

*Full Length Research Paper*

# Ethiopia's Textile Industry: Challenges and Opportunities for ArbaMinch Textile Company

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**This study aims to identify the causes of turnover of employees in ArbaMinch Textile Company, Ethiopia. It focuses on the gender, age, experience and departmental analysis to find out the factors that induces employees for turnover. A sample of 138 employees is taken for the study. The study shows that the turnover of employees is mainly due to low salary. There is also a lack of good relationship between superior and subordinate, training, recognition of job, evaluation of job performance, proper direction, promotion and participation in decision-making. These factors have affected the satisfaction which resulted in the lack of commitment of the employees. This led the way for increased turnover in the organization. Moreover it is also tested and proved that turnover is more from experienced, high performing male employees. Appropriate suggestions are provided for the organization for enhancing the commitment of the employees and to minimize labour turnover.**

**Key words:** Turn over issues, ArbaMinch, textile company, Ethiopia.

## INTRODUCTION

Turnover is a critical human resource issue in all sectors of the economy. Turnover affects productivity, product and service quality, and profitability. The cost of replacing workers in Arbaminch Textile Company, Ethiopia is high, finding skilled employees can be difficult, and investments in training are less secure. When there is labour turnover, the firm loses the productive resources. The expenditure incurred on recruitment and training will become unproductive. Similarly, taking new employees and training them becomes expensive. Turnover is a voluntary cessation of membership of an organization by an employee of that organization (Morrell et al., 2001). Turnover can be voluntary and involuntary. Involuntary turnover occur for reasons which are independent of the affected employee like need to cut costs, restructure or downsize. Voluntary turnover is avoidable and preventable and is defined differently for each organization (Gerhart, 1990). A study conducted on employee turnover identified the sources of employee turnover, effects and forward strategies on how to minimize employee turnover in organizations (Abassi and Hollman, 2000). Reducing turnover from high to medium levels was associated with increased quality. High turnover is associated with poor quality (Alexander et al., 1994). It is crucial for team managers to develop a team

environment in the workplace to increase loyalty, ultimately reducing employee turnover (Gustafson, 2002). In order to reduce turnover, managers should monitor both the extrinsic and intrinsic sources of job satisfaction available to employees. These activities could assist in maintaining and increasing job satisfaction and commitment to the organization (Mellor et al., 2007). A study on the relationships between organizational commitment and turnover intention concluded that career commitment moderated the effect of affective commitment on turnover intention (Chang, 1999). A study conducted on voluntary and involuntary turnover estimated that females are less likely to quit. Individuals occupying financially better rewarded grades are more likely to quit (Sutherland, 2000).

A study on voluntary turnover observed that dissatisfaction with their jobs was one of the reasons people leave their jobs and discussed pre-emptive actions managers can take to combat voluntary turnover (Lee and Maurer, 1997). Organizations need to focus on how to foster organizational commitment, to enhance job satisfaction, reduce job stress and provide support to facilitate employee retention (Maertz and Campion, 1998). Pay and pay-related variables have a modest effect on turnover and there is relationship between pay,

**Table 1.** Labour turnover in Arbaminch Textile Company.

| Year                  | Turnover (in number) |
|-----------------------|----------------------|
| July 2002 - June 2003 | 10                   |
| July 2003 - June 2004 | 9                    |
| July 2004 - June 2005 | 7                    |
| July 2005 - June 2006 | 25                   |
| July 2006 - June 2007 | 55                   |

a person's performance and turnover. When high performers are insufficiently rewarded, they quit (Griffeth et al., 2000). Voluntary turnover incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality) and the loss of social capital (Dess and Shaw, 2001). This study is aimed to identify the reasons for labour turnover over in Arbaminch Textile Company. No research study had been conducted by the company to identify the inherent reasons for turnover.

### Statement of the problem

ArbaMinch Textile Company faces an acute turnover of employees over the past few years. This has affected the overall performance of the organization. According to the Human Resource Report (2007) of the company, the employees' turnover over the past years is shown in the Table 1.

The Table 1 shows that the labour turnover has increased five fold over the last five years. Moreover, the turnover was the highest during 2006 to 2007. Hence this study is focused on identifying the inherent reasons for turnover of employees and to identify solutions to retain employees in the organization.

### Objectives of the study

The objectives of the study are;

1. To identify the basic reasons for employees turnover.
2. To find out the number of low/high performing employees leaving the organization.
3. To identify the perceived satisfaction of employees towards their job.
4. To rate the factors that affects satisfaction of employees that influences turnover.

### Research hypotheses

The following hypotheses are set for this study:

1. Ho: Female employees are not satisfied in the job compared with male employees.
2. Ho: The performance of males is not affected due to labour turnover
3. Ho: Male employees are not willing to leave the organization when they get better offer.
4. Ho: Male employee's turnover will be not be more in future than females.
5. Ho: Experienced employees are not satisfied than the young employees
6. Ho: Age group and performance are not independent.
7. Ho: Employees disappointment due to labour turnover is unrelated with departments
8. Ho: There is no specific reason for employee's turnover in spinning department from other departments.
9. Ho: There will be no turnover by experienced employees than less experienced employees from the organization in future
10. Ho: Experienced employees are dissatisfied in the job than the less experienced employees

### METHODOLOGY

This is a descriptive study conducted in ArbaMinch Textile Company. The population comprises all the employees in ArbaMinch Textile Company, which totals 773 (Monthly Manpower Report, September 2009). A sample of 138 employees is taken for the study (18%). Proportionate stratified sampling method is adopted for collecting the sample units. Thus the samples are collected proportionately from each department. The data is collected with the help of structured questionnaire which is distributed to the sample respondents. Cronbach's alpha test was used to find out the reliability of the instrument used with a score of 0.81. This helps to collect primary data from the employees to analyse the reasons for turnover. The data analysis is interpreted with the help of statistical tools like chi-square and Likert's summated rating scale.

