



St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

AN ASSESSMENT OF THE CAUSES OF EMPLOYEE TURNOVER
A CASE OF TIKUR ABAY SHOE S.C.

BY
SENAIT WORKAGEGN

JUNE, 2017
ADDIS ABABA,
ETHIOPIA

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SENAIT WORKAGEGN

**A THESIS SUBMITTED TO SAINT MARY'S UNIVERSITY, SCHOOL OF
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SENAIT WORKAGEGN (SGS/0099/2006)

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Statement of Certification

This is to certify that Senait workagegn has carried out her research work on the topic entitled “An Assessment of the Causes of Employee Turnover A Case of Tikur Abay Shoe S.C.” The work is original in nature and is suitable for submission for the award of masters Degree in Business Administration (MBA)

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June 2017

STATEMENT OF DECLARATION

I, Senait Workagegn, hereby declare that the work entitled “An Assessment of the Causes of Employee Turnover A Case of Tikur Abay Shoe S.C.” is the outcome of my own effort and study and that all sources of materials used for the study have been acknowledged. I have produced it independently except for the guidance and suggestion of my Research advisor Goitom Abraham (Ass.prof). This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the award of Master degree in Business Administration.

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Signature
June 2017

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LISTS OF ABBREVIATIONS/ACRONYMS

LIDI – Leather Industry development institute

HRM - Human Resource Management

TVET - Technical and Vocational Education and Training institutes

SPSS – Statistical Package for Social Science

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ABSTRACTS

The concept of employee turnover is a critical issue in the field of management as a human resource is a valuable asset for a given company. Retaining such resources is a key role for a company since competing in the changing world, delivering continuous and quality service and products mainly depend of the presence of committed, qualified and skilled manpower. Therefore, giving a due attention for employee turnover is a most responsibility.

Having this in mind the study is conducted to investigate the real cause of employee turnover in Tikur Abay Shoe S.C. and its mechanism implemented to retain employees. Both qualitative and quantitative methods are employed in this study. The primarily data are collected by self completed questionnaires from current 109 employees. The secondary data is used to study the turnover of ex-employees. In addition interview was conducted with the company's HRM department. SPSS version 20 is used to interpret the primary data collected by questionnaires; descriptive statistics method was employed to draw the major findings.

The major findings of this study revealed that the cause of turnover in Tikur Abay Shoe s.c. was both controllable and uncontrollable factors including demographic.

Therefore, the company should tune the existing retention strategy and implement new strategies by bench marking other similar companies in the footwear sector.

KEY WORDS: *Turnover, Tikur Abay Shoe S.C, Permanent employees,*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to (Lynch & Tuckey, 2008) employee turnover is the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period. This term is also often utilized in efforts to measure relationships of employees in an organization as they leave, regardless of the reason. Organizations invest a lot in their employees in terms of training, developing, maintaining and retaining. For example, many leather industries in Ethiopia, like Tikur Abay Shoe Share Company, have given skill gap training so that their employees can be trained to improve their skills and knowledge (LIDI, 2013). The essence of providing these huge sums of money toward training actually conforms to the comment given by Allen (2006) that the most common cause of employees leaving their jobs is inability of the employees to match their skills against the skills demanded by the job. According to Champion although there is no standard framework for understanding employee's turnover process as a whole, a wide range of factors have been found useful in interpreting employee turnover.

With the increase in competition in the Ethiopian leather industry, especially shoe making industries, should note that their competitive advantage can easily erase if they experience high rate of labor turnover (LIDI, 2013). This is based on the fact that whilst tangible products can easily be copied and imitated, intangible assets such as the skills and knowledge of the employees cannot be copied by rivals. The most common means by which a rival can have access to the skills and knowledge of an organization is where there is a labor turnover and as such the employee leaves the organization and joins the rival. When organizations employ new people due to the existing employee leaving, it takes time for the employee to get the necessary skills and knowledge required by the job and as such whilst the new employee is in the process of learning, it is believed that the work provided by the new employee will not meet the expectation of the customer and as such that affects the overall performance of the company in terms of increase in customer complaints.

Labor turnover is a term that is widely used by many human resource practitioners. It is true that many studies have been conducting researches on this topic but what must be noted here is that most of the researchers focused on the causes and as such little had been done on examining the sources of employee turnover, effects and various strategies that can be used by managers in various organizations to ensure that there is employee continuity in their organizations to enhance overall organizational performance (Porter & Steers, 1973).

The most triggering factor for this study is that from the employees that the company loses every year permanent employees who have excellent skills and enough experience are the major one. Losing such kind of employees deters the productivity, reduce competitiveness, increase direct and indirect employment costs of the company.

Therefore, the study tries to examine the main causes of employees' turnover and its retention mechanism of Tikur Abby Shoe S.C. The study will also try to recommend possible policies and strategies that the company should adopt in order to reduce its high employees turnover rates.

1.2 Statement of the problem

An organization that loses predominantly poorer performance employees may have less cause for concern than ones that loses a disproportionately higher number of its better performers. (Werbel, 1989:275) Employees are one of the resources that organizations need to manage effectively to survive. Employees are not "owned" by organization like any other asset and as such labor turnover is a reality for organizations. At the country level, the situation is aggravated by the rate of brain drain.

Besides loss in productivity, money and time, the organization also losses in terms of some indirect costs like lowering of existing employee morale that may be due to increased work or due to the arousing dissatisfaction with the organization. Once an organization finds and hires a new employee, it still experiences flagging productivity while the employee learns his or her new job. In other words, it costs the organization money every time an employee leaves because it takes even more resources to return to the same level of productivity or level of performance that the organization had before. (<http://www.toolkit.cch.com/columns/people/138turnover.asp>)

High labour turnover has become a problem for manufacturing companies like Tikur Abay Shoe S.C. Well experienced and qualified professionals leave position they held in the company. According to the company's annual reports, the employee turnover rates are increasing from time to time. This report clearly shows that during the last four years from 2005-2008 E.C; the total number of permanent employees turnover rate become 15.3, 20.65 and 17.15 percent respectively. In the year 2008 the rate increased rapidly and reached to 26.17 percent because in this year the company applied a new organizational structure and it affects the interest of the existing employee and creates dissatisfaction.

As indicated in the report, the permanent employees that leave the company was highly experienced and well skilled. This in turn affects the productivity and competitiveness of the company. Due to lack of exit interview for the employee who wants to quit, the company is unable to find out the real cause of the problem and to apply appropriate retention mechanism.

1.3 Research Questions

This research paper tailored to answer the following research questions formulated on the problems mentioned above.

1. What is the trend of the company turnover rate?
2. What are the major causes of employee turnover in Tikur Abay Shoe S.C.?
3. What is the intention of permanent current employee towards turnover?
4. What is the attitude of the management with regard to employees' turnover?

1.4 Objective of the Study

The main objective of this research is to identify the major causes of permanent employee turnover at Tikur Abay Shoe S.C. and forward possible solutions in order to reduce turnover and retain competent employees.

The specific objectives of the study are:

- To determine the turnover rate of permanent employees of the company and to compare with the industry.
- To check if demographic factors such as age, gender, educational qualification are causes of turnover.
- To see whether the job itself and the work environment are a major factor for employee turnover.
- To examine whether turnover is caused by inadequate salary, benefit packages, career advancement, training and development, and employee-boss relationship.
- To know the feelings of management and the intention of existing employee towards turnover.
- To suggest what corrective actions should be taken to minimize the turnover.

1.5 Significance of the study

This research is significant in term of finding the main factors that lead employees to leave Tikur Abay Shoe S.C. The results of this research help the company to revitalize their existing retention program to be more meaningful to the employees and help the company to save its operations cost eventually. And also it indicates which factor is more significant towards the turnover intention, that eventually be used by the organization to zoom into.

The result also helps to indicate the employee's point of view on the existing job and organization, which able to trigger the next solution in order to prevent any turnover intention. This helps to improve the relationship between the employee and the organization, and eventually create loyalty in a long run.

In general, the study is significant for the Human Resource and support department of Tikur Abay Shoe S.C to give due attention to the main causes of its employee turnover and set policies and strategies to minimize the problem. In addition to these, the study serves as a reference for further studies to be conducted on related issues in the company and elsewhere.

1.6 Scope/Delimitation of the study

Employees' turnover is broad in the sense it comprises voluntary and involuntary turnover. This study however addresses only voluntary turnover of the organization. The scopes of this study delimit itself on voluntary turnover of permanent employees and the HRM manager of the company who are found in Addis Ababa factory production site. Out of the total 363 number of permanent employees 109 are selected for questionnaire. The major limitation of the study is the difficulty in finding interview report or documentation to know the real cause of turnover from the first hand sources since the company didn't regularly conduct exit interview for its ex-employees. Therefore this project is delimited by analysis and interpretation of data by taking questionnaire of selected permanent staffs and ex-employee of secondary data for four years annual report. It was difficult to collect all 109 questionnaires which are distributed to respondents and only 102 are returned.

1.7 Organization of the Research Report

Chapter One contains background of the study, statement of the problem, basic research questions, objectives of the study, significance of the study, and scope of the study. Chapter two deals the literature relevant to the study. Under chapter three, the type and design of the research; the subjects/participant of the study; the sources of the data; the data collection tools/instruments employed; the procedures of data collection; and the methods of data analysis used is described. Chapter four explains data analysis of the findings of the study and interpretation or discussion of the findings. Finally, chapter five is presented summary of findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of employee turnover

Employee turnover defined as the entrance of new employee in to the organization and the departure of existing employee from the organization (Harkins, 1998). The researcher will use the term departure of existing employees interchangeably with voluntary separation or exit. Mobley, et al.,(1979)defined turnover rate as how much new recruitment was hired to replace resigned employees. By these definitions, turnover ‘occurs’ only when a replacement is successfully hired. A similar definition is provided by (Mody, 2010) who state that turnover means voluntary cessation of membership of an organization by an employee of that organization. Another study suggests that employee turnover is the rotation of workers around the labor market, between different companies, occupations and jobs and also between states of employment and unemployment (Nel, et al., 2001). In an organizational context, turnover can be defined as the termination of an employee’s intra organizational career trajectory, which is composed of a sequence of job changes from job entry to exit (NSDC, 2010).

