jack and Addele, 2003).

A review of literature shows that, many studies have investigated the relationships between compensation components (e.g. money, benefits) and the attraction, retention and motivation of employees (Barber and Bretz Jr., 2000; Chiu et al., 2002) as well as firm performance (Barkema and Gomez-Mejia, 1998). More recently, scholars have considered the integration of non-financial measures and customer-related success factors as important indicators within

compensation plans (Banker et al., 2000). Academic and industrial studies have identified the most common non-financial measures today (Jesuthasan et al., 2000):

- customer satisfaction,
- product or service quality
- strategic objectives
- developmental results (e.g. employee satisfaction, management effectiveness)
- innovation (e.g. new product development)
- market share.

Organizations' compensation systems involve monetary compensation and non-monetary rewards. Under monetary compensation, a further distinction is being made in direct compensation (fix and variable pay) and indirect compensation (benefits). According to Wilson (1995) compensation systems have evolved through a series of stages. The author differentiates four developmental stages (discretionary process, job-based system, objectives-based system and customer-focused system) pointing out that each stage was fitting in relation to the management philosophy of the time. In other words, the evolution of pay programs reflects the management concerns of various periods. Yet, when comparing the status-quo of compensation systems across countries, one has to admit that reward practices differ quite significantly (Lowe et al., 2002), especially with respect to the degree of facilitating and rewarding customer orientation. In the US, for instance, companies started in the mid 1980s to tie some of their employee pay to customer satisfaction results. Recent findings support the growing importance of non-financial measures in compensation plans. According to the "2001 Towers Perrin Annual Incentive Plan Design Survey" which collected information on annual executive bonus plans at 237 US-based companies, more than half of the companies have adopted corporate non-financial measures or individual performance measures to determine awards (Towers Perrin, 2002). On the other hand, however, European companies such as Deutsche Bank, Nokia, and Siemens just have begun to apply variable pay and performance-based (instead of personality-based) appraisal in compensating their employees (Milkovich and Newman, 2002).

While there seems to be common sense about the importance of non-financial measures, companies also have encountered problems after linking pay to customer satisfaction scores. While some believe that wide varieties in the outcome effects of these incentive schemes are due to inadequate assumptions about human motivation thus underpinning performance-

related pay schemes (Kohn, 1993), problems rather arise due to organizational issues. For instance, Wood et al. (1999) point out that perceived equity of compensation, allocations of risk, individual control over performance outcomes and performance measurement might relate to failures in compensation programs. When non-financial measures such as customer satisfaction are tied to compensation, concerns relate especially to the measurement of these metrics and the precision of the measurement system. For instance, even so customer satisfaction programs are used across all industry sectors, employees might not trust either the information gathered by customer surveys or the validity and accuracy of these measures.

Koys (2001) asserts that the main problem is the direction of the relation between HR-practices and firm performance in chain restaurants. He found negative correlation coefficients between labor turnover due to poor compensation and restaurant profitability varying from  $-0.20$  to  $-0.28$  (Koys, 2001). In the study of the effects of changes in the model of industrial relations of emergent Silicon Valley enterprises, Baron, Hannan & Burton (2001) checked for the relation between labor turnover and firm performance. As a result of their study, they found a significantly negative effect of turn over on company performance. When poorly orchestrated, compensation schedules can lead to high turn over ratings in companies which may then face the following are the major consequences; High Financial Cost, turnover has a huge economic impact on the organization, both direct and indirect costs. Translating turnover into numbers that executives understand is essential because they need to appreciate the time costs (Dell and Hickey, 2002). Sometimes the cost impact alone causes it to become a critical strategic issue. The performance of companies has been inhibited by high turnover rates. Survival is an issue, in a tight labour market where the success of the company depends on employees with critical skills, recruiting and retaining the appropriate talent can determine the success or failure of the organization.

Conclusively, empirical research by Widmier (2002) showed that linking pay to non-financial measure such as customer satisfaction contributes positively to the organizational performance. Yet, most companies lack a holistic concept that integrates business strategy (customer orientation), human resource management (employee compensation) and subjective and objective marketing metrics (performance measurement). Yet, when comparing the status-quo of compensation systems across countries, one has to admit that reward practices differ quite significantly (Lowe et al., 2002).

## **Effects of high expectations on labour turnover**

Employee expectations are the feelings and potential opportunities that employees attribute to their job. This includes pay anticipation, promotions, benefits and working environment expectations (Bridges, 1994). Employee expectations are the intangible aspects that come they attach to the job and may include; working conditions and promotions (Aswathappa, 1999). When pay is seen fair, based on job demands individual skill level and community pay standards employees are influenced to stay in the organizations while if the pay is unfair and not matching with the kind of job they perform, they are influenced to leave the organization (Aswathappa, 1999), Nature and work, Most employees crave intellectual challenges on jobs. Whereas under conditions of moderate challenge employees experience pleasure and satisfaction and thus, are influenced to stay in that organization (Aswathappa, 1999). Working defining of employee expectations for this study; Employee expectations are the intangible aspects that are attached to the job.

Opportunity to develop skills, some employees leave organizations because they are denied opportunity to grow and advance. In those organizations where an employee has to report at work at 8.00 am then leave at 7.00 pm most of the employees leave the organization (Griffin, 1996). Relationship between management and employees, In organizations where management and employees have a good relationship for example, the management has given employees a chance to report directly to them their views and ideas, you find that employees remain in that organization. Whereas in an organizations, where there is a poor relationship between management and employees for example dictatorship by management, most employees leave the organization (Armstrong, 2006).

Working conditions, all employees in organization prefer conducive working conditions so as to maximize the efforts and finally achieve organizational goals. Working conditions that are compatible with an employee's physical comfort and that facilitate doing a good job influence employees' decision to stay in the organization. Whereas, unfavorable working conditions for example cleanliness of the work place and hours of work influence the employee's decision to leave the organization (Aswathappa, 1999), Job Security, Employee's in organizations who do not know their terms and conditions of employment and they do not know whether they are employed temporary or permanently lack job security and this can influence their decision to leave the organization while employees who have signed contract including the number of years to serve the organization, feel secured in the job and thus, their

decision to stay in the organization is influenced (Armstrong, 2006). Promotions, the desire for promotion is generally strong among employees as it involves change in job content, pay, responsibility independence and status of employees. Transfer, employees leave organizations when they are given a transfer that is, to go and work in another similar organization while those employees who are not given any transfer stay in the organization (Armstrong, 2006), Ergonomic factors, when the work layout in the organization is poor, some employees will leave the organization and look for better organizations, whereas, if there is good work layout in the organization, employees will remain in that organization. An employee, who does not have the above personal issues, remains in the organization (Armstrong, 2006).