### RESULTS AND DISCUSSION

The demographic profile of the sample respondents are as follows. Out of the samples 65% are males and 35% are females. Out of 138 samples, 94 employees (68%) are in the age group of 31 to 40 years. Respondents who are in the age group between 20 to 30 years comprised 12 and 19% are in the age group of 41 to 50 years. Only 1% is in the age group above 50 years. From the spinning department 50 samples (36%) are collected, 41 (30%) from weaving department. Among the samples collected 14% of samples are collected from administration department, 11% from technical department, 5% from quality control department. The sample collected from both finance and production planning departments is 2%. Employees who are experienced between 11 to 15 years constitute 43%. The experienced employees who have more than 15 years in the organization comprise 35%. Those respondents who are experienced between 6 to 10 years constitute 15 and 7% between 1 to 5 years.

**Table 2.** Gender and satisfaction in the job.

| Gender/ satisfaction | Totally | Partially | Not at all | Total   |
|----------------------|---------|-----------|------------|---------|
| Male                 | 16 (18) | 47 (52)   | 27 (30)    | 90 (65) |
| Female               | 15 (31) | 18 (38)   | 15 (31)    | 48 (35) |
| Total                | 31(22)  | 65 (47)   | 42 (31)    | 138     |

**Table 3.** Employees feeling when co-workers leave the organization.

| Gender/ co-workers feeling | Feel happy | Feel disappointed | Feel nothing | Total   |
|----------------------------|------------|-------------------|--------------|---------|
| Male                       | 30 (33)    | 41 (46)           | 19 (21)      | 90 (65) |
| Female                     | 12 (25)    | 26 (54)           | 10 (21)      | 48 (35) |
| Total                      | 42 (30)    | 67 (49)           | 29 (21)      | 138     |

**Table 4.** Gender wise effect on performance due to labour turnover.

| Gender/ opinion | Yes     | No      | Total   |
|-----------------|---------|---------|---------|
| Male            | 68 (76) | 22 (24) | 90 (65) |
| Female          | 28 (58) | 20 (42) | 48 (35) |
| Total           | 96 (70) | 42 (30) | 138     |

### Analysis based on gender

The Table 2 shows that only 22% of the respondents are totally satisfied in the job. 47% of the employees are partially satisfied and 31% of the employees are not satisfied by the job. This shows that there is a difference in the job satisfaction of employees in the company.

Among the females, 31% are totally satisfied by the job whereas only 18% of males are totally satisfied by the job. To test whether there is any difference in the job satisfaction between the genders; the following hypothesis is framed and tested. Ho: Female employees are more satisfied in the job than the male employees. The calculated value of  $\chi^2$  (3.92) is less than the critical value (5.99) at 5% level of significance and 2 degrees of freedom. Hence the null hypothesis is accepted. Hence it can be concluded that female employees are more satisfied in the job than male employees.

The opinion of the employees when their colleagues leave the organization is mentioned in the Table 3. Employees feel disappointed (49%) when there is a labour turnover. Employees feel happy (30%) when their colleagues leave the organization. They feel that their colleagues are better off by turnover or at least the organization will oblige to their demands in future. Among the employees, 21% feel nothing when there is a labour turnover.

Male respondents (33%) feel happy and 25% of the females feel happy when there is a labour turnover. Female respondents (54%) and 46% of males feel

disappointed when there is a labour turnover. To test whether there is any difference in the feelings between genders, the following hypothesis is framed and tested. Ho: Males feel happier than females when there is a labour turnover. The calculated value of  $\chi^2$  (1.19) is less than the critical value (5.99) at 5% level of significance and 2 degrees of freedom. Hence the null hypothesis is accepted. Hence it can be concluded that male employees feel happier than female employees when there is a labour turnover, and females feel disappointed than male employees.

Employees stated (70%) that their performance is affected due to labour turnover. Respondents (30%) are of the opinion that labour turnover does not affect their performance. Male respondents (76%) feel that their performance is affected whereas only 58% of the females opined that their performance is affected (Table 4). To test whether there is any difference in the gender, the hypothesis is framed. Ho: The performance of males is more affected due to labour turnover than females. The calculated value of  $\chi^2$  (4.38) is greater than the critical value (3.84) at 5% level of significance with 1 degree of freedom. Hence the null hypothesis is rejected. It is concluded that there is no gender difference on the performance of employees due to labour turnover.

Employees stated (51%) that labour turnover is due to low salary and 41% mentioned that employees leave the organization due to better job offers. Employees (10%) stated that turnover is due to dissatisfaction. Male respondents (42%) mentioned that employees leave for

**Table 5.** Gender and the reasons for labour turnover.

| Gender/ reasons | Better job offers | Low salary | Job dissatisfaction | Affected due to diseases | Total   |
|-----------------|-------------------|------------|---------------------|--------------------------|---------|
| Male            | 38 (42)           | 44 (49)    | 7 (8)               | 1 (1)                    | 90 (65) |
| Female          | 19 (40)           | 26 (54)    | 3 (6)               | 0                        | 48 (35) |
| Total           | 57 (41)           | 70 (51)    | 10 (7)              | 1 (1)                    | 138     |

**Table 6.** Type of employees leaving gender wise.

| Gender/ type of employees | Low performers | High performers | Do not know | Total   |
|---------------------------|----------------|-----------------|-------------|---------|
| Male                      | 7 (8)          | 61 (68)         | 22 (24)     | 90 (65) |
| Female                    | 3 (6)          | 22 (46)         | 23 (48)     | 48 (35) |
| Total                     | 10 (7)         | 83 (60)         | 45 (33)     | 138     |

**Table 7.** Leaving the existing job due to better job offer gender wise.

| Gender/ better offer | Yes      | No      | Total   |
|----------------------|----------|---------|---------|
| Male                 | 75 (83)  | 15 (17) | 90 (65) |
| Female               | 32 (67)  | 16 (33) | 48 (35) |
| Total                | 107 (78) | 31 (22) | 138     |

better job offers whereas 54% of the female employees stated that employees leave due to low salary (Table 5). Ho: Male employees leave for better job offers and female employees leave due to low salary. The calculated value of  $\chi^2$  (0.85) is less than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. Hence the null hypothesis is accepted. It is concluded male employees leave for better job offers and female employees leave due to low salary.