Employee turnover could refer to a situation whereby employee exit the organization voluntarily for various reasons and thereby affecting the organization negatively in terms of costs and the capacity to deliver the minimum required services (Yankeelov, et al., 2008). When an employee leaves the organization, this may have a variety of effects that not only impact on organization but also on employee itself and society also. Employee turnover has a significant subject for many researchers and academics because of its negative results as turnover. The relationship between training and development has been developed in the literature but contradictory outcomes described in literature defining the part of training and its impacts on employee turnover creates the complicated relationship (Pearce, G. and J.Mawson, 2009). For example the low rate of training programs in organizations may lead to poor job performance and higher employee turnover rate. On other side, the organizations which have proper training program for development of their employees, enjoying high success ration and lower level of employee turnover.

2.2 Types of employee turnover

2.2.1 Voluntary turnover

When employee leaves an organization at their own discretion, it is referred to as voluntary turnover (Noe, et al., 2006). It is initiated by the choice of the employee. A similar definition is give by (Egan, T.M., B. Yang and K.R. Bartlett, 2004), stating that “an instance of voluntary turnover, or a quit, reflects an employee’s decision to leave an organization, whereas an instance of involuntary turnover, or a discharge, reflects an employer’s decision to terminate the employment relationship”. According to (Manu and Shay, 2004) who study voluntary turnover, it can be affected by a lack of job satisfaction, job stress as well as alternative opportunities. It is thus important to consider attractions such as alternatives when looking at voluntary turnover. However, voluntary turnover can be predicted and, in turn, be controlled.

2.2.2 Involuntary turnover

(Mathis, J.E. and D.M., 2004) define involuntary turnover as “...an instance of involuntary turnover, or a discharge” that reflects an employer’s decision to terminate the employment relationship”. According to (Allen, D.G., L.M. and R.W., 2003), involuntary turnover includes retirement, death and dismissal. (Boxall, P.andJ.Purceel, 2003) further state that turnover initiated by the employee such as resigning to take care of a terminally ill family member or accompanying a spouse to another area should also be considered as involuntary as it includes reasons over which the employee has no control. Another definition states that involuntary turnover includes the need to cut costs, restructure or downsize due to reasons which are independent of the affected employee(s), as explained by (Bratton, J. and J. Gold, 2003). This represents a decision or choice made by the employer. It appears that the distinction between voluntary and involuntary turnover is important but not straightforward (Chiu, C.K. and M.A. Francesco, 2003).

2.2.3 Avoidable and Unavoidable Turnover

Unavoidable turnover results from life decisions that extend beyond an employer’s control, such as a decision to move to a new area or a job transfer for a spouse. Avoidable turnover is something organizations can prevent by hiring, evaluating and motivating their employees more effectively. It is important to determine whether the organization is dealing with voluntary

turnover that could have been prevented. Such information is important as it will direct the organization to the type of intervention needed to enhance the retention of employees (Chiu, et al., 2002).

2.3 Causes of Employee Turnover

Causes of labor turnover basically arise from unhappiness from job place for individual employee. But being unhappy in a job is not the only reason why people leave one organization for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. That's why it is important to know and recognize the difference between employees who leave the job because they are unhappy and those who leave for other reasons, Shamsu and Hasan (2007). There are a number of factors that contribute to employee turnover. Prominent among them include;

- i. **The Economy:** Most employees leave one job for another due to the availability of higher paying jobs. Obviously, in a better economy the availability of alternative jobs plays a role in turnover. Most employees may tend to leave their present job to better paid job.
- ii. **The Characteristics of the Job:** Some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenges, danger, perceived importance and capacity to elicit a sense of accomplishment.
- iii. **Demographics:** Empirical studies have demonstrated that turnover is associated in particular situations with demographic and biographical characteristics of workers.
- iv. **The Person:** In addition to the factors listed above, there are also factors specific to the individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover.
- v. **A Bad Match between the Employee's Skills and the Job:** Employees who are placed in jobs that are too difficult for them or whose skills are underutilized may become discouraged and quit the job.

- vi. **Substandard Equipment, Tools or Facilities:** If working conditions are substandard or the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time.
- vii. **Lack of Opportunity for Advancement or Growth:** If the job is basically a dead-end proposition, this should be explained before hiring so as not to mislead the employee.
- viii. **The job should be described precisely,** without raising false hopes for growth and advancement in the position.
- ix. **Feelings of Not Being Appreciated:** Since employees generally want to do a good job, it follows that they also want to be appreciated and recognized for their works. Even the most seasoned employee needs to be told what he or she is doing right once in a while.
- x. **Inadequate Supervision and Training:** Employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.
- xi. **Unequal or Substandard Wage Structures:** Inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit. Again, a new worker may wonder why the person next to him is receiving a higher wage for what is perceived to be the same work. (Shamsu and Hasan, 2007)

2.4 Employee Turnover Drivers

Allen uses the term ‘drivers’ to refer to factors that cause employee turnover. The work of Porter and Steers provide a useful framework to categorize employee turnover drivers. They use the concept of ‘met expectations’ to explain turnover. A discrepancy between what a person encounters on a job in the form of positive and negative experiences and what he or she expects to encounter (Long, et al., 2012). A person’s inclination to withdraw from a work situation will increase when his or her expectations are not being met. Porter and Steers compiled an ‘expectation set’ that is used in the present study to categorize turnover drivers into four groups - personal, organization-wide, work-environmental and job-related drivers.

2.4.1 Personal Turnover Drivers

A review of research findings show that older employees who have been in a position longer are less inclined to resign compared to younger employees (Grissom, et al., 2012). In addition, the turnover rate for females is higher compared to men and this tendency could largely be attributed to the family and child care responsibilities of female employees. High female turnover is also attributed to a lack of career advancement while male employees leave because of a lack of proper organizational objectives and promotional opportunities. However, although women traditionally were significantly more likely to quit than their male counterparts, more recent research findings indicate that women are now less likely to leave public organizations than men. Changes in labor force participation partially explain these findings. Research findings suggest that employees in lower job categories find their jobs less financially and/or psychologically rewarding (Kellough & Haoran, 1993).

2.4.2 Organization-wide Turnover Drivers

Organization wide turnover drivers include the following hygiene factors: development/training and promotion policies, compensation, working conditions and job security. Surveys of previous research suggests that poor human resource policies, lack of career advancement opportunities and poor compensation packages (pay and benefits) are negatively associated with employee turnover (Grissom, et al., 2012). Compensation, working conditions and development opportunities were found contribute most to the job dissatisfaction and turnover of public service employees. Job insecurity could also lead to turnover when better opportunities are offered by other employers.

2.4.3 Work-environment Turnover Drivers

These drivers include the following hygiene factors: supervisor and co-worker relations. Relationships with co-workers and the behavior and management style of supervisors play an important role in the job dissatisfaction and turnover of public sector employees.

2.4.4 Job-related Turnover Drivers

Job related drivers include intrinsic motivators such as the nature of job requirements, autonomy, challenging work and a sense of achievement, as well as job stress and feedback. Employees will leave when better growth opportunities and a challenging job are offered by other employers.

Autonomy and stress are also of particular importance in the job satisfaction and turnover of public employees (Kasimati,2011). It is evident that both job satisfaction and dissatisfaction are important determinants of employee turnover.

2.5 Job Satisfaction and Job Dissatisfaction

Contemporary Human Resource Management is defined as

“...the productive use of people in achieving the organization’s strategic objectives and the satisfaction of individual employee needs”(Masri, 2009).

The need fulfillment model proposes that one’s experience of satisfaction or dissatisfaction will often be a function of the extent to which one perceives that one’s needs are being met (Liu, etal.,2012). An understanding of the needs of employees is essential to ensure their satisfaction and to reduce employee turnover (Herzberg, etal.,1959).

Job satisfaction has emerged as the most widely studied predictor of turnover (Allen&D.G.,2008). However, research findings on the job satisfaction of public sector employees are contradictory. Some researchers found overall job satisfaction to be high among public employees at all levels of government, whereas other studies reached an opposite conclusion (Griffith& Horn,2001).

A well quoted definition of job satisfaction is that it is

“A positive or pleasurable affective response resulting from the appraisal of various facets of one’s job or job experiences” (Liu etal.,2012)

However, low job satisfaction alone is not enough to account for turnover. One also has to take job dissatisfaction that is related to the satisfaction of extrinsic job needs into account. Research findings indicate that both job satisfaction and job dissatisfaction lead to employee turnover (Porter& Steers, 1973).

Herzberg's motivation-hygiene theory explains the difference between the two concepts. He distinguishes between two sets of factors (motivators and hygiene factors) that act independently of each other (Long, etal.,2012). Intrinsic motivators (nature of the work itself, recognition, and autonomy, sense of achievement and personal growth and advancement) lead to satisfaction.

They gratify needs such as needs for achievement, competency, status, personal worth and self-realization.

However, the absence of motivators does not lead to unhappiness and dissatisfaction. Instead, dissatisfaction results from an unfavorable assessment of 'hygiene factors'. Hygiene factors (compensation, job security, working conditions, company policies and administration, supervision, and interpersonal relations) are extrinsic to a job itself and lead to dissatisfaction if workers have negative affective responses to them.

In human resources context, turnover or staff turnover or labor turnover is the rate at which an employer gains and losses employees. The Simple ways to describe it are "how long employees tend to stay" or "the rate of traffic through the revolving door". Staff turnover describes the number of employees who leave a company compared with the number of people who remain employed.

Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. High turnover may be harmful to a company's productivity if skilled workers are often leaving and the workers population contains a high percentage of novice workers. It is generally considered undesirable to have high employee turnover, because this means the office is made up of mostly new hires without many years of experience at the company. The result of high turnover is that new employees constantly need to be hired and trained, which can be expensive and time-consuming.