Job dissatisfaction of remaining employees, the disruptive nature of turnover is amplified when other employees are forced to assume the workload of departing colleagues or address problems associated with departure. Remaining team members can be distracted by their concern and curiosity about why employees are leaving image of the organization, high turnover creates the negative image of the organization with a revolving door. Once this image has been established in the job market place, it is difficult to change, especially in recruiting channels (Phillips, 2002). Wage, play a significant role in influencing employees' decisions of whether to stay or leave the organization, because they see it as a reflection of management's concern for them. Employees want a pay system which is simple, fair and in line with their expectations. When pay is seen fair, based on job demands individual skill level and community pay standards employees are influenced to stay in the organizations while if the pay is unfair and not matching with the kind of job they perform, they are influenced to leave the organization (Aswathappa, 1999), Nature and work, Most employees crave intellectual challenges on jobs. They prefer being given opportunities to use their skills and abilities and being offered a variety of tasks, freedom and feedback on how well they are doing. These characteristics make jobs mentally challenging. Jobs that have too little challenge or too much challenge influence employee's decision to leave the organization because they create boredom and frustration and a feeling of failure. Whereas under conditions of moderate challenge employees experience pleasure and satisfaction and thus, are influenced to stay in that organization (Aswathappa, 1999).

Opportunity to develop skills, some employees leave organizations because they are denied opportunity to grow and advance. This is because, for example the person in authority thinks

that the employee can grab his position after advancing his skills. Whereas, some employees stay in the organization when they do not have the opportunity to develop their skills for example when threatened by the leader that, when he develops his skills, he will be sucked from the job, (Armstrong, 2006). Bullying or harassment for example sexual harassment and unfair labor laws, organizations which do not have policies governing bullying and harassment of employees, individuals tend to leave the organization whereas, organization which has strong policies concerning bullying or harassment and punishment for those who go against it you find that, employees stay in that organization, (Armstrong, 2006).

### **Effects of Working Conditions on the performance of hospitals**

Working conditions are the terms of a contract of employment that affect or pertain to working environment (Griffin, 1996). Work life balance, Organizations which provide time for employees to attend to their personal business for example, when employees report at work at 8.00 am in the morning then leave at 5.00p.m employees stay in that organization because it provides them time to relax, perform their personal issues and attend to their family needs. While those organizations whereby an employee has to report at work at 8.00 am then leave at 7.00 pm most of the employees leave the organization (Griffin, 1996). According to Armstrong, (2006), working conditions are the terms of work that an organization contracts to provide to an employee in order to enable the smooth delivery of services and skills. Relationship between management and employees, In organizations where management and employees have a good relationship for example, the management has given employees a chance to report directly to them their views and ideas, you find that employees remain in that organization. Whereas in an organizations, where there is a poor relationship between management and employees for example dictatorship by management, most employees leave the organization (Armstrong, 2006). The working definition for the study will be; the terms of contract of employment that affects or pertains to working environment (Griffin, 1996).

Working conditions to all employees in an organization when conducive are generally preferable. Favorable working conditions maximize the efforts and finally achieve organizational goals. Working conditions that are compatible with an employee's physical comfort and that facilitate doing a good job influence employees' decision to stay in the organization. Whereas, unfavorable working conditions for example cleanliness of the work place and hours of work influence the employee's decision to leave the organization



(Aswathappa, 1999), Job Security, Employee's in organizations who do not know their terms and conditions of employment and they do not know whether they are employed temporary or permanently lack job security and this can influence their decision to leave the organization while employees who have signed contract including the number of years to serve the organization, feel secured in the job and thus, their decision to stay in the organization is influenced (Armstrong, 2006).

Promotions form a pivotal role among employees as it involves change in job content, pay, responsibility independence and status of employees. Employees take promotion as the ultimate achievement in his or her career and when it is revealed his decision is to remain in the organization and when it does not his decision is to leave the organization as the environment is deemed not conducive for personal aspirations (Aswathappa, 1999), Supervision, there is a relationship between the quality of supervisions and the decisions employees make. Supervisors who establish a supportive personal relationship with employees and take a personal interest in them contribute to their decision in staying in the organization, while supervisors who are arrogant, commanding and treating employees like machines influence the employees' decision to leave the organizations (Aswathappa, 1999).

Personal factors play a very important role as to whether they are happy at the job or not employees with generally negative attitudes about life and pessimists always complain about everything including the job. No matter how good the job is, such employees always find something wrong with it to complain about and thus their decision is influenced to leave the organization. Employees who have positive attitudes towards life are ever focused and determined to pursue their career and hence, stay in the organization (Aswathappa, 1999). Transfer, employees leave organizations when they are given a transfer that is, to go and work in another similar organization while those employees who are not given any transfer stay in the organization (Armstrong, 2006), Ergonomic factors, when the work layout in the organization is poor, some employees will leave the organization and look for better organizations, whereas, if there is good work layout in the organization, employees will remain in that organization. An employee may leave the organization when she is pregnant, ill, or she he may be moving away from the area. An employee, who does not have the above personal issues, remains in the organization (Armstrong, 2006).

Management's interest in labor turnover is strongly related to the business cycle, under conditions of economic decline when the demand for labor is decreasing, turnover is not so much considered a problem, as rather a blessing for the prosperity of the individual, the firm and society. Thus, in the 1980s when western economies saw high unemployment rates, one could observe the rise of outplacement agencies, mobility centers, the promotion of 'employability' and the destruction of internal labor markets. Some writers even sensed the wake of a jobless economy (Bridges, 1994). In the 1990s, when the labor market became tenser and labor scarcity grew, the emphasis shifted towards the detrimental effects of turnover (White, 1995; Branch, 1998; Moody, 2000; Stein, 2000). The inescapable message of the consultants' literature was that the costs of labor turnover were considerable: ranging from 50 per cent of an annual salary till 175 per cent in case of some IT and marketing experts (Buckingham, 2000). Such publications show only a one-sided interest in the costs of labor turnover and neglect other effects. Williams (1999: 549) complains in this issue. And: "While there is an immense literature covering the subject of personnel turnover, there is a paucity of writing on the impact of turnover on the organisation" (Hutchinson et al., 1997, 3202). It is significant that both Williams and Hutchinson mention not even one relevant title. Even a recently conducted meta-analysis of the domain – 'a final review of turnover research conducted in the 20th century' – is explicitly limited to the antecedents of turnover and not paying any attention to its effects (Griffeth et al., 2000).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **Introduction**

This chapter presented the description of the methods used in carrying out this research study. The chapter covered research design, research site, population, sampling techniques, size and selection, research instruments, data collection procedure and analysis. The researcher tailored this study in a way that research problem will be diagnosed thoroughly. The major objectives that were addressed in this study are effects of labour turnover on the organizational performance, factors that encourage or discourage labour turnover and the costs associated with labour turnover.

#### **Research Design**

The study adopted a case study research design whereby both qualitative and quantitative strategies of data analysis were used. Through qualitative strategies the researcher would use this strategy to collect information about employees' attitudes, opinions, or habits about phenomenon being investigated. The quantitative strategies were used to formulate numerical database. The researcher adopted a case study so as to describe the variables in detail in content and holistically. According to "Donald and Delmo 2006" a case study is way of organizing educational data and looking at the object to be studied as a whole.