According to the opinion of 60% of the sample respondents employees leaving the organization are high performers and only 7% are low performers (Table 6). Among the respondents, 68% of the males and 46% of females stated that employees who leave are high performers. This shows that the organization is losing the high performing employees which are really a loss for the company. Ho: Employees who are leaving the organization are high performing males than female employees. The calculated value of  $\chi^2$  (7.86) is greater than the critical value (5.99) at 5% level of significance with 2 degrees of freedom. Hence the null hypothesis is rejected. Thus it can be concluded that there is no gender difference regarding the highly performing employees leaving the organization.

Table 7 shows that 78% of employees will leave the organization if they get a better offer. Only 22% stated organization if they get a better offer. Only 22% stated that they will not leave and hence the loyal employees are restricted to 22%. Among the males (83%) are willing to leave due to better offer while 67% female employees are willing to leave for better offers. This shows that the male percentage (83%) is more than the average (78%).

Thus the following hypothesis is framed and tested. Ho: Male employees prefer more to leave the organization than female employees when they get better offer. The calculated value of  $\chi^2$  (4.99) is greater than the critical value (3.84) at 5% level of significance with 1 degree of freedom. Hence the null hypothesis is rejected. Hence it can be concluded that there is no gender difference between the employees leaving the organization when they get a better offer.

Employees expect (70%) that there will be more turnover of employees in future. Only 30% stated that there will not be any turnover in future (Table 8). Male employees (81%) feel that there will be more turnover in future from the company whereas only 50% of the females feel so. Thus it can be said that the male employee's turnover will be more in future than females. The hypothesis is framed and tested. Ho: Male employee's turnover will be more in future than females. The calculated value of  $\chi^2$  (14.50) is greater than the critical value (3.84) at 5% level of significance with 1 degree of freedom. Hence the null hypothesis is rejected. Thus it can be concluded that there is no gender difference in labour turnover from the company in future.

### Analysis based on the age of employees

Employees in the age group 20 to 30 (35%) are totally satisfied by the job (Table 9). Employees in the age group 41 to 50 (42%) are not satisfied in the job. Among the respondents, 22% of the employees in the age group 31 to 40 are totally satisfied in the job. Ho: Employees in

**Table 8.** Expectation of more turnovers from the company.

| Gender/ more turnover in future | Yes     | No      | Total   |
|---------------------------------|---------|---------|---------|
| Male                            | 73 (81) | 17 (19) | 90 (65) |
| Female                          | 24 (50) | 24 (50) | 48 (35) |
| Total                           | 97 (70) | 41 (30) | 138     |

**Table 9.** Satisfaction of employees based on age.

| Age/satisfaction | Totally | Partially | Not at all | Total  |
|------------------|---------|-----------|------------|--------|
| 20-30            | 6 (35)  | 9 (53)    | 2 (12)     | 17(12) |
| 31-40            | 21 (22) | 44 (47)   | 29 (31)    | 94(68) |
| 41-50            | 4 (16)  | 11 (42)   | 11 (42)    | 26(19) |
| >50              | 0       | 1 (100)   | 0          | 1(1)   |
| Total            | 31 (22) | 65 (47)   | 42 (31)    | 138    |

**Table 10.** Age group and employees feeling when co-workers leave the organization.

| Age/co-workers feeling | Feel happy | Feel disappointed | Feel nothing | Total  |
|------------------------|------------|-------------------|--------------|--------|
| 20-30                  | 7 (41)     | 7 (41)            | 3 (18)       | 17(12) |
| 31-40                  | 27 (29)    | 47 (50)           | 20 (21)      | 94(68) |
| 41-50                  | 8 (31)     | 12 (46)           | 6 (23)       | 26(19) |
| >50                    | 0          | 1 (100)           | 0            | 1(1)   |
| Total                  | 42 (30)    | 67 (49)           | 29 (21)      | 138    |

**Table 11.** Effect on performance due to labour turnover age wise.

| Age/opinion | Yes     | No      | Total  |
|-------------|---------|---------|--------|
| 20-30       | 12 (71) | 5 (29)  | 17(12) |
| 31-40       | 71 (76) | 23 (24) | 94(68) |
| 41-50       | 12 (46) | 14 (54) | 26(19) |
| >50         | 1 (100) | 0       | 1(1)   |
| Total       | 96 (70) | 42 (30) | 138    |

the age group 20 to 30 are more satisfied than other age groups. The calculated value of  $\chi^2$  (6.36) is less than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. Hence the null hypothesis is accepted. Hence it can be concluded that young employees aged 20 to 30 are more satisfied than the elder employees.

Table 10 shows the opinion of the employees of different age group when employees leave the organization. Employees aged more 50 years feel more disappointed and 50% of the employees aged 31 to 40 feel disappointed due to their co-workers turnover. Employees aged between 20 to 30 (41%) years feel happy when their co-workers leave the organization. Ho: Aged employees are more disappointed than the young employees when there is a turnover. The calculated

value of  $\chi^2$  (2.20) is less than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that aged employees feel disappointed than the young employees and it is proved that the feelings of the employees varies according to their age.