2.6 Employee Turnover Rate

Employee turnover rates can serve as a useful management tool. Their interpretation, however, requires a great deal of care. Low turnover can signal good employee-employer relations or stagnation. High turnover can mean costly loss of experienced personnel or the introduction of needed fresh talent and new ideas. Increases and decreases in turnover rates can indicate changes in labor market conditions and employee reaction to alterations in working conditions, management practices, and compensation policy. (www.cbo.gov/ftpdoc.cfm)

2.6.1 Crude Turnover Rate

Typically, organizations use the crude wastage rate for measuring turnover. This calculates the number of leavers in a given period as a percentage of the average number of employees during the same period. (<http://www.mintrac.com.au>) Most organizations simply track their crude turnover rates on a month by month or year by year basis. The formula is simply:

$$\frac{\text{Total number of leavers over period}}{\text{Average total number employed over period}} \times 100$$

The total figure includes all leavers, even people who left involuntarily due to dismissal, redundancy or retirement. It also makes no distinction between functional (i.e. beneficial) turnover and that which is dysfunctional.

Though crude turnover figures are necessary for effective benchmarking purposes, it is also useful to calculate a separate figure for voluntary turnover and to consider some of the more complex employee turnover indices which take account of characteristics such as seniority and experience. (<http://www.cipd.co.uk/subjects/hrpract/turnover/empturnretent.htm>)

The simplicity of this measure means there is less risk of different parts of the organization supplying inconsistent data. However, the crude wastage rate has its limitations because it includes all types of leavers; voluntary and involuntary leavers. A single measure of turnover that does not distinguish between cases where people left because they were dissatisfied and where people left because of ill health or retirement will be inadequate because it treats leavers as a homogeneous group (Morrell, 2004).

2.6.2 Stability Index

This measure gives an indication of the extent to which experienced employees are being retained. It can be used to calculate the stability of the whole organization or of a particular group of employees. (<http://www.mintrac.com.au>)

A stability index indicates the retention rate of experienced employees. Like turnover rates, this can be used across an organization as a whole or for a particular part of it. The usual calculation for the stability index is:

$$\frac{\text{Number of staff with one or more years service} \times 100}{\text{Number employed a year ago}}$$

Number employed a year ago

This formula can be varied according to particular circumstances (e.g. basing it on a longer period of service). A rise in the stability index indicates the company is improving retention of more experienced staff. Normally, a wastage rate would be expected alongside a low level of stability. If both percentages are high, this indicates the organization is experiencing problems with a small number of high turnover jobs (<http://www.mintrac.com.au>).

2.6.3 Resignation rates

Another way of measuring turnover is to base turnover rates on voluntary leavers or resignation rates only, thus excluding employees who have left for other reasons such as retirement, redundancy, dismissal or redeployment to another part of the organization. However, basing turnover rates on voluntary leavers can also have its drawbacks because it does not indicate how many staff needs recruiting to cover those employees who have left because of retirement or voluntary internal transfers. One solution is to record separate turnover rates for voluntary and involuntary leavers (<http://www.mintrac.com.au>).

2.6.4 Vacancy rate

Another approach is to place a greater emphasis on the number of vacancies that need to be filled. The vacancy rate is based on the number of positions an organization actively wishes to recruit to as a percentage of the number of overall employees.

2.7 The Costs of Employee Turnover

Despite the wide availability of analysis on the cost associated with turnover, many organizations do not have processes in place to measure the cost of turnover as a combination of recruiting/advertising, interviewing, hiring, orientation, training, compensation during training, lost productivity, customer/client dissatisfaction, lost business, administrative costs, lost expertise, temporary workers and exit costs (Black, 2006; Abbasi & Hollman, 2000).

Financial costs of turnover to organizations are often significant and poorly understood. According to Schwab (1991), there are two categories of costs that are attributable to turnover. These categories, known as hard costs and intangible costs, need to be factored into the overall cost of turnover.

2.7.1 Hard costs

The first category of financial costs, known as hard or tangible costs or expenses are associated with recruiting (advertising), selecting and training new associates. These costs included expenses and manpower. A manager spending time in the hiring process could otherwise be devoted to managing everyday functions.

2.7.2 Intangible costs

The second type of costs, known as intangible cost is more difficult to quantify. They are incurred when decrease in profit occur due to lack of experience in new position associates, or overall efficiency and worker morale. The reduction of profit attributed to turnover due to sales and overstaffing varies depending on length of time sales associates require to adapt to their new environment.

Unless these causes of turnover are identified, low morale may lead to more negative consequences, such as tension with management and disruptive behavior. Feedback from employees and executives must occur on a regular basis and must be used to assess the workplace environment for identification and correction. This could also be critical in solving or preventing workplace violence.

2.7.3 Separation, Replacement and Training Costs

Cascio (1995) breaks turnover costs into three broad areas: separation costs, replacement costs, and training costs. Costs associated with separation include administrative processing and exit interviews. The most apparent cost of turnover, for researchers and practitioners alike, is the administrative one. Replacement costs are typically associated with job posting and advertising, interviews, testing, travel, and moving expenses. Training costs include formal and informal activities, materials, and management time.

Other miscellaneous costs could occur in the standard “out-processing” costs for employees that are leaving (Mobley, 1982). These costs may increase if the turnover is generated by downsizing and requires premium severance packages. Also, if the turnover is the result of involuntary termination there may be additional administrative costs to document just cause, along with possible legal fees if the employee claims to have been the victim of discrimination or unfair practices.

2.7.4 Inefficiency and Other Costs

Phillips (1990) studied his company’s turnover, citing nine categories of potential cost. He found five variables related to inefficiency: inefficiency of the incoming employee, co-workers closely associated with the position, departing employees, those closely associated with departing employees, and the job vacancy itself. The remaining variables were made up of out-of-pocket processing costs, HR department costs, non-HR processing costs, and relocation costs. Other recent studies indicate turnover costing an average of 1.5 times an employee’s annual salary (Gardner, 1986). The tangible amounts would include recruiting and training expenses; the intangible amounts would include loss of customer confidence in new personnel and decreased productivity while a new staff gets acquainted with their positions. There are moderating factors to costs associated with turnover that are also factors in the current high turnover in retail. Staw (1980) notes that tightness in the labor market can increase the cost of replacement while high unemployment in the marketplace should reduce the cost, since the ability to attract and hire personnel is typically easier. Staw also notes that the level and complexity of the job to be filled is another possible moderator. It is intuitively stated that finding a replacement for a position, which requires lower skills, should result in lower replacement costs than those with higher-level skill requirements.

2.8 Benefits of employee turnover

Although there are costs associated with labor turnover, we also find some benefits linked to it under special circumstances. For example, Glebbeek & Bax has put forward some of the potential advantages of labor turnover:

(1) *Leave of relatively expensive employees.* This applies especially in case a firm uses a compensation system based on seniority or if the premiums for social security are age-related;

(2) *Leave of less productive employees.* This refers to workers who lose productivity due to aging, physical and mental wear or because they cannot cope with rising work measures;

(3) *Termination of bad matches.* Even under the conditions of careful recruitment and selection procedures, some matches turn out to be better than others;

(4) *Innovation.* Labor turnover creates possibilities for replacing employees and therefore enables firms to import new types of knowledge, ideas, experience and skills;

(5) *Adjustment to market conditions.* The personnel demand of a firm is dependent on external conditions of which the market and the business cycle are important ones. Hence, some variation in the number of staff employed is inevitable;

(6) *Facilitating the internal labor market.* Internal labor markets provide the opportunities for career development of employees and are therefore an important instrument for motivation; and

(7) *The price of quality.* Labor turnover is the price organizations have to pay for the employment of young, highly skilled, and well-educated professionals. Although these 'job hoppers' will leave the organization inevitably, during their stay they contribute significantly to the organization's success. Prevention of this kind of turnover would be the employment of more 'average' employees who are less attracted by the external labor market.

2.9 Retention Practices to Reduce Employee Turnover

Organizations should endeavor to promote and reinforce retention strategies that lead to positive changes in employee job satisfaction and minimize dissatisfaction in order to maintain their valuable human resources. Various retention strategies can be used to address the employee turnover rates in organizations. Research findings show that the top ten retention initiatives used are market adjustment/base salary increase; hiring bonus; work environment (e.g., flexible schedules, casual dress, telecommuting); retention bonus; promotion and career development opportunities; above-market pay; special training and educational opportunities; individual spot bonuses; stock programs; and project milestone/completion bonuses.

External causes of employee turnover, such as supply and demand in the labor market and job alternatives cannot be controlled by an organization. If dysfunctional employee turnover cannot

be prevented then organizations have to plan proactively to minimize the effects of turnover in the future. The causes of involuntary turnover are also outside the control of an organization but the costs that such turnover imposes on the organization should be managed. One possibility is to redesign jobs or processes to lower the transaction costs associated with involuntary turnover. On the other hand, research findings provide evidence that the internal drivers of voluntary employee turnover can be managed through the use of a number of human resource practices.

Human resource theories have emphasized the importance of increasing power, information, rewards, and knowledge (PIRK) for employees as a tool to enhance organizational effectiveness and lower employee turnover. An increase in PIRK will increase worker involvement and worker engagement by increasing job satisfaction and decreasing job dissatisfaction. Research findings support the argument that high involvement practices are likely to lower turnover rates. Turnover can be reduced by increasing employee engagement because engaged workers believe that their employer values their contributions that their work is important, they enjoy their work, they take pride in their organization and they are satisfied with their job (Kasimati,2011)

2.9.1 Staffing

Job design/redesign can be used to change the job range (through job enrichment and job rotation) and job depth to increase task significance, autonomy, task identity and task variety of an employee's job. This will help to strengthen job engagement and to increase job satisfaction. Additionally, job engagement will increase when an internal recruitment strategy is used to promote employees from within an organization (Kasimati, 2011). Organizations that allow greater internal opportunities for advancement are more successful at retaining employees. By letting employees know that a variety of career paths are available to them, organizations can reduce feelings of neglect that often lead to increased turnover.