#### **Research Site**

This study was undertaken in Tanzania in Mbeya Region. The study was cantered in a government owned hospital called Mbeya Referral Hospital. The hospital is located in Southern highlands of Tanzania with Mbeya city. This hospital is where the emergency prepared response plan was instituted has 11 wards within a bed capacity of 477. It serves as a referral centre for cases from Iringa, Rukwa, Ruvuma and Mbeya itself.

#### **Study Population**

Mbeya referral hospital is made of a population of 497 employees. This population consists of administrators and medical professionals. Medical professionals formed the largest part of the population of the hospital. Some of these employees are like specialist doctors, medical

doctors, clinical psychologists, occupational therapists, chemists, nursing officers, optometry technician and others. Those who hold administrative posts are like Health Officers, Accountants, Record Management and Record Officers.

**Table 3. 1: Population at Mbeya Referral Hospital**

Employees	Administrators (Top Officials)
420	77

**Source: Hospital Population Profile**

#### **Sample size, selection and techniques**

Given the population of 497 workers at Mbeya Referral as illustrated above, the researcher drew a sample of 30 respondents from both hospital officials (administrators) and employees to form the sample as illustrated hereunder.

**Table 3. 2: Sample Selection and Size**

Categories	Sample
Employees	25
Top officials (hospital administrators)	5

**Source: Self initiated**

From these two categories of workers, the study used random sampling techniques. Both of these two categories of the sample had equal chances of being selected. As shown in table 3.1, the researcher named each category, by assigning the number that distinguishes one category from another, and then I first drew at random to form the first category and the second as well. This sample was adopted in order to permit the researcher to apply inferential statistics to the data and hence provide equal opportunity of selection for each element of the population.

#### **Research Instruments**

In collecting data, the researcher utilized three major instruments.

### **3.5.1 Questionnaire**

In attempting to diagnose the research problem and soliciting data to answer the research question stated earlier, the researcher tailored a set of questionnaire both closed and open-ended to collect raw data from the field. The closed questionnaires were incorporated in this study in order to facilitate easy scoring and hence create statistical data base. Open ended were used so as to give the respondents freedom to respond, avoid threats and boredom. Also questionnaires were distributed to both hospital administrators and employees (Doctors of different sections) of Mbeya referral hospital.

### **3.5.2 Interview**

An interview was scheduled to some of the few executives, particular departmental heads. The interviews were both structured and unstructured and it was self administered as their literacy level was expected to be high.

### **3.5.3 Documentary Review**

Using this research tool, the researcher requested manuals of costs associated with labour turnover, reports and news papers that enabled the researcher to get data deemed relevant to the topic being investigated.

### **3.5.4 Sources of Data**

Raw data was collected from Mbeya Referral Hospital through questionnaire and interview. Secondary and tertiary data were collected from KIU library, journals and other sources.

### **Data Analysis and Processing**

After collecting data, the researcher corrected errors that might have been identified from the primary data and also eliminated unusable data. After these pre-processes, data was edited, coded and tabulated using frequencies. For the completeness, accuracy and uniformity, editing was done by looking through each of the field responses from both questionnaire and interview guide. The researcher also establish how many times each alternative response category was given an answer using tally marks which then were added up to form frequency and from these frequencies percentages were calculated, ready for making interpretation. This data was presented in form of frequency tabulation and different charts such as bar graphs and pie charts. Quotations and field notes made were also included.

## CHAPTER FOUR

### PRESENTATION OF FINDINGS, ANALYSIS AND INTERPRETATION

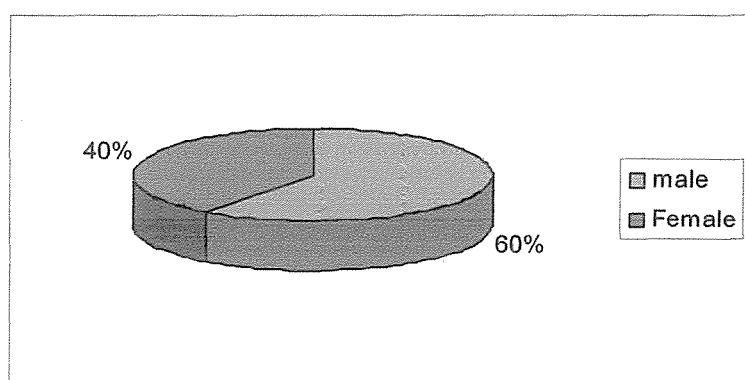
#### Introduction

This chapter was about presentation and analysis of the data related to the impact of labour turnover on organizational performance. The study focused specifically on the effect of employee compensation on performance, the effects of high expectations on labour turnover, and the working conditions and their effect on performance.

#### 4.1 Background Characteristics of the respondents

The respondents were divided into the administrative and general staff groups. The findings are shown in the table 4.1 and 4.2 below;

**Figure 4. 1.1: Gender of respondents**



**Source: Primary data**

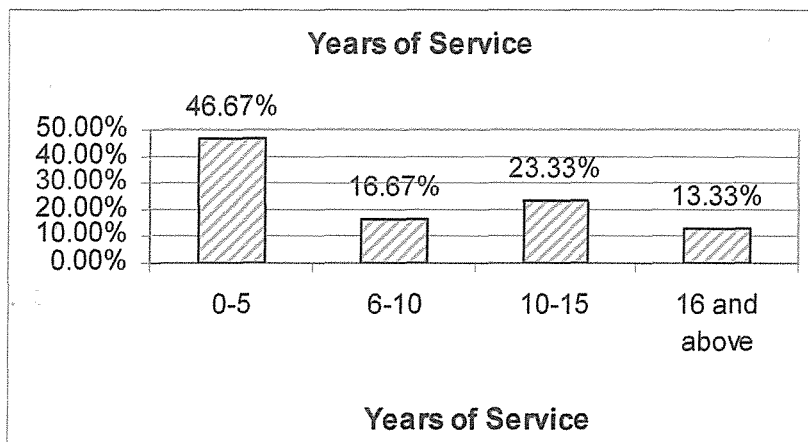
During the field it found out that, females took a greater percentage in the survey as represented by 60% whereas 40% represented male, implying that, females to a greater extent participated in the study since most of them work as nurses as illustrated in figure 4.1 above.

**Table 4.1.1: Number of years of service of respondents**

Years of service	Frequency	Percentage
0-5	14	46.67%
6-10	5	16.67%
10-15	7	23.33%
16 and above	4	13.33%
Total	30	100.0%

**Source: Primary Data**

**Figure 4. 1.2: Years of Service**



**Source: Primary Data**

The findings revealed that the majority of respondents had worked in the hospital for 0-5 years, 23.33% had worked for 10-15 years, and 16.67% had worked for 6-10 years while 13.33% had worked for more than 16 years. Implying that employees had over stayed with the hospital and the rate of labour turn over is low.