Employees in the age group 31 to 40 (76%) feel that the performance of the organization is affected due to labour turnover (Table 11). Employees in the age group 20 to 30 (71%) opined that the performance is affected due to labour turnover. Ho: Age group and performance due to labour turnover are dependent. The calculated value of  $\chi^2$  (8.75) is greater than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. Hence the null hypothesis is rejected. It is concluded the age and the performance of employees due to labour turnover are not related.

The Table 12 shows the reasons for labour turnover age wise. According to the opinion of 53% of the employees aged 20 to 30, employees leave due to better job offers. Out of the respondents in the age group 41 to 50 (73%) stated that employees leave due to low salary. Ho: Employees age and reasons to leave the job are related and dependent. The calculated value of  $\chi^2$  (9.85) is less than the critical value (16.92) at 5% level of significance with 9 degrees of freedom. Hence the null hypothesis is accepted. Thus it can be concluded that

**Table 12.** Age group and the reasons for labour turnover.

| Age/ reasons | Better job offers | Low salary | Job dissatisfaction | Affected due to diseases | Total  |
|--------------|-------------------|------------|---------------------|--------------------------|--------|
| 20-30        | 9 (53)            | 6 (35)     | 2 (12)              | 0                        | 17(12) |
| 31-40        | 42 (45)           | 45 (48)    | 6 (6)               | 1 (1)                    | 94(68) |
| 41-50        | 5 (19)            | 19 (73)    | 2 (8)               | 0                        | 26(19) |
| >50          | 1 (100)           | 0          | 0                   | 0                        | 1(1)   |
| Total        | 57 (41)           | 70 (51)    | 10 (7)              | 1 (1)                    | 138    |

**Table 13.** Type of employees leaving age wise.

| Age/type of employees | Low performers | High performers | Do not know | Total   |
|-----------------------|----------------|-----------------|-------------|---------|
| 20-30                 | 3 (18)         | 10 (59)         | 4 (23)      | 17 (12) |
| 31-40                 | 7 (7)          | 60 (64)         | 27 (29)     | 94 (68) |
| 41-50                 | 0              | 13 (50)         | 13 (50)     | 26 (19) |
| >50                   | 0              | 0               | 1 (100)     | 1 (1)   |
| Total                 | 10 (7)         | 83 (60)         | 45 (33)     | 138     |

**Table 14.** Leaving for better job offer.

| Age/ better offer | Yes      | No      | Total  |
|-------------------|----------|---------|--------|
| 20-30             | 17 (100) | 0       | 17(12) |
| 31-40             | 75 (80)  | 19 (20) | 94(68) |
| 41-50             | 14 (54)  | 12 (46) | 26(19) |
| >50               | 1 (100)  | 0       | 1(1)   |
| Total             | 107 (78) | 31 (22) | 138    |

**Table 15.** Expectation of more turnovers.

| Age/ more turnover | Yes     | No      | Total   |
|--------------------|---------|---------|---------|
| 20-30              | 13 (76) | 4 (24)  | 17 (12) |
| 31-40              | 69 (73) | 25 (27) | 94 (68) |
| 41-50              | 15 (58) | 11 (42) | 26 (19) |
| >50                | 0       | 1 (100) | 1 (1)   |
| Total              | 97 (70) | 41 (30) | 138     |

employees aged 20 to 30 leave the organization due to better job offers and those aged 41 to 50 leave the organization due to low salary.

Table 13 reveals the type of employees leaving the organization. Among the respondents, 60% of the employees stated that high performers leave the company. Employees aged 31 to 40 years (64%) stated that high performers are leaving the organization. Ho: Employees who are leaving the organization are high performers aged 31 to 40. The calculated value of  $\chi^2$  (10.43) is less than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. Hence the null hypothesis is accepted. It is proved that employees, aged 31 to 40, who are leaving the organization are high

performers.

All the employees aged 20 to 30 and above 50 years stated that they will leave the existing job if they are offered a better job (Table 14). Ho: Turnover will be more for employees aged 20 to 30 and above 50. The calculated value of  $\chi^2$  (13.85) is more than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. Hence the null hypothesis is rejected. Thus it can be concluded that age is not a criteria for labour turnover when they get a better offer.

From the sample respondents, 70% of the employees mentioned that there will be more turnover of employees from the company in future (Table 15). Employees aged 20 to 30 (76%) and 73% of the employees aged 31 to 40 expect more turnover from the company. Ho: Employees turnover will be more from 20 to 30 and 31 to 40 years than the aged employees. The calculated value of  $\chi^2$  (5.08) is less than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. Hence the null hypothesis is accepted. Thus it can be concluded that there will be more labour turnover in future from the age group of 20 to 30 and 31 to 40 years.

#### **Analysis based on the department of the organization**

Employees in technical department (53%) are totally satisfied by the job. Employees from finance (67%) and 57% of the employees from quality control department are satisfied partially followed by 51% from weaving department (Table 16). Half of the employees in the spinning department (50%) are partially satisfied and remaining 50% are not at all satisfied. The following hypothesis is framed and tested. Ho: Employees in the spinning department are not at all satisfied in the job compared to other departments. Since the calculated

**Table 16.** Satisfaction of employees department wise.

| Department/satisfaction    | Totally | Partially | Not at all | Total  |
|----------------------------|---------|-----------|------------|--------|
| Quality control            | 3 (43)  | 4 (57)    | 0          | 7(5)   |
| Administration             | 6 (30)  | 7 (35)    | 7 (35)     | 20(14) |
| Spinning                   | 0       | 25 (50)   | 25 (50)    | 50(36) |
| Weaving                    | 13 (32) | 21 (51)   | 7 (17)     | 41(30) |
| Technical                  | 8 (53)  | 6 (40)    | 1 (7)      | 15(11) |
| Finance                    | 1 (33)  | 2 (67)    | 0          | 3(2)   |
| Production planning (PTPC) | 0       | 0         | 2 (100)    | 2(2)   |
| Total                      | 31 (22) | 65 (47)   | 42 (31)    | 138    |