Transparent and fair policies and procedures for development and advancement would also motivate females and other previously disadvantaged groups to make use of the opportunities available to them. It is important not to lower selection standards in high turnover situations and to ensure that selection is vacancy specific. During the selection process, clear communication should be used to establish a person-job and a person-organization fit. Biographical data used for

selection purposes could provide an indication of, for example, tenure in previous jobs and are predictive of retention.

Research evidence suggests that proper induction (and re-induction) is related to increased tenure in an organization and help new employees become embedded in their new work organization. Presenting applicants with a *realistic job preview* (RJP) has a positive effect on retention of new (and redeployed) employees. Job engagement will be increased by reducing the discrepancy between employee expectations and reality which in turn could reduce actual turnover. Job engagement will also be increased by demonstrating to new and current employees how their jobs contribute to the organization's mission. Job involvement will be increased by letting employees see the fit between their personal goals and organizational goal(Haines, etal.,2010)

2.9.2 Training and Development

Access to opportunities for ongoing training and the development of managerial competencies and skills can be used to increase job engagement and to reduce job dissatisfaction. Human resource practices that promote growth opportunities simultaneously lower employee turnover. Such programs reduce turnover by removing skill-related obstructions. However, training and development opportunities may actually increase turnover by increasing employees' external marketability and ease of movement. In order to retain employees, job-specific training instead of more general and transferable training that will make an employee more attractive to other organization should be provided.

2.9.3 Compensation

Job engagement can be increased by providing positive feedback and recognition for all types of contributions by employees and in particular for value-adding contributions. Human resource practices that increase the availability of fair rewards usually lower employee turnover intentions. Research findings show that rewards are strongly related to organizational support perceptions which are related to turnover intentions.

Competitive and fair compensation packages are crucial to decrease dissatisfaction and to minimize the attractiveness of alternative employment. Research findings have consistently indicated that high pay and generous benefit packages reduce turnover rates. Well-designed

employee benefit packages, onsite childcare and family-friendly programs are effective tools for retaining employees (Herzberg, et al., 1959).

2.9.4 Supervision

Improvement of the quality of supervision could play a key role in the reduction job dissatisfaction and employee turnover. If turnover is high in a supervisor's department then he or she requires assistance. Coaching and training should be used to develop the planning, organizing, directing and controlling skills of supervisors as well as their leadership skills. Supervisors should be motivated to use a people-orientated leadership style instead of being autocratic in their interactions with their subordinates to build morale and to reduce turnover. An autocratic leadership style is characterized by poor communication between supervisors and subordinates. Conversely, when employees perceive that they are supported and cared for, they are likely to stay with the employer as a form of reciprocation.

Supervisors should be supportive and allow subordinates to voice their concerns. They should also provide constructive and informative performance feedback and evaluations and facilitate employee skills development. Any grievances or disciplinary resolution procedures should improve employees' perceptions of both procedural and distributive justice (Haines, et al., 2010). As a linking pin between management and workers supervisors not only communicate policies and instructions from management to workers. (Vandenberg, et al., 1999) found that providing employees with access to information about the organization is negatively related to turnover intentions.

Supervisors can also show support and care for their subordinates by making management aware of worker problems that could lead to turnover. However, proper supervision alone will not improve employee retention. Supervisors have to manage physical working conditions (e.g., availability of facilities, equipment and appliances, healthy, safe and hygiene conditions) as well as psychological working conditions (e.g., effects of work pressure as a result of work overload or work underload, working hours and unmet expectations) in their departments to decrease job dissatisfaction (Nel, et al., 2011).

2.10 Theoretical Framework of the Study

2.10.1 Evolution of Turnover Model

There were primary study in organizational employee's movement from view of macroscopically economic at the beginning of the 20th century, for searching the factors influencing employee's turnover, such as salary, common training, labour market structure, and job opportunities, and their achievements have laid the foundation for later construction of organizational employees' retention/ turnover theory (March, 1958; Burton, 1969; Chen,1997; Zhang, 2006).

In terms of the integrative theory concerning management of employees' retention/turnover, as early as Barnard (1983, 1997), from the perspective of organizational society, personal psychology, and interaction of economic interest, made profound discussions about the determinate factors (individual goal, desirability, impetus, and other available opportunities which can be perceived) for people to join certain "collaborative organization", theory on effectiveness of organizational "inducement" for attracting organizational members and keeping their willingness to contribute to organization, maintaining social structure in organizations, and realizing the target of organization. In Barnard's function of the executive, described among material and non-material inducements provided by organizations, social integrating relation generated by originations to employees, takes a crucial position and usually plays "determinant" role in effective operation of organizations to employees, takes a crucial position and usually plays "determinant" role in effective operation of organizations or socially collaborative system.

2.10.2 The Job-Attitude Period

Since the 1950s, with the rapid development of the western economy after post-war rebuilding, swiftly increasing management cost, such as the costs of control, replacement and training from organizational employees' retention or turnover accompany lower unemployed' rate. From establishment and evaluation of research model on organizational employees' turnover, it is generally believed organizational equilibrium theory in the classic work "organization" of March and Simon (1958), who both are inheritor and promoter of social system school on the research of turnover decision behavior of employees (Xie, 2003; Lee and Mitchell et al., 2004).In their work, March and Simon divided employees' decision-making behaviors into individual's

“Decisions to Perform” and “Decision to Participate”. Then put forward the earliest overall model about employees’ voluntary turnover, the so-called model of “Decision to participate”. March and Simon were the earliest figure who tried to integrate labor market and individual behaviors for investigating and studying employees’ turnover behaviors. Their outstanding contributions file in the introduction of labor market and behavior variables into the research on turnover process of employees from organizations, laying a theoretical foundation for later research on employee turnover.

Griffith (2000) conducted a review research in the model of element analysis on all papers on employee’s volunteer turnover published in classic management magazines, he describes that related variables around attitude models reached eleven kinds of demographic predictors; sixteen kinds of sub-structure variables related to job satisfaction and organization factor and work environment factors, such as expectations, pay satisfaction, role clarify, six kind of variables related to job content and external environment factors, such as job scope, reutilization, job involvement, alternative job opportunities, comparison with present job etc.; three kinds of other behavioral predictors; nine kind of adjusting variables for withdraw process.

As Griffith (2000) review, a general research model and analyzing route for traditional attitude research model are displayed in figure 1. Hausknecht (2008) listed the major 12 retention factors that have been published in the literature over the last 60 years from 24,829 employees in leisure and hospitality industry of US, which help explain why employees stay or quit. A brief summary of these content models is described in table 2.

In conclusion, it is generally believed that in the traditional attitude turnover model the process of employees’ volunteer turnover (including the turnover intention and behavior of turnover) is the reversed transformation process of employees’ retention psychology and behaviors, mainly consisting of four sectors (Lee and Mitchell, 1999): first is the quit process caused by job dissatisfaction; then, employees’ search for substitutable jobs before turnover; is evaluation.

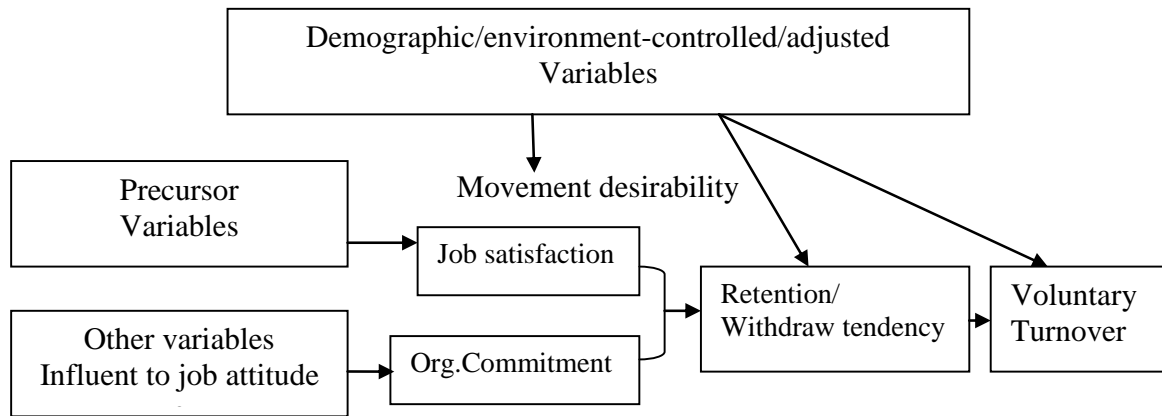
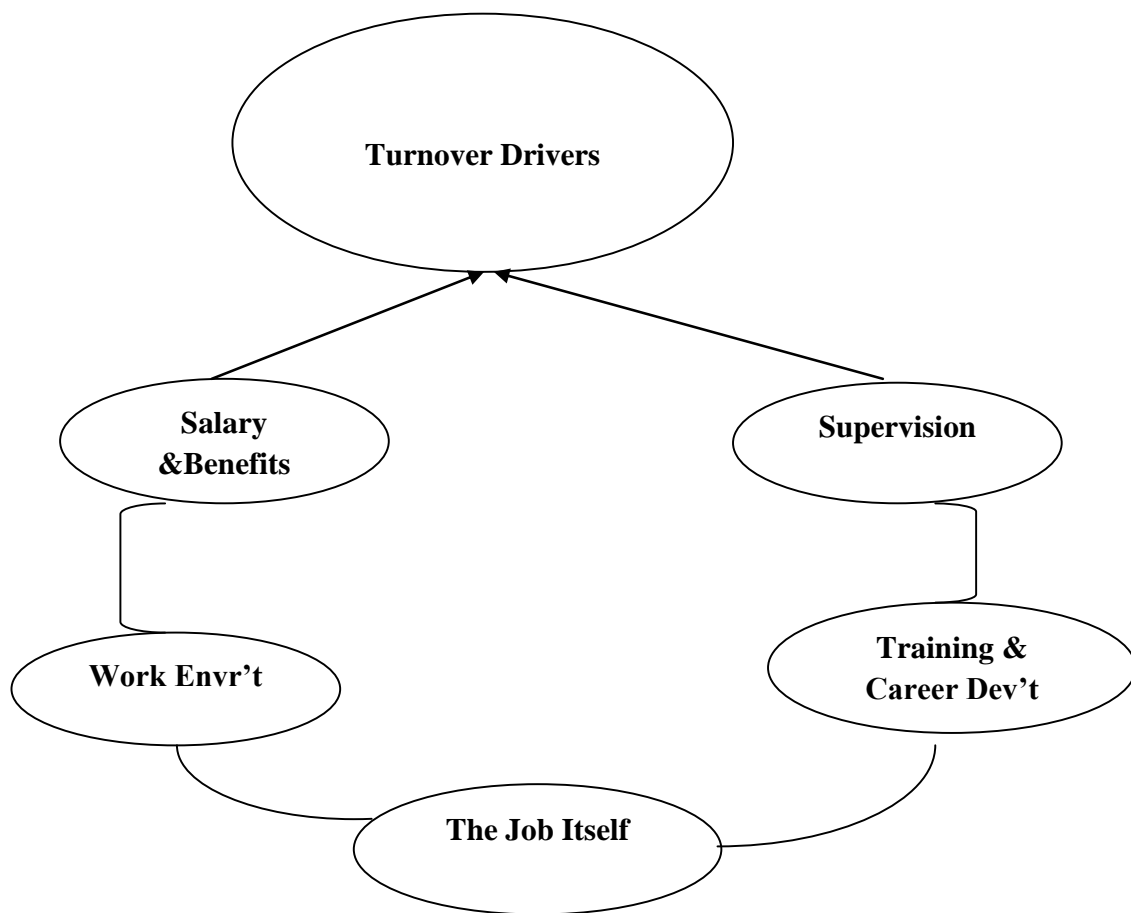


