

Lesson - 12

LABOUR TURNOVER

12.0 Objective:

After studying this lesson the student is able to:

- * understand the meaning of Labour turnover
- * how to measure the Labour turnover
- * understand the causes for Labour turnover
- * what are the evil effects of Labour turnover
- * how to reduce the Labour turnover

Structure:

- 12.1 Introduction
- 12.2 Meaning of Labour Turnover
- 12.3 Measurement of Labour Turnover
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- 12.6 Measures to Control Labour Turnover
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12.1 Introduction:

Labour Turnover is a serious problem of industry in all countries. It is a major problem in the area of industrial relations in India. In every organisation employees constantly join and leave for one reason or other. The relation between the number of persons joining the organisation and leaving due to resignation, retirement or retrenchment to the average number of pay-roll is labour turnover. The labour turnover is caused by several factors, some may be controllable and some may not be controllable. Labour turnover may prove to be a costly process. This turnover is harmful to the efficiency of worker and impairs the quality of production. Labour turnover is a serious obstacle to the full utilisation of country's human and material resources. High Labour turnover is not desirable as it affects both employers and workers adversely.

12.2 Meaning of Labour Turnover:

Labour turnover refers to the rate of change in the working staff of an enterprise during a

given period of time. Labour turnover is a measurement of the extent to which old employees leave and new employees enter into the services of an organisation in a specific time period. Labour or employees who are not satisfied with their career in the present organisation may seek suitable employment in other organisations. Labour turnover may result into movements, shifting or migration of employees (or) workers from one unit to another or from one industry to other.

12.3 Measurement of Labour Turnover:

Labour turnover can be measured either by Accession rate or by separation rate. If the number of employees working in the organisation remains the same, the separation rate is equal to accession rate. If the number of persons in the organisation is increasing, accession rate will be greater than the separation rate. If the employment is decreasing, the separation rate will be greater than accession rate. The term accession means, the total number of employees (or) workers added to the employment during the period (i.e., additions to the pay-roll). The term 'separation' implied severance of employment at the instance of the employees (workers) a employer (i.e. quits discharges, retirements, deaths etc), replacements (i.e. one accession plus separation) and average work force i.e., the number at the beginning of a period plus the number at the end of the period divided by 2.

$$\text{Accession Rate} = \frac{\text{Total Accessions in the Year}}{\text{Average number of employees for the year}} \times 100$$

$$\text{Separation Rate} = \frac{\text{Total separations in the Year}}{\text{Average number of employees for the year}} \times 100$$

$$\text{Composite Rate} = \frac{\text{Total Accessions per year} + \text{Total separation per year}}{\text{Average number of employees for the year}} \times 100$$

Example: In Arun Ltd. the average work force per month is 2000 and there are 40 accessions and 50 separations during that period.