**Table 17.** Department wise feeling of co-workers during turnover.

| Departments/co-workers leave | Feel happy | Feel disappointed | Feel nothing | Total   |
|------------------------------|------------|-------------------|--------------|---------|
| Quality control              | 1 (14)     | 4 (57)            | 2 (29)       | 7 (5)   |
| Administration               | 3 (15)     | 12 (60)           | 5 (25)       | 20 (14) |
| Spinning                     | 15 (30)    | 21 (42)           | 14 (28)      | 50 (36) |
| Weaving                      | 19 (46)    | 16 (39)           | 6 (15)       | 41 (30) |
| Technical                    | 3 (20)     | 10 (67)           | 2 (13)       | 15 (11) |
| Finance                      | 0          | 3 (100)           | 0            | 3 (2)   |
| Production planning (PTPC)   | 1 (50)     | 1 (50)            | 0            | 2 (2)   |
| Total                        | 42 (30)    | 67 (49)           | 29 (21)      | 138     |

value of  $\chi^2$  (41.74) is greater than the critical value (21.03) at 5% level of significance with 12 degrees of freedom, the null hypothesis is rejected. The job dissatisfaction is not only related with the spinning department. It is thus related with all the other departments in the organization.

From Table 17, 50% from production planning and 46% of the employees in weaving department feel happy when their co-workers leave the organization. Employees in technical (67%) and all the employees from finance department feel disappointed due to labour turnover. Employees in administration department (60%) feel disappointed when there is a labour turnover. *Ho: Employees disappointment due to labour turnover is related to departments.* Since the calculated value of  $\chi^2$  (15.55) is less than the critical value (21.03) at 5% level of significance with 12 degrees of freedom, the null hypothesis is accepted. So it is concluded that the disappointment due to labour turnover is related with the departments.

Employees from the finance and production planning stated that the performance is affected due to labour turnover. Respondents from administration (90%) stated that performance is affected due to labour turnover. Employees in spinning department (42%) stated that performance is affected and 58% of the respondents from spinning department stated that the performance is not affected (Table 18). The following hypothesis is framed and tested. *Ho: The performance in spinning department*

*is not affected due to labour turnover compared with other departments.* The calculated value of  $\chi^2$  (29.16) is greater than the critical value (12.59) at 5% level of significance with 6 degrees of freedom and the null hypothesis is rejected. Thus it is concluded that turnover affects all the departments in the organization and the impact is not specific to any one department.

All the respondents from production planning stated that employees leave the organization due to better job offers. Employees in finance department (67%) and technical department mentioned that employees leave due to better job offers. Employees from spinning department (80%) stated that employee's turnover is mainly due to low salary (Table 19). *Ho: Employees turnover from spinning department is due to low salary and from other departments due to better job offers.* The calculated value of  $\chi^2$  (41.63) is greater than the critical value (28.87) at 5% level of significance with 18 degrees of freedom and the null hypothesis is rejected. Thus it is inferred that the reasons for turnover is not related with specific departments in the organization.

According to the opinion of the sample employees, 86% of the employees who leave the organization are high performers from quality control and weaving department (Table 20). Respondents from technical department (73%) mentioned that those who leave the organization are high performers. *Ho: The type of employees leaving from each department is dependent and related.* The calculated value of  $\chi^2$  (46.25) is greater than the critical

**Table 18.** Effect on performance due to labour turnover department wise.

| Department/opinion         | Yes     | No      | Total  |
|----------------------------|---------|---------|--------|
| Quality control            | 6 (86)  | 1 (14)  | 7(5)   |
| Administration             | 18 (90) | 2 (10)  | 20(14) |
| Spinning                   | 21 (42) | 29 (58) | 50(36) |
| Weaving                    | 34 (83) | 7 (17)  | 41(30) |
| Technical                  | 12 (80) | 3 (20)  | 15(11) |
| Finance                    | 3 (100) | 0       | 3(2)   |
| Production planning (PTPC) | 2 (100) | 0       | 2(2)   |
| Total                      | 96 (70) | 42 (30) | 138    |

**Table 19.** Reasons for labour turnover department wise.

| Department/ reasons        | Better job offers | Low salary | Job dissatisfaction | Affected due to diseases | Total  |
|----------------------------|-------------------|------------|---------------------|--------------------------|--------|
| Quality control            | 4 (57)            | 3 (43)     | 0                   | 0                        | 7(5)   |
| Administration             | 10 (50)           | 7 (35)     | 2 (10)              | 1 (5)                    | 20(14) |
| Spinning                   | 9 (18)            | 40 (80)    | 1 (2)               | 0                        | 50(36) |
| Weaving                    | 20 (49)           | 14 (34)    | 7 (17)              | 0                        | 41(30) |
| Technical                  | 10 (67)           | 5 (33)     | 0                   | 0                        | 15(11) |
| Finance                    | 2 (67)            | 1 (33)     | 0                   | 0                        | 3(2)   |
| Production planning (PTPC) | 2 (100)           | 0          | 0                   | 0                        | 2(2)   |
| Total                      | 57 (41)           | 70 (51)    | 10 (7)              | 1 (1)                    | 138    |

**Table 20.** Type of employees leaving based on department.

| Department/type of employees | Low performers | High performers | Don't know | Total  |
|------------------------------|----------------|-----------------|------------|--------|
| Quality control              | 0              | 6 (86)          | 1 (14)     | 7(5)   |
| Administration               | 2 (10)         | 13 (65)         | 5 (25)     | 20(14) |
| Spinning                     | 4 (8)          | 13 (26)         | 33 (66)    | 50(36) |
| Weaving                      | 3 (7)          | 35 (86)         | 3 (7)      | 41(30) |
| Technical                    | 1 (7)          | 11 (73)         | 3 (20)     | 15(11) |
| Finance                      | 0              | 3 (100)         | 0          | 3(2)   |
| Production planning (PTPC)   | 0              | 2 (100)         | 0          | 2(2)   |
| Total                        | 10 (7)         | 83 (60)         | 45 (33)    | 138    |

value (21.03) at 5% level of significance with 12 degrees of freedom. The null hypothesis is rejected and it is concluded that the type of performing employees leaving the organization from each department are independent and not related. Table 21 states the opinion of the employees regarding a better offer. Almost all the employees in all departments opined that they are willing to leave the organization if they get a better job offer. This also reveals the dissatisfaction of the employees in their job as well as the lack of commitment of the employees in achieving the objectives of the organization. Employees from spinning department (58%) stated that they will not leave the organization when they get a better offer.