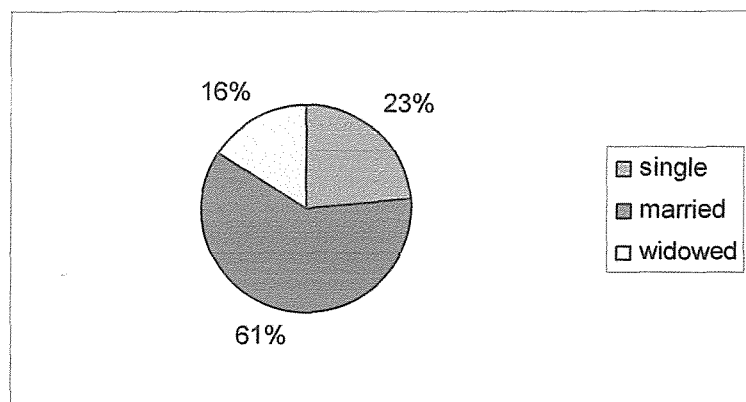
**Table 4.1.2: Marital Status of Respondents**

Marital Status	Frequency (f)	Percentage (%)
Single	7	23.33%
Married	18	60.00%
Widowed	5	16.67%
Total	30	100.00%

**Source: Primary Data**

The study sought to investigate the marital status of the respondents and found that 60% were married while 23.33% were single and 16.67% were widowed. Implying that the biggest percentage of the employees in the hospital are committed to their duties as far as work is concerned.

**Figure 4.1.3: Marital Status of Respondents**



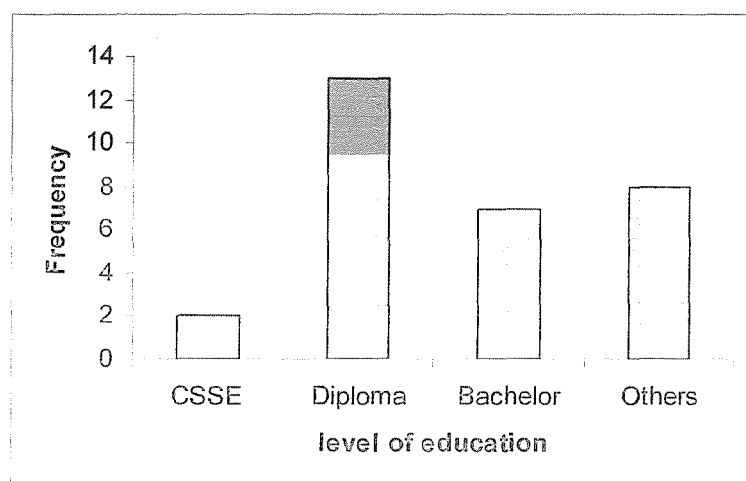
The pie- chart shows that the majority of respondents were married with 60% while the least category of respondents was widowed with 16.67%.

**Table 4.1.3: Education level of Respondents**

Educational level	Frequency (f)	Percentage (%)
CSSE	2	6.67%
Diploma	13	43.33%
Bachelor	7	23.33%
Other	8	26.67%
<b>Total</b>	<b>30</b>	<b>100.00%</b>

Source: Primary Data

**Figure 4.1.4.: Bar graph showing education level of respondents**



Source: Primary Data



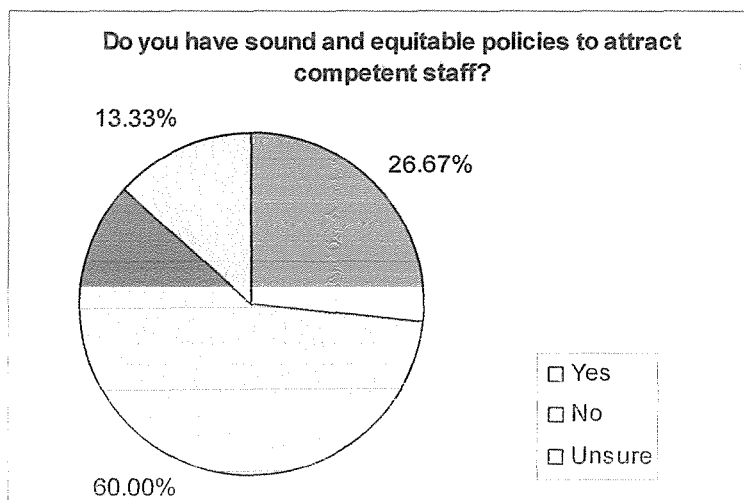
Field findings in table 4.4 and figure 4.4 shows that 52% of respondents were diploma holders while there were 6.6% who were only CSSE holders. Another 28% of respondents were bachelors holders while 32% had other qualification which included masters and PHD holders who were in management, implying that employees in the hospital posses the required different skills which enables them execute their duties effectively and efficient.

#### 4.2 Effects of employee compensation on organizational performance at Mbeya Referral Hospital

The first of objective of this study was to investigate the effects of employee compensation on organizational performance at Mbeya Referral Hospital (MRH). The field findings were based on the research questions from the specific objective of the study one.

“What are the Effects of employee compensation on organizational performance at Mbeya Referral Hospital?” To achieve this objective, respondents were asked the following questions; whether the hospital has sound and equitable policies to attract competent staff, employees were asked if the hospital recognized their needs, are labour contracts negotiated in joint decision between employees and managers? The responses to the questions above were given in subsections as portrayed below:

**Figure 4.2 (a) Showing whether the hospital has sound and equitable policies to attract competent staff.**



Source: Primary Data

The field findings in figure 4.2 (a) revealed that majority of respondents attributed to no as represented by 60% that the hospital had does not sound and equated policy in place to attract competent staff. 26.7% adhered to the statement that the hospital has sound and equitable

policy in place to attract competent staff and 13.33% were not sure. Implied that, the hospital administrative structure is not well equipped with the would be good policies to attract skilled and competent employees who could have increased on the productivity and out-put in the long run, thus resulting into enhanced service delivery. The survey findings were in line with Baron, Hannan & Burton (2001) views who checked for the relation between labor turnover and firm performance. As a result of their study, they found a significantly negative effect of turn over on company performance. When poorly orchestrated, compensation schedules can lead to high turn over ratings in companies which may then face the following is the major consequence. Respondents who emphasized that were not sure whether the hospital had sound and equitable policies to attract competent staff as it was represented by 13.33%.