Figure 1. The traditional turnover model. Adapted from Giffeth et al., (2000); pp. 463-488

Table 2. Hausknecht (2008) description and definition of retention factors

S.No	Retention Factor	Definition
1	Job satisfaction	The degree to which individuals like their jobs
2	Extrinsic rewards	The amount of pay, benefits, or equivalents distributed in return for service
3	Constitution attachments	The degree of attachment to individuals associated with the orgn. Such as supervisor, co-workers, or customers.
4	Organizational commitment	The degree of which individual's perceived to the reputable and well-regarded
5	Organizational prestige	The degree of which organization is perceived to be reputable and well-regarded
6	Lack of alternatives	Beliefs about the unavailability of jobs outside of the orgn.
7	Investments	Perceptions about the length of service to the organization.
8	Advancement opportunities	The amount of potential for movement to higher levels within the organization
9	Location	The proximity of the workplace relative to one's home
10	Organizational justice	Perceptions about the fairness of reward allocations, policies and procedures, and interpersonal treatment
11	Flexible work arrangement	The nature of the work schedule or hours
12	Non-work influences	The existence of responsibility and commitments outside of the organization.

Based on the overall review of related literatures and developed models, the researcher proposed to develop the following model. The following model is proposed using theoretical frame work conducted by different researchers.



The model explains the variables addressed while conducting the study. To measure each controllable variables and their influence on turnover intention different measurement has performed.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The method used in this study is descriptive. Descriptive statistics analysis is used in the interpretation and discussion. Frequency & percentages are used as appropriate to present the result of the study. The study involves survey of different document and questionnaire (close ended) and an interview with HRM manager of the company. Employee's turnover should be assessed and quantified by using likert scale method and variables like demographic profile of current and ex-employees, the existing job, work environment, career development, training and staff benefit, supervision, and turnover intention are explained.

3.2 Source of Data

In attempt to address the assessment of turnover and to provide possible recommendations, the researcher used both primary and secondary data sources. With regard to primary data, the data collected through questionnaire filled by the permanent existing employees and interview conducted with HRM manager of the company. The demographic profile of the ex-employee is collected from the four years annual report of the company. As far as secondary data is concerned, relevant data are collected from the organization annual reports, websites (internet) and other available sources.

3.3 Sampling Technique

For the purpose of this study, stratified random sampling technique is applied on existing permanent employees and secondary data survey method for the ex- employees of the organization. The target population and sampling frame of the study is the permanent employees and the HRM manager of the company who are found in Addis Ababa factory production site. The number of employees to be assessed is 363 and out of which 30% (109) of the total target population have taken for questionnaire and Manager of the human resource department have interviewed. The sample taken is representative of target population in which the study is

undertaken. The validity of the sample size is tested by sample size calculator at 95 percent confidence and 8 percent error.

Table 1.Stratification

No	Department	Population No.	Percentage	Sample
1.	Product Development and Quality Control,	12	30%	3
2.	Planning and Data Analysis	6	30%	1
3	Administration and Finance,	37	30%	11
4	Marketing and Operation	315	30%	94
<i>Total Sample</i>		363	30%	109

3.4 Analysis of Data

The researcher is used descriptive data analysis method to analyze, interpret and summarize the findings of the study. Frequencies and percentage computation is used to get the total picture of the data collected from the sample respondents using questionnaire by SPSS version 20 for windows. In summary the data is tabulated and analyzed using descriptive method.

CHAPTER FOUR

RESULT AND DISCUSSION

The trend of Tikur Abay employee turnover rate compare with the total industry turnover rate, the information obtained via interview with human resource manager of Tikur Abay S.C, Ex-Employees profile from secondary data source and data collected through structured questioner from current permanent employees of the company are analyzed and presented as follows:

4.1 The Total Industry Turnover rate

The information in the following charts-both voluntary and total turnover rates has been drawn from CompData’s 2016 edition of their annual Benchmarkpro Survey, which features data submitted by more than 30,000 organizations.

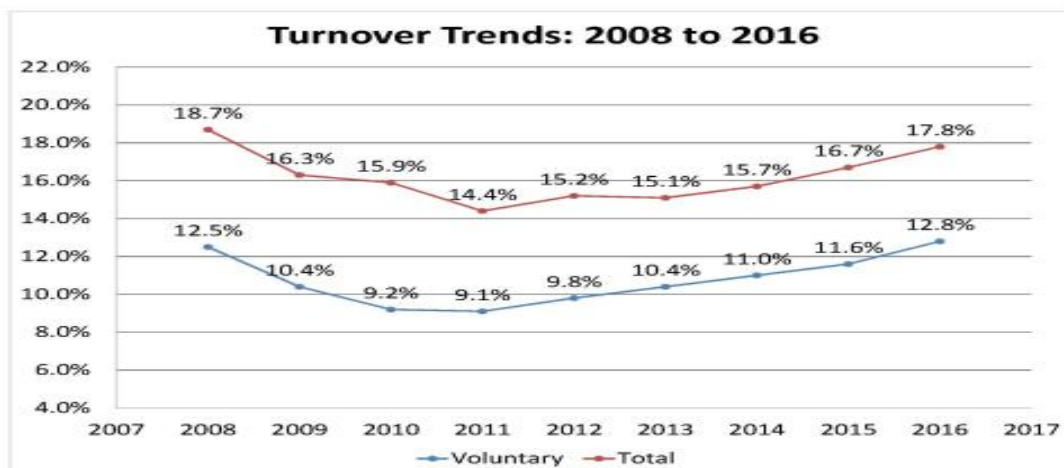
Table 2: Voluntary Turnover

2016 Voluntary Turnover Rate	
All Industries	12.80%
Banking & Finance	15.30%
Healthcare	15.30%
Hospitality	20.70%
Insurance	8.80%
Manufacturing & distribution	10.10%
Not-For-Profit	12.20%
Services	11.40%
Utilities	5.90%

Table 3: Total Turnover Rate

2016 Total Turnover Rate	
All Industries	17.80%
Banking & Finance	18.10%
Healthcare	19.90%
Hospitality	28.60%
Insurance	12.20%
Manufacturing & distribution	16.00%
Not-For-Profit	15.70%
Services	16.80%
Utilities	8.80%

Chart 1: Total Industry Turnover rate



As indicated in the above tables the total turnover rate in all industry is 17.80% where as the voluntary turnover rate is 12.8%, if we look the total turnover rate in Manufacturing & distribution sector, it is 16.00% and 10.10% respectively. As it shown in the turnover trend chart, in 2008 the average turnover rate in all industry was 18.7 where as in 2016 it became 17.8% and shows a 0.9% decline. In the year 2011 both total and voluntary turnover rates decreased and reached to 9.19% and 14.4%.

4.2 Tikur Abay Turnover Rate

As indicted in the Table 4 and 5 below, during the period between 2005 and 2008E.C. 301 employees had terminated their employment with the company. Out of the total number of terminated employee, 135 number of employee quite their employment contract voluntary. In the year 2008 both the total and voluntary rate are high compared to the other years under review.

Table 4: Total Turnover Rate

Year	2005	2006	2007	2008
Ex- employees	65	82	59	95
Average No. of employees	416	397	344	363
Turnover	15.63%	20.65%	17.15%	26.17%

Table 5: Voluntary Turnover Rate

Year	2005	2006	2007	2008
Ex- employees	27	24	38	46
Average No. of employees	416	397	344	363
Turnover	6.49%	6.05%	11.05%	12.67%