All the sample respondents from finance and

production planning departments mentioned that there will be more labour turnover in future. Respondents from quality control (86%) department and 88% of employees from weaving department expect that there will be more labour turnover in future (Table 22). Employees from spinning department (54%) do not expect labour turnover in future. *Ho: Turnover will be less from spinning departments and more from other departments.* The calculated value of  $\chi^2$  (23.94) is greater than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. The null hypothesis is rejected and it is concluded that turnover is not specific for any department but it affects all the departments. So the turnover should be expected from all the departments and it is not specific



**Table 21.** Leaving for better job offer.

| Department/better offer | Yes      | No      | Total   |
|-------------------------|----------|---------|---------|
| Quality control         | 7 (100)  | 0       | 7 (5)   |
| Administration          | 19 (95)  | 1 (5)   | 20 (14) |
| Spinning                | 21 (42)  | 29 (58) | 50 (36) |
| Weaving                 | 41 (100) | 0       | 41 (30) |
| Technical               | 14 (93)  | 1 (7)   | 15 (11) |
| Finance                 | 3 (100)  | 0       | 3 (2)   |
| Production planning     | 2 (100)  | 0       | 2 (2)   |
| Total                   | 107 (78) | 31 (22) | 138     |

**Table 22.** Expectation of more turnovers.

| Department/ more turnover  | Yes     | No      | Total   |
|----------------------------|---------|---------|---------|
| Quality control            | 6 (86)  | 1 (14)  | 7 (5)   |
| Administration             | 15 (75) | 5 (25)  | 20 (14) |
| Spinning                   | 23 (46) | 27 (54) | 50 (36) |
| Weaving                    | 36 (88) | 5 (12)  | 41 (30) |
| Technical                  | 12 (80) | 3 (20)  | 15 (11) |
| Finance                    | 3 (100) | 0       | 3 (2)   |
| Production planning (PTPC) | 2 (100) | 0       | 2 (2)   |
| Total                      | 97 (70) | 41 (30) | 138     |

**Table 23.** Satisfaction of employees based on experience.

| Experience (years)/satisfaction | Totally | Partially | Not at all | Total   |
|---------------------------------|---------|-----------|------------|---------|
| 1-5                             | 3 (30)  | 5 (50)    | 2 (20)     | 10 (7)  |
| 6-10                            | 3 (14)  | 10 (48)   | 8 (38)     | 21 (15) |
| 11-15                           | 10 (17) | 28 (47)   | 21 (36)    | 59 (43) |
| > 15                            | 15 (31) | 22 (46)   | 11 (23)    | 48 (35) |
| Total                           | 31 (22) | 65 (47)   | 42 (31)    | 138     |

to any one department as such.

### Analysis based on the experience of employees

Employees who are experienced more than 15 years (31%) are satisfied in the job (Table 23). Employees who are experienced 1 to 5 years (30%) are totally satisfied in the job. Among the employees, 38% are experienced 6 to 10 years and are not satisfied in the job. *Ho: Employees more than 15 years experience are satisfied in the job than the less experienced employees.* The calculated value of  $\chi^2$  (5.53) is less than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. The null hypothesis is accepted and it is inferred that employees experienced more than 15 years are satisfied in the job, whereas those who are less experienced are not satisfied in their job.

From Table 24, the employees' feelings are observed

when there is turnover from the organization. 40% of the respondents experienced 1 to 5 years feel happy when there is a labour turnover. Employees experienced 6 to 10 years (57%) feel disappointed due to turnover. *Ho: Employees experienced 6 to 10 years are more disappointed due to labour turnover than others.* The calculated value of  $\chi^2$  (1.40) is less than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. The null hypothesis is accepted and it is inferred that employees experienced 6 to 10 years feel more disappointed due to labour turnover than other experienced employees in the company. Employees experienced 1 to 5 years (90%) feel that the performance of the organization is affected due to turnover. Employees experienced more than 15 years (79%) mentioned that the performance of the organization is affected due to turnover. Out of the sample respondents, 48% of the employees who have experience of 6 to 10 years stated that the performance is not affected (Table

**Table 24.** Experience and feeling of co-workers during turnover.

| Experience (years)/co-workers leave | Feel happy | Feel disappointed | Feel Nothing | Total   |
|-------------------------------------|------------|-------------------|--------------|---------|
| 1-5                                 | 4 (40)     | 4 (40)            | 2 (20)       | 10 (7)  |
| 6-10                                | 6 (29)     | 12 (57)           | 3 (14)       | 21 (15) |
| 11-15                               | 18 (31)    | 28 (47)           | 13 (22)      | 59 (43) |
| > 15                                | 14 (29)    | 23 (48)           | 11 (23)      | 48 (35) |
| Total                               | 42 (30)    | 67 (49)           | 29 (21)      | 138     |

**Table 25.** Effect on performance due to labour turnover experience wise.

| Experience (years)/opinion | Yes     | No      | Total   |
|----------------------------|---------|---------|---------|
| 1-5                        | 9 (90)  | 1 (10)  | 10 (7)  |
| 6-10                       | 11 (52) | 10 (48) | 21 (15) |
| 11-15                      | 38 (64) | 21 (36) | 59 (43) |
| > 15                       | 38 (79) | 10 (21) | 48 (35) |
| Total                      | 96 (70) | 42 (30) | 138     |