#### **4.2 (b) Employees were asked if the hospital recognized their needs**

In response to the above question, the results of the question were presented in a below as follows:

**Table 4.2.1: Showing whether the hospital recognizes employees needs**

<b>Item</b>	<b>Response</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>
Hospital recognizes employee needs through clear strategies for developing employees	True	9	30.00%
	False	14	46.67%
	Absolutely True	2	6.67%
	Absolutely False	5	16.67%
		<b>30</b>	<b>100.00%</b>

**Source: Primary Data**

The study findings showed that the majority of respondents attributed false in that, the hospital did not recognize employees needs as represented by 46.67% whereas 30% emphasized that its true, the hospital do recognize employees, needs. 16.67% represent those who attributed they felt that it was not true that the hospital recognized the employees needs as compared to only 6.67% who said that absolutely false strongly that the hospital has no strategies for developing employees. Implied that, since the biggest percentage of the respondents attributed that hospital does not recognize employees need their out-put will not be high as the way it would have been if the hospital could avail allowances and incentives to the employee, which was in line with Armstrong (2006) asserted that ergonomic factors,

when the work layout in the organization is poor, some employees will leave the organization and look for better organizations, whereas, if there is good work layout in the organization, employees will remain in that organization. An employee may leave the organization when she is pregnant, ill, or she he may be moving away from the area. An employee, who does not have the above personal issues, remains in the organization. And the least percentage of the respondents said that it absolutely true that, the hospital recognizes employees' needs.

#### **4.2 (c) Are labour contracts negotiated in joint decision between employees and managers?**

When respondents were asked this question, some of them were aware of it whereas others did not, as illustrated in table 4.7

**Table 4.2.2: Labour contract is negotiated in joint decision between employees and managers**

Item	Response	Frequency (f)	Percentage (%)
Labor contract is negotiated in joint decision between employees and managers	Agree	4	13.33%
	Strongly Agree	3	10.00%
	Disagree	7	23.33%
	Strongly Disagree	16	53.33%
		30	100.00%

**Source: Primary Data**

Among the numerous responses received by the researcher were as follows: a bigger percentage of respondents strongly disagreed with the statement that labour contract is not negotiated in joint decision between employees and managers as showed by 53.33%, and this was further emphasized by 23.33% of the respondents who disagreed with the statement. Surprisingly 10% strongly agreed with the statement lastly 13.33% agreed as portrayed in figure 4.7 above. Implying that, as the biggest percentage of the respondents strongly disagreed with the statement, it is clear that the negotiations of labour contracts are done by the managers themselves and these benefits the hospital and not the employees. And the findings aligned with Griffin (1996) views that, compensation is payment to an employee in return for their contribution to the organization, that is, for doing their job. The most common forms of compensation are wages, salaries and tips. However the least percentage of the interviewees strongly agreed with the statement labour contract is negotiated in joint decision between employees and managers.

### 4.3 Effects of high expectations on labour turnover at Mbeya Referral Hospital

The second research objective was to establish the effects of high expectations on labour turnover at MRH. The findings were based on the following research question from the specific objective of the study two. "What are the effects of high expectations on labour turnover at MRH? To achieve this objective, respondents were asked the following questions; do labour turnover increase administration costs in this hospital? Have you experienced in duties when colleagues depart? What are some of the areas the HR department needs to address? The responses to the questions above were given in subsections as illustrated below:

#### 4.3 (a) Do labour turnover increase administration costs in this hospital?

When employees were asked this question, their views/opinions were as follows.

**Table 4.2.3: Showing whether labour turnover increase administration costs**

Item		Frequency (f)	Percentages (%)
Increased labour turnover increased the administration costs which limits growth	Yes	25	83.33%
	No	4	13.33%
	Not sure	1	3.33%
		30	100.00%

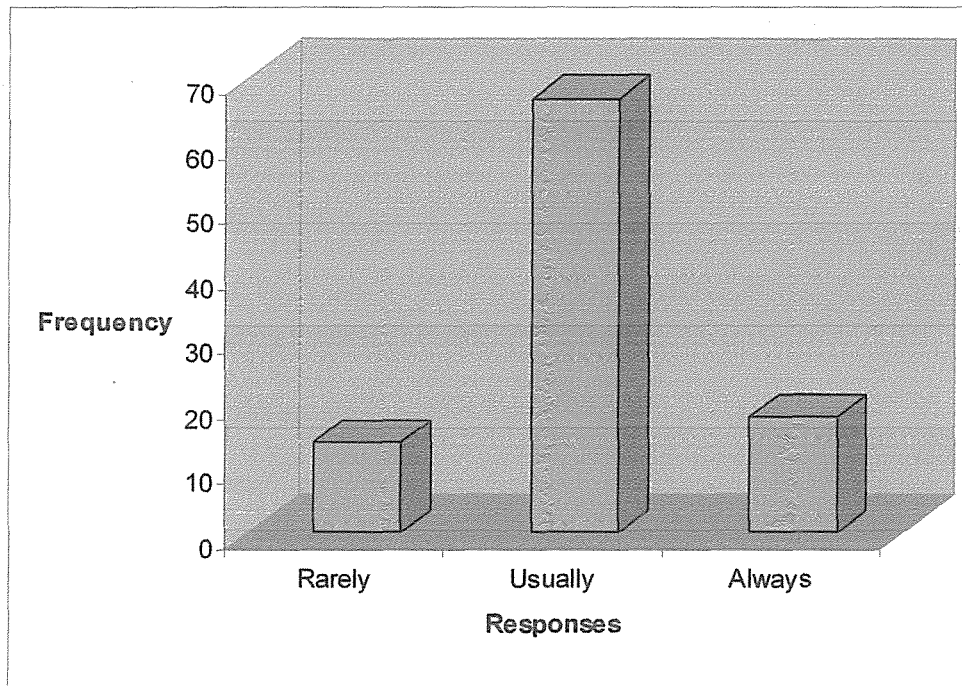
#### Source: Primary Data

From the filled questionnaires, it was established that , majority of the hospital staff were aware of the financial costs of administration due to labour turnover as was showed by 83.33% while 13.33% of the respondents surprisingly was ignorant whether labour turnover increases administration costs then, 3.33% were not sure. Implying that since the biggest percentage of the respondents are aware that labour turnover increases administration costs ye the managers are the ones who determine the employees' salaries they feel they should carry out labour turnover due to the associated costs it has on the administration. And the field results lined up with Bridges (1994) who argues that employee expectations are the feelings and potential opportunities that employees attribute to their job. This includes pay anticipation, promotions, benefits and working environment expectations. Employee expectations are the intangible aspects that come they attach to the job and may include; working conditions and promotions. Though 4% of the employees were not sure whether labour turnover increased the administration costs which limit growth.

#### 4.3 (b): Have you experienced in duties when colleagues depart?

Respondents were asked if they experience an increase in duties after their colleagues' departure and their views were illustrated in figure 4.10.