Chart 2: Total Turnover Rate

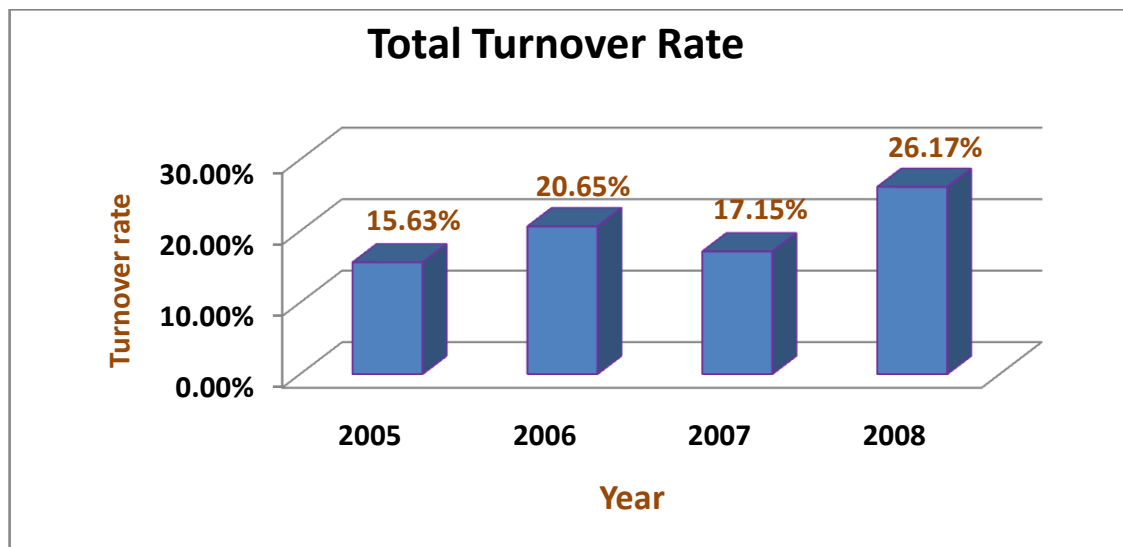
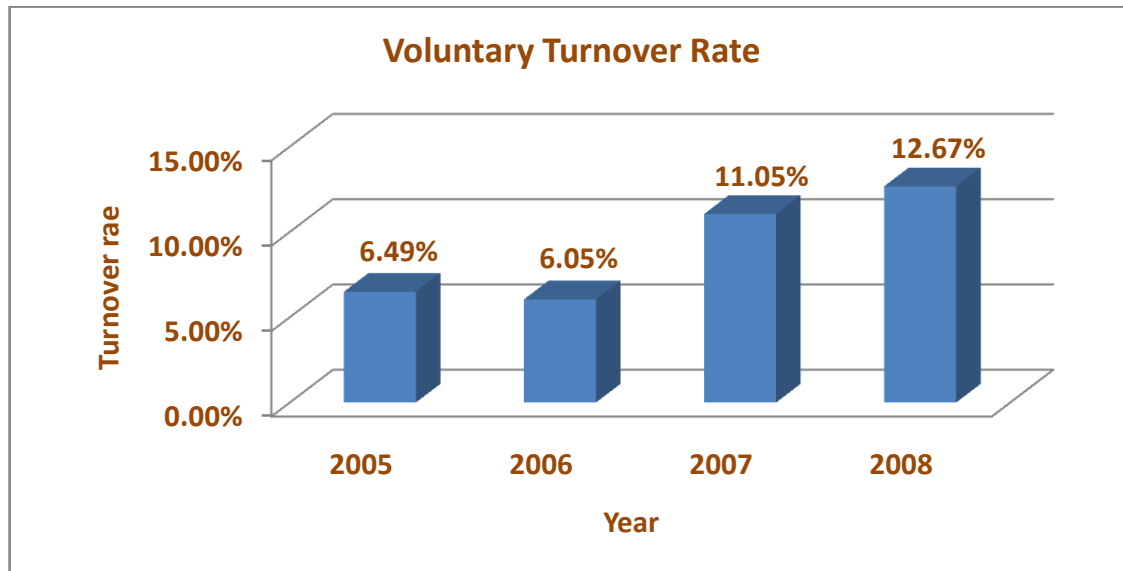


Chart 3: Voluntary Turnover Rate



From the above turnover rate tables and charts one can understand that, Tikur Abay has a high total and voluntary employee turnover rate when it compare with the total industry. For example, in 2016 the total industry turnover rate was 17.8% and the Manufacturing & distribution was 16.00%. However in Tikur Abay S.C the total rate was 26.17% and it shows a double percentage increase from the manufacturing sector. If we look at the company's voluntary turnover rate, it has 2.57% increases.

4.2 Interview Result

Through well formulated interview questions, the issues that discussed with the human resource manager of the company are the awareness of the management about the current employee turnover, the major causes of the turnover, and also the turnover management practices that the company adopted so far.

The management of Tikur Abay S.C is aware of the mobility of the skilled manpower and also they have a clue that the rate of employee turnover increased from time to time according to the human resource manager. The management tried to point out the reason from the application that the ex-employees submitted when they leave even though the company failed to conduct exit interviews for resigned employees.

One of the reason is that as a matter of fact the nature of the footwear industry sector have starved with skilled manpower since almost there is no a formal education center that produce the skilled and competent professionals to the sector. So the footwear industries in the country are focus on taking professionals from the other company with highly inflated salary and other fringe benefits. According to ex- employee resignation letter due to poor salary, lack of educational opportunity, lack of benefit packages and health problem are the main reasons for termination.

The manager also believed that there is poor salary scale and compensation scheme compare to the other companies in the same industry and this may enforce the employees for termination.

The manager also stated that due to lack of formal orientation program for new employees, the employees could not get clear and adequate information about their new job, the company's overall objective, and its norms and it may create confusion and different picture for them. However there is a smooth relationship between management and employees as there is no grievance raised to the department and also the organization gives equal opportunities for all employees for promotion and career development and job are assigned based on their skills and educational background to create smooth work environment.

According to the manager response the costs that incurred by the company are both tangible and intangible. The tangible costs are advertisement cost for new vacant post, interview costs, training and development costs for the new employees and the major intangible cost is customer dissatisfaction.

According to management and HRM of Tikur Abay Shoe S.C., the organization is trying to maintain stable work force through various mechanisms. In the first place full orientation is given for new employees when they are hired about working condition of the company, duties and responsibilities in each one of position will be explained, and has a plan to provide educational opportunities, incentives and bonuses, Trainings programs. In order to improve the benefits of employees and salary scale, the organization has planned to study new salary scale and new organizational structure that enable the company as well as its employees competitive in the footwear sector.

4.3 Ex-Employees Profile

The footwear industry by itself has a unique nature regarding its employees. Employees move from one company to the other mostly without formal resignation process. It makes difficult for the researcher to trace the ex-employees. In order to overcome this problem the researcher forced to use secondary data to get a picture about ex-employees.

The number of employees who left the company under is summarized under different categories in the table below

Table 6 Classification of Permanent Ex-employees based on gender

Item	Measurement	2005	2006	2007	2008	Total
Gender	Male	12	13	22	25	72
	Female	15	11	16	21	63
Total		27	24	38	46	135

Source: Annual reports of the company

The annual reports of Tikuir Abay is reviewed from 2005-2008 Eth.C for the profile of the ex-employees. The data tabulated above shows that the company loses 135 with average turn overrate of 19.4%. The data also shows that most of the ex-employees left the company are male.

Table 7 Classification of Permanent Ex-employees based on Marital Status

Item	Measurement	Number Of employees from 2005-2008			
		2005	2006	2007	2008
Marital Status	Married	7	5	9	7
	Single	10	19	29	39
	<i>Total</i>	27	24	38	46
Age Group	20-25	11	13	15	18
	26-30	8	7	19	21
	30-35	6	3	2	4
	36-40	2	-	2	3
	Above 40	-	1	-	-
<i>Total</i>		27	24	38	46

Source: Annual reports of the company

The above table shows the demographic profile of the ex-employees. Though it is clear that turnover is caused by controllable and uncontrollable factors, the table shows the single employees are more susceptible to turnover than the married ones. It's also obvious from the table that the productive age group from 20-30 take the lions share from the employees who left the company in the aforementioned period.

Table 8 Ex-Employees based on educational Qualification

Item	Measurement	2005	2006	2007	2008
Level of Education	Below Diploma	2	9	17	15
	College Diploma	19	12	12	24
	First Degree	6	3	8	6
	Second Degree	-	-	1	1
Total		27	24	38	46

Source: Annual report of the company

The researcher learnt from the above table and from the HRM department of the company that the majority of the ex-employees who left the company are college diploma holders. The possible reason for this is shoe making in our country currently given in TVET colleges with diploma rank thus why most of the employees are diploma holders. Though the majority of ex-employees are diploma holders, the BA/BSc holders' number are still significant.

4.4 Result of Questionnaire which distributed for permanent Current employees

Table 9 Background information of the current Employee based on Gender

Item	Measurement	Frequency	%	Valid %	Cumulative %
Gender	Male	54	52.9	52.9	52.9
	Female	48	47.1	47.1	100
Total		102	100	100	

Source: Questionnaire, 2017

As indicated in table 5 54(52.9) percent of the current employee respondents are male were as 48(47.1) percent are female. This implies that the majority of the employees are males.

Table 10: Current Employee Profile Based on Age

Item	Measurement	Frequency	%	Valid %	Cumulative %
Age	20-25	8	7.9	7.9	7.9
	26-30	31	30.7	30.7	38.6
	31-35	22	21.8	21.8	60.4
	36-40	28	27.7	27.7	88.1
	Above 40	12	11.9	11.9	100
Total		102	100	100	

Source: Questionnaire, 2017

The above table shows that 7.9% of the employees are in the age group from twenty to twenty five while 11.9% are above forty years of age. The table also shows that 80.2% of the employees are from twenty six to forty years of age. One can understand from this data that most of the employees are in productive age group.

Table 11: Current Employee Profile Based on Level of Education

Item	Measurement	Frequency	%	Valid %	Cumulative %
Level of Education	Below Diploma	46	45.1	45.1	23.5
	College Diploma	24	23.5	23.5	47.1
	First Degree	24	23.5	23.5	92.2
	Second Degree	8	7.8	7.8	100
Total		102	100	100	

Source: Questionnaire, 2017

While assessing the employee's level of education the respondents are below Diploma which is 45.1%. Respondents who have college diploma and First Degree are 23.5% each. 7.8% of the respondents also have second degree. In this regard, the researcher understands that, the company has qualified employees who have above Diploma educational qualification which is 52.8% and it enables the company to be competitive in the footwear Sector.

Table 12: Current Employee Profile Based on Work Experience

Item	Measurement	Frequency	%	Valid %	Cumulative %
Work Experience	0-3	12	11.8	11.8	11.8
	3-6	30	29.4	29.4	41.2
	6-10	27	26.5	26.5	67.6
	10-15	21	20.6	20.6	88.2
	15-20	2	2.0	2.0	90.2
	Above 20	10	9.8	9.8	100
Total		102	100	100	

Source: Questionnaire, 2017

In reviewing the service year of employees at TikurAbay Shoe S.C. 11.8% of the respondents have service life of below three years. Respondents who have a service life of three to six are 29.4% and 26.5% are from six to ten. 20.6% of the respondents lie under ten to fifteen years. 2.0% of the respondents also serve the enterprise from 15 to 20 years and the rest 9.8 % serve the company above twenty years. This shows that employees prefer to stay in the company above three and below ten years.