$$\text{Accession Rate} = \frac{40}{2000} \times 100 = 2 \text{ percent}$$

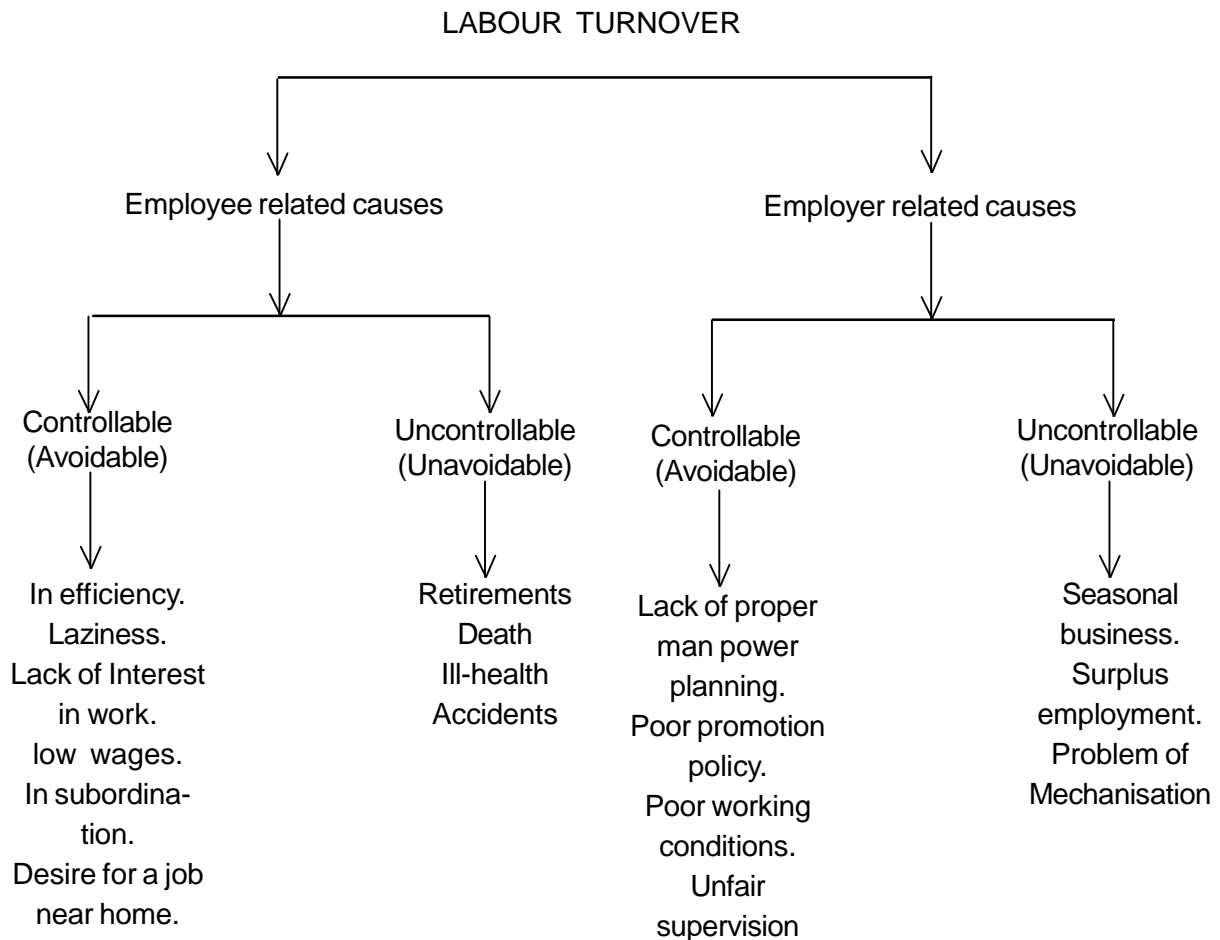
$$\text{Separation Rate} = \frac{50}{2000} \times 100 = 2.5 \text{ percent}$$

$$\text{Composite Rate} = \frac{(40 + 50)/2}{2000} \times 100$$

$$= \frac{45}{2000} \times 100 = 2.25 \text{ percentage.}$$

12.4 Causes for Labour Turnover:

Employees may leave the organisation on their own interest or they are discharged. The causes for Labour turnover may be classified as controllable (avoidable) and uncontrollable (unavoidable). A high rate of labour turnover is undesirable and there is need to study the various causes for labour turnover.



Controllable Causes (Avoidable Causes):

Among the controllable causes redundancy is the most important due to the seasonal nature of the trade or Industry, shortage of materials, lack of proper manpower, recruitment and promotion

policies. The other controllable causes are hours of work and work conditions and bad

employees dissatisfaction with the job, low wages, relations with supervisors and fellow workers.

Uncontrollable Causes (unavoidable causes):

Labour turnover also arises due to certain reasons which are beyond the control of management. Employees may leave the organisation because of the following uncontrollable causes.

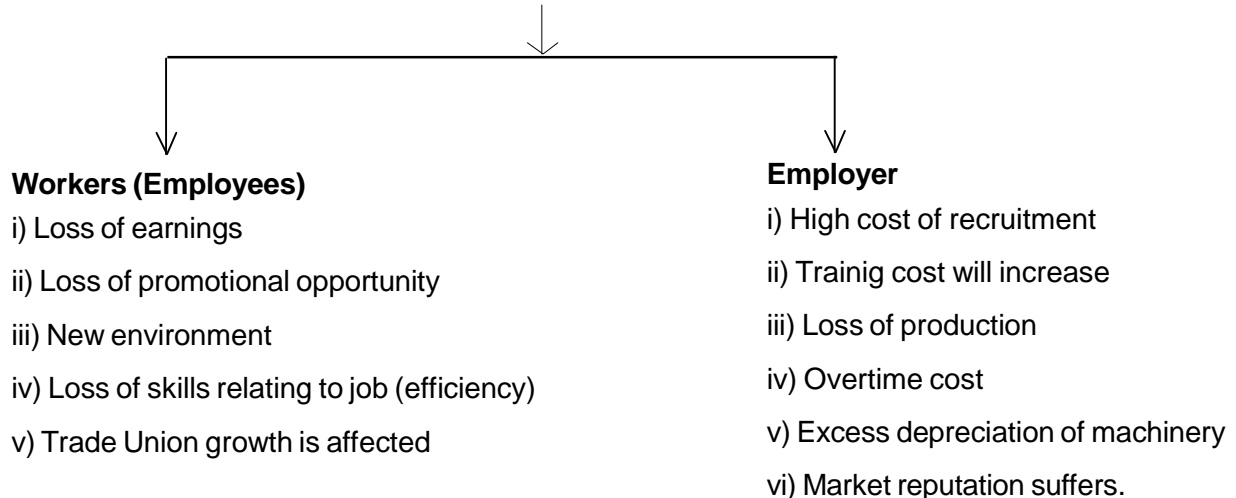
- i) Better Job opportunities outside the organisation
- ii) Retirement, death etc.
- iii) Ill health, accident etc.
- iv) Unsuitable Job (or) Misconduct on his part.
- v) Shifting from the locality
- vi) Personal affairs like marriage or pregnancy in case of female workers.
- vii) Lack of proper housing or transport facilities.