**Figure 4. 2.1: Bar graph showing you experienced increase in duties when colleagues depart?**



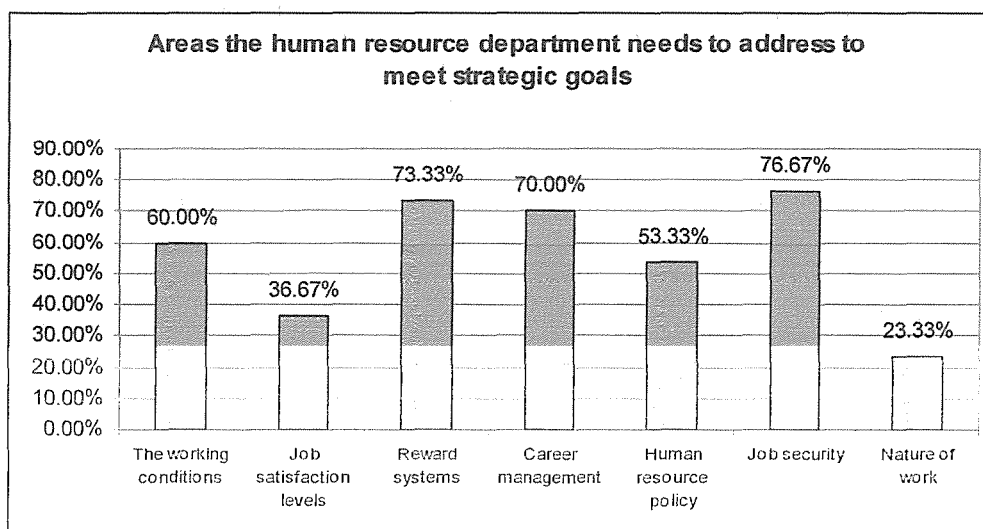
**Source: Primary Data**

Close to 67% of the respondents emphasized that, they usually experience an increase in duties when a colleague's departure whereas 14% those who felt that this was either rarely felt and 19% adhered to be always felt. Implying that, employees' departure from work place (hospital) usually gives a work load to remaining workmates in different departments and they end up being overworked which in the long run results in to reduced productivity thus, affecting the level of performance. And concurred with Aswathappa (1999), that favorable working conditions maximize the efforts and finally achieve organizational goals. Working conditions that are compatible with an employee's physical comfort and that facilitate doing a good job influence employees' decision to stay in the organization. Whereas, unfavorable working conditions for example cleanliness of the work place and hours of work influence the employee's decision to leave the organization, however 14% of the respondents attributed that this rarely happens at MRH.

#### 4.3 (c) What are some of the areas the HR department needs to address?

The study investigated the areas that the human resources department needed to address with finding listed in figure below. The findings showed that job security, reward system, carrier management and working conditions registered the highest responses of 76.67%, 73.33%, 70% and 60% respectively. This further illustrated in the figure 4.12 below which shows that the human resources policy, job satisfaction, and the nature of work provided needed to be reappraised as well, meaning that, employees are greatly worried of their jobs since they are not secure whether they will long live as workers in the hospital as was represented by 76.6%, then the HR department need to address the way employees are being rewarded in relation to the services rendered (there should a salary increment) and the career management needs to be given a special attention if the hospital is to realize its set goals. And the field findings were in line with Hutchinson et al., (1997) who asserted that, Management's interest in labour turnover is strongly related to the business cycle, under conditions of economic decline when the demand for labor is decreasing, turnover is not so much considered a problem, as rather a blessing for the prosperity of the individual, the firm and society. Though 24% of the respondents emphasized that it depends on the nature of work an employee is doing.

Figure 4. 2.3: Bar graph showing areas the HR department needs to address



Source: Primary Data

#### 4.4 Appraisal of the working conditions and its effect on performance at Mbeya

##### Referral Hospital

The third research objective was to appraise the working condition and its effect on performance at Mbeya Referral Hospital. The findings were based on the following research question from the specific objective of the study three. "How do appraisals in working conditions affect performance at Mbeya Referral Hospital?" To achieve this objective, respondents were asked the following questions; what are the Perceptions about Holiday Pay, Length of Service bonus, Perceptions about Clerical administration time (Performance and payroll administration), Perceptions about Exit Interviews. The responses to the question above were given in subsections as illustrated below:

**Table 4.2.4: Perceptions of respondents to compensation, time to clear payments and exit interviews**

Item	Response	Frequency (f)	Percentage (%)
Perceptions about Holiday Pay, Length of Service bonus	Good	6	20.00%
	Fair	17	56.67%
	Poor	7	23.33%
		<b>30</b>	<b>100.00%</b>
Perceptions about Clerical administration time (Performance and payroll administration)	Good	16	53.33%
	Fair	6	20.00%
	Poor	8	26.67%
		<b>30</b>	<b>100.00%</b>
Perceptions about Exit Interviews	Good	4	13.33%
	Fair	8	26.67%
	Poor	18	60.00%
		<b>30</b>	<b>100.00%</b>

**Source: Primary Data**

Table 4.10 above shows the respondents' when they were inquired to establish their perception about how the hospital handled holiday pay and length of service bonus perception of staff about clerical administration timelines and they thought about the exit interviews conducted. Majority of the respondents attributed that holiday pay and length of service bonuses provided were fair, 57% of the respondents said they are fair whereas 20% of them said they are good. And the perception about clerical administration time (performance and payroll administration) were as follows: the biggest percentage attributed to good as showed by 53% while 26% said they are poor, lastly on the perception about exit

interviews, the biggest emphasized they are poorly conducted whereas 13.33% attributed some interviews conducted are good. And aligned with Jack and Addele (2003) views that, employees have certain monies withheld from their payroll checks, usually including federal income tax, state income tax, (social security) contributions, and employee contributions to the costs of certain benefits (often medical insurance and retirement). Compensation is the reward provided as either base pay and/or variable pay; however the least percentages said that, perceptions of respondents to compensation, time to clear payments and exit interviews are good as represented by 20%, 20% represented those who said that, Perceptions about Clerical administration time (Performance and payroll administration) are fair lastly 13% of then attributed that, Perceptions about Exit Interviews are good.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **Introduction**

This chapter mainly deals with summary, conclusions and recommendations related to the impact of labour turnover on organizational performance in Mbeya Referral Hospital, Tanzania drawn specifically from the study findings and analysis made after carrying out the study. Labour turnover was characterized by compensation, high expectation, working conditions then organization performance was characterized by quality services, productivity and effectiveness.

#### **Summary of the Findings**

The summary of the findings were presented in accordance with the research objectives of the study.

The first of objective of this study was to investigate the effects of employee compensation on organizational performance at Mbeya Referral Hospital (MRH). And the field findings showed that, the hospital's administrative structure is not well equipped with the would be good policies to attract skilled and competent employees who could have increased on the productivity and out-put in the long run, thus resulting into enhanced service delivery.

The second research objective was to establish the effects of high expectations on labour turnover at MRH. The field findings illustrated that, since the biggest percentage of the respondents are aware that labour turnover increases administration costs ye the managers are the ones who determine the employees' salaries they feel they should carry out labour turnover due to the associated costs it has on the administration.