**Table 26.** Experience and the reasons for labour turnover.

| Experience (years)/reasons | Better job offers | Low salary | Job dissatisfaction | Affected due to diseases | Total   |
|----------------------------|-------------------|------------|---------------------|--------------------------|---------|
| 1-5                        | 5 (50)            | 5 (50)     | 0                   | 0                        | 10 (7)  |
| 6-10                       | 4 (19)            | 17 (81)    | 0                   | 0                        | 21 (15) |
| 11-15                      | 21 (35)           | 33 (56)    | 4 (7)               | 1 (2)                    | 59 (43) |
| > 15                       | 27 (56)           | 15 (31)    | 6 (13)              | 0                        | 48 (35) |
| Total                      | 57 (41)           | 70 (51)    | 10 (7)              | 1 (1)                    | 138     |

**Table 27.** Type of employees leaving based on experience.

| Experience (years)/type of employees | Low performers | High performers | Don't know | Total   |
|--------------------------------------|----------------|-----------------|------------|---------|
| 1-5                                  | 1 (10)         | 6 (60)          | 3 (30)     | 10 (7)  |
| 6-10                                 | 1 (5)          | 4 (19)          | 16 (76)    | 21 (15) |
| 11-15                                | 5 (8)          | 36 (61)         | 18 (31)    | 59 (43) |
| > 15                                 | 3 (6)          | 37 (77)         | 8 (17)     | 48 (35) |
| Total                                | 10 (7)         | 83 (60)         | 45 (33)    | 138     |

25). Since they are experienced in the job they can perform the job in the organization without hindrance. But the less experienced employees need more support and training and they feel the performance is affected due to labour turnover. *Ho: The performances of employees who are experienced 1 to 5 years are mainly affected due to labour turnover.* The calculated value of  $\chi^2$  (7.73) is less than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. The null hypothesis is accepted and it is inferred that employee's performance is affected due to labour turnover for less experienced employees, especially who are experienced 1 to 5 years in the company.

Among the employees, 56% are experienced more than 15 years responded that the labour turnover is mainly due to better job offers (Table 26). Employees

experienced 6 to 10 years stated (81%) that the turnover is mainly due to low salary. *Ho: The most experienced employees leave for better job offers and employees experienced 6 to 10 years leave due to low salary.* The calculated value of  $\chi^2$  (18.88) is greater than the critical value (16.92) at 5% level of significance with 9 degrees of freedom. The null hypothesis is rejected and it is inferred that there is no relation between experienced employees and specific reasons for labour turnover.

Experienced employees who served more than 15 years (77%) stated that the organization is losing the high performers due to turnover. Employees experienced 11 to 15 years (61%) stated that the company loses high performers due to labour turnover (Table 27). *Ho: Employees leaving the organization are high performers and are experienced.* The calculated value of  $\chi^2$  (24.73)

**Table 28.** Leaving for better job offer.

| Experience / better offer | Yes      | No      | Total   |
|---------------------------|----------|---------|---------|
| 1-5                       | 10 (100) | 0       | 10 (7)  |
| 6-10                      | 10 (48)  | 11 (52) | 21 (15) |
| 11-15                     | 44 (75)  | 15 (25) | 59 (43) |
| > 15                      | 43 (90)  | 5 (10)  | 48 (35) |
| Total                     | 107 (78) | 31 (22) | 138     |

**Table 29.** Expectation of more turnovers.

| Experience / more turnover | Yes     | No      | Total   |
|----------------------------|---------|---------|---------|
| 1-5                        | 7 (70)  | 3 (30)  | 10 (7)  |
| 6-10                       | 10 (48) | 11 (52) | 21 (15) |
| 11-15                      | 42 (71) | 17 (29) | 59 (43) |
| > 15                       | 38 (79) | 10 (21) | 48 (35) |
| Total                      | 97 (70) | 41 (30) | 138     |

is greater than the critical value (12.59) at 5% level of significance with 6 degrees of freedom. The null hypothesis is rejected and it is inferred that high performing employees leaving the organization are not experienced employees. Thus it is concluded that the high performing employees leaving the organization does not have any relation with the experience.

All the employees experienced 1 to 5 years stated that they will leave the organization for a better job offer. Employees experienced more than 15 years (90%) mentioned that they are willing to take up a better job offer elsewhere (Table 28). Only 48% of the employees experienced 6 to 10 years stated a positive opinion regarding a better offer. *Ho: Employees experienced 6 to 10 years are more loyal to the organization and they will not leave the organization due to better offer.* The calculated value of  $\chi^2$  (18) is greater than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. The null hypothesis is rejected and it is concluded that employees experienced 6 to 10 years cannot be taken as loyal and the turnover of employees due to better offer is related to all departments in the organization.

Employees experienced more than 15 years (9%) stated that there will be more turnovers in future. Among the experienced employees who are 6 to 10 years (52%) expect that there will no turnovers in future (Table 29). *Ho: There will be turnover from experienced employees than less experienced employees from the organization in future.* The calculated value of  $\chi^2$  (7) is less than the critical value (7.81) at 5% level of significance with 3 degrees of freedom. The null hypothesis is accepted and it is concluded that there will be more labour turnover from experienced employees in future who are experienced more than 15 years than employees who are experienced 6 to 10 years.

According to 131 employees (95%) out of 138 employees the management has not taken much measure to minimize labour turnover. 7 employees (5%) stated that management has taken some steps. According to 73 (53%) out of 138 employees, there is continuous absence or leave taken by employees. 47% of employees stated that there is no continuous absence. 93% of the employees who stated continuous absence mentioned that the performance of the organization is affected. Only 7% stated that the performance is not affected. Those who take continuous leave are absent due to several reasons. 107 employees (78%) out of 138 mentioned that they take leave for personal reasons.