The causes of labour turnover may be ascertained through personal interview with the employees leaving the organisation and opinion poll or survey of the employees by independent persons. The causes may be known from the friends of the employees leaving the organisation, with whom they are very frank.

12.5 Evil Effects of Labour Turnover:

A high rate of labour turnover is a great handicap to the workers and employer. Some amount of labour turnover is rather inevitable and natural. Such type of labour turnover arises on account of retirement of old employees and accession of fresh blood. Turnover of this type is very small in all organisations. In most of the causes turnover arises on account of resignations and dismissals. Such type of Labour turnover proves to be very harmful. The loss to the workers is distinct and loss to the employer is still greater.

Effects of Labour turnover



Cost of Labour turnover to Employees:

High labour turnover is harm full to the employees in many respects:

- i) On account of a change in service from one organisation to another, the workers are not able to enjoy the various advantages (pay increment, leave, provident fund, pension, gratuity etc) of continued employment in one concern.
- ii) A worker (employee) who changes his job quite often loses the opportunity of promotion on the basis of seniority.
- iii) When worker joins new organisation, the special skills and experience relating to previous employment is of no use and become meaningless.
- iv) It is very difficult to worker to adjust with the new work environment when worker joins in a new organisation.
- v) Movement of workers from one organisation to another also affects the solidarity among them adversely.

Costs to the Employer:

High labour turnover is costly to the employers in the following ways:

- i) High labour turnover leads to high replacement costs to the employer, due to repeated recruitment, selection and placement of employees.
- ii) Results into more expenditure on orientation and training of workers.
- iii) Loss of production in the time interval between separation of old employees and replacement by new.
- iv) Firm has to incur high over time costs to meet delivery schedules.
- v) Output suffers both in quality as well as quantity.
- vi) Scrap and waste rates increases due to inexperience of new workers.
- vii) Due to lack of execution of orders in time, because of labour turnover the market reputation of the company will suffer.
- viii) Labour turnover leads to under utilisation of human resources of the country.

12.6 Measures to Control Labour Turnover:

Abnormal rate of labour turnover is bad both for the worker and the industry. Remedial measures should be taken after ascertaining the exact reasons for leaving. Labour turnover may be reduced by proper planning of manpower requirements so that it is not redundant. Other remedial measures are:

- i) Improvement in recruitment and practices
- ii) Use of proper tests and interviews while selecting the personnel.
- iii) Impartial promotion and transfer policies.
- iv) Adequate training to the as well as existing employees.

- v) Security of service in the organisation.
- vi) Provision of retirement benefits.
- vii) Improved channels of communication
- viii) Reasonable amenities and welfare measures.
- ix) Introduction of a satisfactory wage plan
- x) setting up of grievances and redressal machinery.

12.7 Summary:

Labour turnover is a serious obstacle to the full utilisation of country's human and material resources. Labour turnover arises due to both avoidable and unavoidable causes. High rate of labour turnover badly affects both the workers & also employer. Labour turnover may be reduced through proper manpower planning and by taking corrective steps to avoid the impact of avoidable causes.

12.8 Key words:

Turnover	: It signifies the shifting of the work force into and out of an organisation. It is a measurement of extent to which old employees leave and new employees enter into service in a given period of time.
Accession	: The new employees joining the payroll including transfers from the units of the company.
Separation	: Employees who have quit the company due to layoff, discharge, retirement, death, resignation etc. including transfer to other concerns.

12.9 Self - Assessment Questions:

1. Define Labour turnover? Explain the causes for Labour turnover?
2. What is Labour turnover? How to measure the Labour turnover?
3. Explain the evil effects of Labour turnover?
4. Explain the measures necessary to reduce the Labour turnover?

12.10 Reference Books:

- Bhagoliwal. T.N. - *Personnel Management & Industrial Relations*, Sahitya Bhavan, Agra 1991
- Sarma A.M. - *Personnel and Human Resources Management*, Himalaya Publishing House (Pvt.) Ltd. Mumbai, 1998.
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