The third research objective was to appraise the working condition and its effect on performance at Mbeya Referral Hospital. Further, findings revealed that, majority of the respondents attributed that holiday pat and length of service bonuses provided were fair, And the perception about clerical administration time (performance and payroll administration) were as follows: the biggest percentage attributed to good a lastly on the perception about exit interviews, the biggest emphasized they are poorly conducted

## 5.2 Conclusions

Labour turnover is a major organizational phenomenon and core stone in any organization's perspective; employer turnover can represent significant costs in terms of recruiting, training, socialization and disruption as well as a variety of indirect costs. Given the significance of turnover, it is important for the manager to be able to analyze, understand and effectively manage employee turnover.

The first research question was; what are the Effects of employee compensation on organizational performance at Mbeya Referral Hospital? It can therefore be concluded that employee compensation does play a very significant role in promoting performance of individual employees. This however, is not the only deciding factor as other organizational factors such as overall policy, working conditions and job security play significant roles in ensuring performance of the individuals.

The second research question was; what are the effects of high expectations on labour turnover at MRH? These findings suggested a conflict with the individuals' opportunities to have and enjoy their free time. Put forward the argument that without the opportunity to develop skills, some employees leave organizations because they are denied opportunity to grow and advance. In those organizations where an employee has to report at work at 8.00 am then leave at 7.00 pm most of the employees leave the organization. It can be concluded that individual expectations of the work and workplace play a very significant role in ensuring low turnover rates of labour at the workplace.

The third research question was; how do appraisals in working conditions affect performance at Mbeya Referral Hospital? The findings showed that majority of respondents believed the holiday pay and length of service bonuses provided were fair, length of time that it took to process their salaries and bonuses was found to be satisfactory while the exit interviews were rated poorly. It can thus be concluded that working environment does play a significant role in the performance of staff.

## Recommendations

The study also aimed to investigate possible solutions that may be used to combat the human resource challenges faced dealing with labour turnover and productivity at Mbeya Referral Hospital. These are presented below;

Job security is one of the most important features when it comes to on the job performance of employees. As such, human resource activities should be geared to further encourage and motivate employees to feel more secure in their job. This can be done by instituting mandatory work contracts and explaining to each individual on board what the work place policy entails.

Management at the hospital should cooperate with the human resource department so as to ensure that the working conditions specifically in line with working hours, cleanliness of environment and work instruments are put in place. Since the institution is government funded the management should carry out a cost-benefit analysis which would also ensure that government would be readily willing to fund any such projects.

The current job satisfaction levels at the hospital are quite low and these can be improved by instituting a program/project geared to raise the job satisfaction levels. This should be done by first getting a communication platform well structured into the institution. Other activities can then be instituted with this communication backbone in place.

The reward systems at the hospital need to be reappraised so that they are more general and fair to the whole staff. This should be in line with the government pay scales.

The human resource management department should carry out its career management policy and make relevant changes so as to take into considerations the many factors that individuals may require at the hospital.

#### **Areas for further research**

The researcher proposed the following areas for further study;

- The Effect of Human Resource Development and Job Performance
- The Impact Human Resource Planning on Labour Turnover
- The Effect of Human Resource Policy on Job Security

## BIBLIOGRAPHY

Aghion and Howitt (1996), The observation implications of Schumpeterian growth theory. Empirical economics. 2<sup>nd</sup> Edition, London.

Armstrong, Michael (2006). *A Handbook of Human Resource Management Practice*, 10th edition, London: Kogan. ISBN 0-7494-4631-5. OCLC 62282248.

Aswathappa (2001), Human Resource and Personnel Management, 2<sup>nd</sup> Edition, Tata Mc Cover, Hill Publishing Company Limited, New York.

Banker H., Hamers A. and Pfann F., (2000). Attracting and keeping employees. McGraw Hill.

Barber and Bretz Jr (2000), *Worker Compensation and Employee Enthusiasm*, McGraw Hill Productions.

Barkema and Gomez-Mejia, (1998), Moving to Ordered Organization by Employee Productivity. New Line Publications, New Jersey.

Bridges Unwun B., (1994). Human Resource Champions. The next agenda for adding value and delivering results. Boston, Mass.: Harvard Business School Press.

Chiu Montgomery, Jennifer M. George and Fitz – enze, J., (2002). *The Challenges of Adequate Compensation on Work Productivity.* Unpublished Thesis. UCLA.

Dell and Hickey (2002), Attracting and keeping top employees. New York: The Conference Board.

Dell and Shaw (2001), Voluntary turnover social capital and Organizational Performance. Academic of Management Review, Reprinted.

Donald and Delmo (2006), Proposal Writing and Thesis Writing, Pauline Publications Africa, Daughters of St. Paul. Nairobi GPO (Kenya), 2<sup>nd</sup> Reprinted.

Fitz – enze, J. (2000), ROI of Human capital, New York/Amazon Publishing, 2<sup>nd</sup> Edition.

Gareth R. Jones, Jennifer M. George, Charles (2000), Contemporary Management, 2<sup>nd</sup> Edition, McGraw-Hill, U.S.A.

Griffin (1996), International Business Management, 5<sup>th</sup> Edition, USA.

Hamersh and Pfann (1996), Turnover and Dynamics of labour Demand Economics.

Hutchinson et al., (1997). "Personnel Management". *The Columbia Encyclopedia* (Sixth Edition). Columbia University Press, "personnel management - see industrial management"

Huselid (1995), The Impact Of Human Management Practices On Turnover, Productivity And Corporate Finance. Academy of management journal.

Lowe, R. (2002) California School of Organizational Studies Handbook of Organizational Consulting Psychology. Jossey-Bass

Mbeya Referral Hospital Population Profile (2008). Human Resource Personnel Records Set May 2008. Mbeya Referral Hospital.

Milkovich and Newman, (2002). Principles and Practice of Employee Management, Sultan & Sons Publishers, India

Jack and Addele (2003), Managing employee retention, A strategic accountability approach, Elsevier Butterworth Heinemann, Reprinted.

Koys W. (2001). The Human Side of Enterprises, McGraw-Hill Book Company

Phillips J. (Ed) (1997), Measuring Return on Investment, Volume 1, Alexandria, Va: American society for training and development.

Rigors and Myers (1981), Personal administration, A point view and method, McGraw-Hill, 9<sup>th</sup> Edition.

Subba Rao (2001), Essentials of Human Resource Management and Industrial Relations, Mrs. Meena Pandey, Himalaya Published House.

Widmier A. D. (2002). Pay and Conditions Chain. McGregor Publications

Wilson J. R. (1995). Administration of Employee Benefits: Yielding Positive Results. A Study Commissioned by UNILO.