Table 13: Current Permanent Employee Profile Based on Marital Status

Item	Measurement	Frequency	%	Valid %	Cumulative %
Marital Status	Married	44	43.1	43.1	43.1
	Single	51	50.0	50.0	93.1
	Divorced	7	6.9	6.9	100
Total		102	100	100	

Source: Questionnaire, 2017

In assessing the marital status of the employees of the company it is found that 50.0% of them are single while the other 50% accounts for Married and Divorced. It can be possible to generalize based on the respondents response obtained employees of the organization are mostly single. Being single may cause mobility of professional employees at Tikur Abay Shoe S.C.

Table 14: Employee Opinion about Their Job

No.	Statement	Respondent	Response	Response Categories				
				SA	A	N	D	SD
1	I have got a clear orientation about the company and the job	102	F	0	36	2	38	26
			P	0	35.3	2.0	37.3	25.5
2	I currently assigned to a job related to my educational qualification	102	F	13	60	10	14	5
			P	12.7	58.8	9.8	13.7	4.9
3	My Job Creates Opportunities to Develop new skill	102	F	24	33	15	22	8
			P	23.5	32.4	14.7	20.6	7.8
4	I have a clear Job description to perform duty	102	F	16	31	26	20	9
			P	15.7	30.4	25.5	19.6	8.8
5	I have enough Information to do my job well	102	F	26	38	29	7	2
			P	25.5	37.3	28.4	6.9	2.0
6	Work assignments are distributed fairly	102	F	16	15	14	49	8
			P	15.7	14.7	13.7	48.0	7.8

Source: Questionnaire, 2017

As shown in table 10 the researcher tried to find out the employees opinion about their job by rising six related questions for the selected 102 sample respondents. For item 1, employees got a clear orientation about the company and the job 25.5, 35.3, 2.0 and 37.3 percent of respondents responded as they “Strongly agree” “agree”, “neutral” and “disagree” respectively. This shows that majority of the employees didn’t get a clear information and picture about their job and work environment, and it leads the employees not to be familiar with the new job and it affects their productive capacity and creates information gap.

Item no 2 shows that 58.8 percent of the respondents are assigned to a job which is related to their educational qualification where as 18.6 percent of the respondents are disagreed by their job assignment which is not related to their educational qualification.

From this, one can conclude as that most of the employees of the company are workings based on their education, it increase employees efficiency and effectiveness towards their job. The

response of the employees regarding item no -3 indicates that 55.9 percent are ‘‘agreed’’ and the rest of them are ‘‘disagreed’’ this shows that their job enables them to acquired new skill and advancement. For item no -4 employees have a positive response for the availability of clear job description which is 46.1 percent where as 25.5 percent of them are neutral for this issue and the rest of they disagreed. From this one can understand that majority of the employee are performing their daily operation by having a clear picture about their duties and responsibility and also it increase accountability.

Item no. 5 shows employees response for the question about having enough information to do their job well, 25.5, 37.3, 28.4 and 6.9 percent responded as ‘‘strongly agree’’, ‘‘agree’’, ‘‘neutral’’ and ‘‘disagree’’ respectively , this indicates that most employees of the organization have enough information about their job. The last item for table 10 indicates that the majority which is 48.0 percent of the respondents agreed by that work assignments are not distributed fairly in the organization, 30.4 percent said that there is a fair distribution of work assignment and the remaining 13.7 are neutral. If there is no fair distribution of job assignments it may create conflict between employees, work fatigue, dissatisfaction etc.

Table 15: Work Environment

No	Statement	Respondent	Response	Response Categories				
				SA	A	N	D	SD
1	My department encourages teamwork	102	F	21	63	7	11	0
			P	20.6	61.8	6.9	10.8	0
2	I have a substandard equipment, tools and office facilities to do my job	102	F	20	45	11	13	13
			P	29.6	41.4	10.8	12.7	12.7
3	I feel stress in my job and work environment	102	F	4	49	19	22	8
			P	3.9	46	18.6	21.8	7.8
4	The company has a code of professional code of conduct employees are expected to follow	102	F	28	47	20	7	0
			P	27.5	46.1	19.6	6.9	0

Source: Questionnaire, 2017

The above table summarizes about respondents extent of agree or disagree regarding their work environment. For item no-1, 20.6, 61.8, 6.9, 10.8 percent responded as ‘‘strongly agree’’ for the opinion their department encourages teamwork ‘‘agree’’, ‘‘neutral’’ and ‘‘disagree’’. For more than eighty percent of the respondent are agreed by that their work environment encourages teamwork. From this, the researcher can conclude that if there is a high team work in their department, it enable them to develop and share new ideas, methods of doing their job.

Item no-2 stats that ‘‘there is a substandard equipment, tools and office facilities to do a job’’ for this 29.6 and 41.4 percent of them responded as ‘‘strongly agree’’ and ‘‘agree’’ respectively, 10.8 percent ‘‘neutral’’, 12.7 percent ‘‘disagree’’ and ‘‘Strongly Disagree’’. From this one can understand that there is no standardize equipment, tools and office facilities in the organization and it may create poor quality of their product, decrease employees efficiency, decrease the competitiveness of the organization in the footwear sector and also if the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time.

Item no. 3 stated as that ‘‘I feel stress in my job and work environment ‘‘ for this the respondents responded as ‘‘Strongly Agree’’ 3.9 percent where as 46, 18.6, 21.8 and 7.8 as ‘‘Agree’’, ‘‘Neutral’’, ‘‘Disagree’’ respectively. For Table 11 item no four ‘‘the company has a code of professional conduct the employees are expected to follow’’, the majority of the respondents responded as ‘‘strongly agree’’ and ‘‘Agree’’ which is 27.5 and 46.1 percent for each and rest of them responded as ‘‘neutral’’ and ‘‘disagree’’.

Table 16: Career Development

No	Statement	Respondent	Response	Response Categories				
				SA	A	N	D	SD
1	I am encouraged to take the initiative in determining my own career development	102	F	35	22	13	33	0
			P	34.3	21.6	12.7	30.4	0
2	I have a clear path for career advancement	102	F	12	47	22	16	5
			P	11.8	46.1	21.6	15.4	4.9
3	I am satisfied with my career development	102	F	11	28	18	41	5
			P	9.8	27.5	17.6	40.2	4.9
4	I feel that I am adequately rewarded for my job	102	F	13	32	6	45	6
			P	12.7	30.4	5.9	44.1	5.9

Source: Questionnaire, 2017

Concerning the employees’ response about their career development Table C-1 item number 1 indicates that more than 55percents of the respondents encouraged taking the initiative in determining their own career development, and 30.4 percent of them are not encouraged and the remaining 12.7 are neutral for this opinion. Item number 2 for the question ‘‘I have a clear path for career advancement’’ 11.8 percent of the respondent choose ‘‘strongly agree’’, 46.1 percent ‘‘agree’’, 21.6 percent ‘‘neutral’’, 15.4 percent ‘‘disagree’’ and 4.9 percent ‘‘strongly disagree’’.

Similarly under Table 12 for item number three, 40.2 percent of the respondents are not satisfied with their career development and 37.3 percent of the respondents are satisfied with their career development. For Item no. 4 ‘‘I feel that I am adequately rewarded for my job’’ most of the respondents which is a total of 46 percent responded as ‘‘disagree’’ and ‘‘strongly disagree’’, 5.9 percent of them responded as ‘‘neutral’’ and the rest 12.7 and 30.4 choose ‘‘strongly agree’’ and ‘‘agree’’ respectively.

According to the respondents’ response, the researcher can conclude as that, employees of the organization have encouraged determining their career advancement, and also there is a clear

path for their career advancement and this enable the employee to predict their future position. However, most of the respondents are not satisfied with their career development and also they feel that their company is not in a position to giving adequate reward for their contribution. This may create dissatisfaction; lead the employees to search for a better job.

Table 17: Staff Benefits and Training

No.	Statement	Respondent	Response	Response Categories				
				SA	A	N	D	SD
1	The company provides adequate fringe benefits for the employees	102	F	4	26	11	51	10
			P	3.9	25.5	10.8	50.0	9.8
2	I am satisfied with the companies pay scheme	102	F	6	21	17	39	19
			P	5.9	20.6	16.7	38.2	18.6
3	I have got a continuous training	102	F	15	27	17	36	7
			P	14.7	26.5	16.7	35.3	6.9

Source: Questionnaire, 2017

In the above table three questions are asked for the selected respondents to understand their opinion about staff benefit and training and their response are summarized as follows.

As it is shown in the table above 13 of item 1, when the respondents of employees are asked about the extent of agree or disagree in the company provides adequate fringe benefit; respondents responded as 3.9, 25.5, 10.8, 50.0 and 9.8 percent “strongly agree” that the organization practicing in providing adequate benefit, “agree”, “neutral”, “disagree” and “strongly disagree”. So, the data obtained indicates, more than 59 percent of respondents responded as they don’t get enough fringe benefit. While some argued in presence of these practice. Therefore, it can be generalized as employees are not satisfied with the available benefit that provides for them.

Under the same table, for item number two, 56.8 percent of the respondents are dissatisfied with the companies pay scheme and 26.5 percent of them are satisfied with their current salary and the remaining are neutral. For item number three, when the respondents of employees are asked

about the extent of agree or disagree in that the employees took a continuous training; respondents responded as 14.7, 26.5, 16.7, 35.3 and 6.9 percent “strongly agree” in the company provides a continuous training for the employee, “agree”, “neutral”, “disagree” and “strongly disagree”

From the above table the researcher can generalize that, the absence of training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking, do not be efficient for the job, and also inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit.