Employees who stated that they take leave due to sickness constitute 19 members (14%) and nine (6%) employees take leave due to lack of interest in the job. Remaining 2% want to utilize the holidays. According to the opinion of 41 employees (30%) out of 138, the employees are taking more number of leaves than the permitted leaves. The remaining 97 (70%) out of 138 employees mentioned that the employees are not willing to take more number of leaves than the permitted leaves by the organization.

In order to minimize the absenteeism, the employees expect the following; changing of shift time, incentives and bonus, reduction of work load, disciplinary action, discussion with the workers, respect and provision of sufficient materials, good governance and implementing the legal punishments.

The rating of various factors to identify the satisfaction of employees is given and their responses are shown in Table 30. The average score is 3. Among the various factors, the average for two factors is more than the average score of 3. These factors are working conditions and co-operation from colleagues. Except these two factors, the average score for all other factors is less than

**Table 30.** Rating of factors.

| Factors/opinion                               | Very good (5) | Good (4) | Average (3) | Poor (2) | Very poor (1) | Total score | Average score (3) |
|-----------------------------------------------|---------------|----------|-------------|----------|---------------|-------------|-------------------|
| Relationship between superior and subordinate | 8             | 28       | 55          | 24       | 23            | 388         | 2.81              |
| Training                                      | 5             | 23       | 27          | 26       | 57            | 307         | 2.22              |
| Recognition of job                            | 5             | 17       | 29          | 30       | 57            | 297         | <b>2.15</b>       |
| Evaluation of job performance                 | 5             | 37       | 45          | 24       | 27            | 383         | 2.8               |
| Proper direction                              | 9             | 28       | 40          | 32       | 29            | 370         | 2.7               |
| Promotion                                     | 6             | 11       | 34          | 41       | 46            | 304         | 2.2               |
| Working conditions                            | 19            | 37       | 37          | 26       | 19            | 425         | 3.1               |
| Salary                                        | 4             | 18       | 37          | 39       | 40            | 321         | 2.3               |
| Co-operation from colleagues                  | 44            | 34       | 29          | 18       | 13            | 492         | <b>3.6</b>        |
| Participation in decision-making              | 21            | 26       | 31          | 32       | 26            | 394         | 2.9               |

the average of 3. The recognition on the job is given the least with a score of 2.15. Among the factors previously stated, the better factor is the co-operation that the employees get from their colleagues with an average score of 3.6.

### Findings of the study

It is revealed that 51% of the employees leave the organization due to low salary. At the same time 41% of the employees leave when they get better job offers. Among the sample respondents, 7% of the employees leave due to job dissatisfaction. Male employees leave the organization for better offers and female employees leave due to low salary. Employees aged 20 to 30 leave due to better job offers and those aged 41 to 50 leave due to low salary.

According to the opinion of the respondents, 60% employees who leave the organization are high performers. Only 7% stated that the turned employees are low performers. Employees aged 31 to 40, who leave the organization are high performers.

Majority of the employees (95%) stated that the management has not taken much measure to minimize labour turnover. It is also proved that the performance of the employees experienced 1 to 5 years is affected due to labour turnover.

It is found that 31% of the employees are not satisfied in the job. From the study conducted 22% of the employees are satisfied in the job. It is clear through the analysis that 47% of are partially satisfied in their job. It is proved that female employees are more satisfied in the job than male employees. Young employees aged 20 to 30 are more satisfied than other employees. Employees experienced more than 15 years are satisfied in the job than others.

The major factors that lead to satisfaction of employees are working conditions and co-operation from colleagues. The average score the aforementioned is greater than the average. All the others factors are less than the

average score- relationship between superior and subordinate, training, recognition of job, evaluation of job performance, proper direction, promotion, participation in decision-making. These are the factors that lead to dissatisfaction of the employees that forced them to turnover.

More labour turnover is expected from 20 to 30 and 31 to 40 age group. It is also tested and proved that turnover will be more from employees experienced more than 15 years compared to others.

### Conclusion

This study had examined that the labour turnover in ArbaMinch Textile Company was mainly due to low salary and better opportunities for the employees. The overall analysis provides a strong relation between gender and reasons for turnovers, age and turnover, high performers and turnovers, as well as experience. The findings presented in this paper provides a clear picture regarding low salary of the employees, dissatisfaction of employees, and the lack of major factors that dissatisfies the employees which ultimately leads to turnover. Since majority of the turned over employees are high performing employees, the management should take some adequate measures to curb this. When an organization loses employees, it loses skills. The magnitude and nature of that skill loss is an important management issue affecting productivity, product and service quality, profitability and a host of other key concerns. The cost of replacing employees can be high; the problems associated with finding and training new employees can be considerable. The specific work-place acquired skills and knowledge people walk away with can take years to replace.

### RECOMMENDATIONS

The existing salary should be revised so that it is in par with the salary structure of other textile firms in the

industry. 83% of the respondents mentioned that they should be motivated by more salaries. Employees also expect equal treatment, respect, training, good governance, work freedom, good relationship, and meeting employees needs like incentives, motivation and promotion. There should be a mutual discussion between the employees and the management to address their mutual problems. This open discussion helps to alleviate any form of misunderstanding and gain more information. The organization should focus on the experienced people since they are not satisfied. The personnel department should take adequate steps to maintain the employees in the organization by implementing more of motivating elements. Recognition of the job should be given by the superiors to the employees. Promotion for the qualified employees should be provided at the right time as it induces them to contribute more for the organization. There is a lack of training and adequate and appropriate training should be provided to all the employees to increase their productivity. The superiors should give proper direction and instructions to their subordinates and see there is a healthy and friendly relationship between the superiors and the subordinates.

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