Wood et al. (1999). Solutions to Understanding an Organization, Prentice-Hall, London

**APPENDIX**  
**APPENDIX 1: BUDGET**

<b>S/N</b>	<b>ITEMS/PARTICULARS</b>	<b>COST (Tshs)</b>
1.	Library research and traveling expenses	100,000
2.	Typing and photocopy	70,000
3.	Accommodation	50,000
4.	Telephone	20,000
5.	E-mail	10,000
6.	Miscellaneous	50,000
	<b>TOTAL</b>	<b>300,000</b>

## APPENDIX 2: TIMETABLE

S/N	Core Activity	Time in Months			
		2	2	3	1
1.	Proposal writing				
2.	Main field Data collection				
3.	Data analysis, processing and report writing				
4.	Final draft preparation and submission of the report				



## APPENDIX 4: QUESTIONNAIRE TO EMPLOYEES (STAFF)

Dear Respondents,

This questionnaire attempts to obtain information pertaining to a study titled, "Impact of labour turnover on the organizational performance." This study is conducted as a partial fulfillment of the requirement of bachelor degree of human resource management of Kampala International University. All the information provided will be used only for the purpose of this field research and will be treated with maximum secrecy and confidentiality.

Thank you for your cooperation.

### **Part A: Personal Data**

#### **Instructions**

- (i) Please in case of blank spaces fill them.
- (ii) Where boxes are given, tick appropriate

#### **1) Sex**

Male ☐

Female ☐

#### **2) Year (s) of service in this hospital**

0 – 5 ☐

6 – 10 ☐

10 – 15 ☐

16 and above ☐

#### **3) Marital status**

Single ☐

Married ☐

Divorced ☐

Widowed ☐

#### **4) Educational Level**

C.S.S.E. (O level) ☐

A.C.S.S.E. (A level) ☐

Diploma Holder ☐

Degree Holder ☐

Masters Degree Holder ☐

Others, specify .....

.....

## PART B: OTHER INFORMATION

- 1) Do you think that, this company has a fair, equitable and logical reward policy that matches with the kind of job you perform?

Yes ☐ No ☐ Not Sure ☐

- 2) Our companies recognized the employee needs through having clear strategies for developing employees and maintaining outstanding relationship with our supervisors?

True ☐ False ☐ Absolutely True ☐ Absolutely False ☐

- 3) Labour contract is negotiated in a joint decision making between employees and senior managers.

Agree ☐ Strongly Agree ☐ Disagree ☐ Strongly Disagree ☐

- 4) Increase rate of labour turnover has made this organization to incur huge administration costs that has intervened the company growth.

Yes ☐ No ☐ Not sure ☐

- 5) To what extent does this company suffer productivity gap due to abrupt leaving of committed and dedicated employees?

To some extent ☐ To high extent ☐ To low extent ☐

- 6) Have you ever suffered workload due to increase of duties and responsibility due to departure of your colleague/coworker?

Rarely ☐ Usually ☐ Always ☐

- 7) We frequently incur costs related to the termination of the labour costs.

Yes ☐ No ☐

- 8) Write short notes and comments on the following separation costs.

(a) Holiday Pay, Length of Service bonus

.....  
.....

(b) Clerical administration time (Performance and payroll administration)

.....

.....

(c) Exit Interviews

.....

.....

9) Labour turnover has intervened our strategic planning due to temporary replacement costs, recruitment and selection costs as well as induction and training costs.

To some extent ☐ To high extent ☐ To low extent ☐

10) Write short notes and comment on the following costs.

(a) Relocation costs

.....

.....

(b) On the job training costs

.....

.....

**Thank you for your contribution.**

## **APPENDIX 5: QUESTIONNAIRE TO ADMINISTRATORS**

Dear Respondents,

This questionnaire attempts to obtain information pertaining to a study titled, "Impact of labour turnover on the organizational performance." This study is conducted as a partial fulfillment of the requirement of bachelor degree of human resource management of Kampala International University. All the information provided will be used only for the purpose of this field research and will be treated with maximum secrecy and confidentiality.

Thank you for your cooperation.

### **Part A: Personal Data**

#### **Instructions**

- (i) Please in case of blank spaces fill them.
- (ii) Where boxes are given, tick appropriate

1) Sex

Male ☐ Female ☐

2) Year (s) of service in this hospital

0 – 5 ☐

6 – 10 ☐

10 – 15 ☐

16 and above

3) Marital status

Single ☐ Married ☐ Divorced ☐ Widowed ☐

4) Educational Level

C.S.S.E. (O level) ☐

A.C.S.S.E. (A level) ☐

Diploma Holder ☐

Degree Holder ☐

Masters Degree Holder ☐

Others, specify .....

## PART B: OTHER INFORMATION

- 1) Do you have sound and equitable policies and practices for attracting and retaining competent and dynamic workforce?

Yes ☐ No ☐

- 2) From the above question, justify your answer, if yes, give those policies and practices, if No, and suggest what could be done.

Yes

.....

.....

No

.....

.....

- 3) The government through the ministry of health and social welfare has supported our HR strategic goals so that we can provide adequate and quality services to our dear esteemed patients.

To some extent ☐ To low extent ☐ To high extent ☐

- 4) We have an outstanding cooperation between government officials and service management of this hospital.

Yes ☐ No ☐ Not Sure ☐

- 5) Do you suffer huge effects during recruitment and selection due to inadequate funds to implement policies that enable this hospital to have sufficient staffing level?

Agree ☐ Strongly Agree ☐ Disagree ☐ Strongly Disagree ☐

- 6) What do you think has made this organization to experience drastic labour, turnover rates?

.....

.....

- 7) Do your core values emphasize on the need to retain competent and qualified employees?

Yes ☐ No ☐ Not Sure ☐

- 8) You, as an administrator in this organization, what type of leadership style do you exercise in managing your subordinates?

Laissez faire leadership ☐

Participative style ☐

Others specify;

.....  
.....

9) Write short notes on the impact of the following terms on labour turnover in this organization.

(a) Working conditions

.....  
.....

(b) Job security

.....  
.....

(c) Job satisfaction

.....  
.....

(d) Unfair policies

.....  
.....

(e) Incompatible reward system.

.....  
.....

(f) Nature of the work

.....  
.....

10) In the above Human Resource Areas, suggest areas where drastic changes are needed so as to meet these organization strategic goals.

.....  
.....

#### **APPENDIX 6: INTERVIEW GUIDE FOR HEADS OF DEPARTMENT**

My name is Happy Maro, a student of KIU carrying out academic research as a partial fulfillment of the requirements of the award of bachelor degree of human resource management.

1) What is the role of ministry of health and social welfare in empowering this organization to have a sustainable workforce?

.....  
.....  
.....

2) Critically examines the effects of employee turnover towards this organization goals and objectives.

.....  
.....  
.....

3) Assisted with clear and sound Human Resource Business policies and practices, explain the contribution of each of those practices and policies towards retaining a committed and dynamic staff.

.....  
.....  
.....

4) In executing, adopting and implementing the above Human Resource policies and practices what are the internal and external challenges, which are commonly compromised with this hospital desire to have adequate staffing level?

.....  
.....  
.....

5) Account for the mechanism measures that are in place to ensure creation of a retained staff.

.....  
.....

**Thank Respondents for Participation**