Table 18: Supervision and Intention towards Turnover

No.	Statement	Respondent	Response	Response Categories				
				SA	A	N	D	SD
1	My supervisor encourages creativity, innovation and continuous improvement	102	F	0	29	25	30	18
			P	0	28.4	24.5	29.4	17.6
2	My supervisor treats each employees equally	102	F	10	25	36	29	2
			P	9.8	24.5	35.3	28.4	2.0
3	I feel that my work is recognized by my supervisor	102	F	14	38	16	28	6
			P	13.7	37.3	15.7	27.5	5.9
4	Employees are constantly watched to assure that rules and procedures are followed	102	F	37	20	17	25	3
			P	36.3	19.6	16.7	24.5	2.9
5	Management believes that employees are the most important asset of the firm	102	F	17	32	30	18	5
			P	4.9	17.6	29.4	31.4	16.7
6	I have intention to leave the company if I get better salary and benefit	102	F	15	27	18	23	19
			P	14.7	26.5	17.6	22.5	18.6

Source: Questionnaire, 2017

In the above table the respondents are asked to give their perception about their supervisors and their intention to leave the work with six different questions as tabulated above. The researcher organized the questions in such a way that are explained in the table above to get the employees

feedback about their work and their immediate supervisors so that the company can act accordingly based on the result obtained at the end of the analysis.

As it is shown clearly in the table, 47% of the respondents are responded the question about their supervisors encouragement, creativity and continuous improvement either negatively or they are not sure about such kind of supervisors attitude thus why they preferred to be neutral. This shows that the employee supervisors' relation needs to be improved aggressively since it has an adverse effect in the production capacity of the company and retaining qualified personnel. As indicated in the table item number two 34.3 percent of the respondents agreed in that their supervisor treats each employees equally and 30.4 are shown their disagreement and the rest 35.5 are neutral for this question.

More than 50 percent of the Respondents agreed by that their work is recognized by their supervisor and 33.4 percent of the respondents are disagreed by this and 15.7 percent choose neutral. Item no. 5 stated as that " Management believes that employees are the most important asset of the firm " for this the respondents responded as "Strongly Agree" 4.9 percent whereas 17.6, 29.4, 31.4 and 16.7 as "Agree", "Neutral", "Disagree" respectively. More than 41.2 percent of the respondents have an intention to leave the company if they can get better job opportunity and some of them want to stay in the company and 17.8 percent are neutral.

From the above table one can understand that supervisor didn't give attention to their employees towards creativity and innovation, as employees need guidance and direction this may lead them to miss their work of direction, and if the employees miss equal treatment, they will feel discouragement and lack of confidence. The majority of the employees have an intention to leave the company if they get a better job opportunity and salary.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of findings

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

- As per the secondary data source both the total and voluntary turnover rate of the company is high which it compare with the total industry and manufacturing and distribution. Especially in the year 2008 the rate increased rapidly.
- The management of Tikur Abay is aware of the mobility of the skilled manpower and also the understand that the total turnover and voluntary turnover of the company increased from time to time. As per the HRM Manager response, from ex-employees exit application letter the reasons of turnover are lack of adequate educational opportunity , salary and benefit, health problem etc
- As indicated in Ex-employee profile, the majority of employees who quit their employment contract is male, unmarried, diploma holder and fall under the age group 20-30.
- Even though most of the employees are assigned on the job related with their qualification, it's found that they didn't get formal orientation about their job and working environment, they are equipped with a detailed job description and have adequate information to do their job, it's also found in contrary that the work assignment distribution is not fair enough.
- Regarding work environment, the company had professionally articulated code of conduct the each employee should follow and its departments encourage team work between its employees however the office facility and the equipments used are substandard which makes the working environment not to be conducive.

- Majority of the respondents believed that they have a clear path for their career development but they are not satisfied with their current career development since the path is not easily achievable.
- Majority of the respondents replied negatively about the pay scheme of the company, the training and fringe benefit that the company provided for them.
- Most of the respondents replied that their immediate supervisors didn't give due attention for their innovation and creativity, not sure they are being treated equally, are constantly watched to assure the rules and procedures should flow and also they have a strong intention to leave the company since the management of didn't consider them as a valuable asset.

5.2 Conclusion

Based on the main findings above, the following conclusions are drawn.

- The company's both total and voluntary employee turnover rate is high when it compare with the total industry and manufacturing and distribution. As indicated in the finding the rate is above the normal turnover rate and it may affect the company's competitiveness, decrease productivity, create fear in the existing employees and management and also it create customer satisfaction.
- The company's induction systems for new employees are poor which clearly affect employee's adaptation to the new working environment and create information gap.
- The company's selection strategy and work assignment is based on employees' qualification. This helps for better productivity, enhanced efficiency and effectiveness, and availing a clear job description enables the employee to clearly know their duties and responsibility and increase accountability. Where as unfair distribution of work assignment creates overload and under load and both will creates stress and job dissatisfaction.
- The work environment is not attractive, if working conditions are substandard or the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time.

- The fringe benefit and compensation system of the company are not that much attractive when compared to the market, it may enforce the employee to quit their employment contract to find a better job.
- The company has a well professionally articulated code of conduct and a better team work spirit; it enables the employee to share new ways of doing their job.
- The supervisors and employee relation in the company is not good, lack of proper supervision and recognition employees may feel dissatisfaction, loss their confidence.
- The company's training is not continuous and based on the employee's interest, the absence of training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.

5.3 Recommendation

In the manufacturing industry, like Tikur Abay, one of the most determining factors to compete in a fast changing market is retaining key and critical employees. One of the methods used to achieve this retaining mechanism is to establish a companywide system that fairly and continuously apply a comprehensive and proactive retention program.

The following recommendations are drawn from the major findings of the study.

- ✓ To be competitive in the footwear sector, the company should work on the management of its high turnover rate by giving due attention for the major turnover driver.
- ✓ The company should give new employees orientation with regard to their work, work group and organization culture during recruitment to reduce the mismatch with their job and work environment. In addition job assignment should distribution fairly to avoid stress and increase the effectiveness and efficiency of the employee.
- ✓ The company should create attractive work environment by providing standard equipments, proper lighting, and office furniture's, safety to their employees to increase productivity and customer satisfaction.
- ✓ There should be a smooth employee employer relationship, Supervisors can also show support and care for their subordinates by making management aware of worker problems that could lead to turnover. However, proper supervision alone will not improve

employee retention. Supervisors have to manage physical working conditions, as well as psychological working conditions in their departments to decrease job dissatisfaction.

- ✓ The Company should attach competitive and fair compensation packages to decrease dissatisfaction and to minimize the attractiveness of alternative employment. Well-designed employee salary, adequate benefit packages, training and development are effective tools for retaining employees.
- ✓ Finally, most, if not all, of practices used to retain employees fundamentally depend on a sound approach to communicating with employees. Without communications, many of the employee retention mechanisms would be difficult to implement, or it would at least be difficult to implement them with the goal of retaining employees. Therefore, the management of Tikur Abay should work on communicating its intentions, programs and benefits to the employees effectively.

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SAINT MARRY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
GENERAL MBA PROGRAM

Objective: The objective of this questionnaire is to gather information on *The Cause and Effect of Employee Turnover: The case Tikur Abay Shoe S.C.* Your responses are used only for the research purpose.

General instruction: Please indicate your responses by using tick mark (✓) according to your choices and/or by writing relevant information in short and precise manner. In filling the questionnaire there is no need to write your name as it is confidential.

The researcher would be thankful if you could return the questionnaire as soon as possible and would like to thank you in advance for lending your time and effort to fill the questionnaire.

Part I - Personal Information

1. Gender

Male Female

2. For how many years have you been in the company?

0- 3 3 - 6 6 - 10 10-15 15 - 20 above 20 years

3. What is your level of education?

Below Diploma college diploma First degree (BA/ BSc)

Second degree (MA/MSc)

4. What is your position at the Company?

Part II - Work Environment and Management Style

S.No	Statement	Response					
		1	2	3	4	5	SD
1	I enjoy my work environment						
2	I am currently assigned to a job related to my field of study/educational qualification.						
3	I have obtained a formal training						
4	My Job Requirements are clear.						
5	The amount of work I am expected to do on my job is reasonable.						
6	I have enough information to do my job well.						
7	I am aware of the daily operations within my department						
8	There are opportunities available for me to develop new skills						
9	I am encouraged to take the initiative in determining my own career development.						
10	Work Assignments are distributed fairly.						
11	I feel stress in my job.						
12	My department encourages teamwork.						
13	Employee shares a pride in their work.						
14	I have a clear path for career advancement?						
15	I am satisfied with my position at this company						
16	I feel that my work is recognized by my supervisor						
17	I feel that I am adequately rewarded for my job						
18	Management believes that employees are the most important asset of the firm.						
19	Employees are constantly watched to assure that rules and procedures are followed.						

20	This organization has a code of professional conduct that employees are expected to follow.						
21	Management encourages creativity, innovation, and continuous improvement.						
22	How satisfied are you with your career development within the company.						

23 How do you perceive the existing pay scheme of the company compared to other companies in the industry?

- Attractive Fair Competitive Poor

24. Do you feel that employees are recognized as individuals?

- Always Usually Sometimes Rarely Never Not Sure

25. Have you ever observed or experienced any of the following forms of discrimination or harassment at the company?

- Racial discrimination Sexual harassment Age discrimination
 Gender discrimination Sexual orientation discrimination None

26. Do you have any intention to leave the company?

- Yes No Indifferent

27. If the answer for the above question is yes, what is your reason? Please put it in rank as per its severity.

- Inadequate fringe benefits
 Improper handling and care of supervisor
 Narrow promotion opportunity
 Uncomfortable with the punch card system
 Lack of attractive salary
 If other, specify _____

Interview question which are asked for human resource Manager of
Tikur Abay shoe S.C

1. Do you have an awareness about the company employee turnover
2. In your opinion what are the causes of employee turnover in your company
3. Is there a smooth relation between the company's managers and staffs?
4. What are the costs that the company incurred because of employee turnover?
5. What types of mechanisms does the company apply to minimize the turnover rate and retain the existing employees?