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Influence of Labour Turnover on Business Growth: A Case Study of Petrol Station Employees in Nakuru Town in Kenya.

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Abstract: *High labour turnover can destabilize a business due to various challenges such as; the high costs of recruitment and replacement; hidden organization costs; workers' taxing monetary and psychological costs as well as costs of disrupted work schedules. Furthermore, it is known that annual labour turnover index above 25% leads to devastating economic results for any organization. The aim of this paper therefore was to determine the factors that cause high rates of labour turnover among pump attendants in petrol stations in Nakuru Town, Kenya. Petrol stations were chosen because high labour turnover among pump attendants had been identified to be among the most challenging aspects when operating a petrol station in Kenya. This paper will particularly focus on the influence of job satisfaction in the high labour turnover witnessed in fuel stations in Nakuru town.*
Keywords: *Attrition, Branded Petrol Stations, Forecourt attendants, High labour turnover, Independent Petrol Station, Labour turnover, Leavers, Wastage*

I. Introduction

The development of petrol stations dates back to1900 in the United States after Sylvanus F. Bowser perfected a pump in 1905 that would take gasoline out of a barrel and fill a car's tank. Hence the first 'filling station' started operating the same year. As the use of cars, new types of filling stations began to appear. The drive in, sometimes covered by a canvas and the pump located on a lot off the street, and often next to a store that sold auto supplies and food – a business similar to the petrol stations we know today. In Kenya, the first multinational oil company –Shell, is thought to have started operations in 1900 with its establishment at the port town of Mombasa. Kenya Shell started off as a kerosene and petrol distributor. Today, we have over (sixteen) 16 mainstream oil companies engaged in retail oil business through their petrol stations spread all over the country. 60% are branded and 40% are independent outlets. High labour turnover can destabilize a business due to various challenges such as; the high costs of recruitment and replacement; hidden organization costs; workers' taxing monetary and psychological costs as well as costs of disrupted work schedules. Furthermore, it is known that annual labour turnover index above 25% leads to devastating economic results for any organization

1.1 Literature Review

Cooper & Lybrand (1992) observes that surveys done on causes of labour turnover show that the potential range of reasons include poor career prospects, boredom, not being interested in the work, being treated like a cog in a machine, not being valued as an employee, not having enough to do, not being properly rewarded, lack of status, poor working environment and off course inequitable or uncompetitive pay structures. In fact, pay systems can be major cause of dissatisfaction and therefore labour turnover if they do not provide appropriate rewards for contribution and responsibility and do not satisfy reasonable expectations on the appropriate return for the employee's investment of skill, effort and time. (Coopers & Lybrand, 1992)

Alan & Chloe (1981) contend that "High labour turnover is frequently an indication of low morale, poor supervision, unsatisfying work, or poor working condition," The labour turnover index done on an annualised basis is a clear indication of the rate of wastage that an organisation experiences. However when the labour turnover problem is experienced in a certain department, a stability index is calculated to give credence to the labour turnover index. (Alan & Chloe, 1998)

It has been noted that labour turnover has been declining in Kenya over time due to the increasing levels of unemployment. However, workers in an organisation do leave their respective jobs for reasons which are personal, organisational and social.

Personal Reasons- Higher wages and better career prospects are very common reasons for people to leave their jobs in Kenya and most developing countries especially for those whose job skills are in short supply. Where career development lacks within immediate jobs, they leave to seek career prospects that are rewarding to them. According to Mungumi (2002), employees may change jobs for higher basic wage and to obtain greater earnings from commissions and gratuities (Mungami, 2002).

Organisational Reasons To Leave- Strains from work overload such as qualitative overload that occurs when work to be done is too difficult and quantitative overload when there is too much to be done in the available time. Cooper and Marshal (1978) have shown that quantitative overload is associated with labour turnover, coronary heart diseases, alcoholism, absenteeism and low motivation to work as well as low self-esteem (Cooper & Marshall, 1978). Less unchallenging and work under load causes some employees to leave because duties they perform are less challenging than they were made to believe or expected (Werther & Davis, 1993). Similarly, some employees do not like the working conditions of the job. Work under load occurs when there is little or nothing to be done, or when the work is too easy. This causes adverse reactions among certain groups of workers. Those who value complexity in their work like scientists and some administrators show high level of job dissatisfaction when they have too little to do or are not challenged by their work Mungami (2002). Overspecialisation of jobs brings lower levels of job satisfaction and can lead to high labour turnover rates Werther and Davis (1993). Similarly, some employees discover the job duties or reporting relationships become unacceptable after a reorganisation of the departments.

Social Reasons- This includes leaving due to family commitments. Some employees may oblige to leave for unavoidable reasons e.g. When a spouse, usually the husband is transferred to a different location, the wife will be expected to move with him thereby resigning from her job with a view to look for a new employer after the family has moved. Such an employee is highly likely to quit as the best option rather than being left behind. Others may quit because they want early retirement to venture into other activities etc. (Mungami, 2002)

II. Research Design

This was ex-post facto since the researcher did not have control over the variables and can only report. Such descriptive research involved the use of selected items to be studied with the aim of obtaining complete and accurate information giving precision in achieving the objectives of the study

2.1 Location of The Study

The study was done within Nakuru Town. The town is located one hundred and ninety (190) kilometres north of Nairobi along the Nairobi-Eldoret highway.

2.2 Sample Population

Table 1: Sample Population

Stratum	Population	Percentage	Sample size
Pump attendants	356	33%	117
Petrol station operators/managers	32	100%	32
Leavers	89	33%	30
Total	477		174

Data was first checked for completeness and consistency before the actual analysis process. It was then coded to enable the responses to be grouped into categories. To enable content analysis it was run through the Statistical Package for Social Sciences (SPSS) computer programme. Descriptive statistics was used to summarize the data so as to generate frequency tables, percentages and proportions. Factor analysis was also used to determine the contribution of each variable on employee wastage i.e. Employee wastage= *f* (pay, career development, training, etc).

The factor analysis model which is given by:

$y = a_1F_1 + a_2F_2 + a_3F_3 + ..a_nF_n$ +e was used to determine the contribution of each variable on high labour turnover,

Where a_i (i=1, 2...n) is the coefficient of the i factor,

F_i = is the i factor to be determined from the data

e is the error term that accounts for the variations in the *y* not explained by the factors indicated above.

Factor Analysis is a statistical technique used for replacing large number of variables with a smaller number of 'factors' that reflect what sets of variables have in common with one another. It is a method of data reduction by combining two or more variables into a single factor. It identifies groups of interrelated variables to see how they are related to each other.

In this analysis, simple structure pattern of results was used such that each variable loads highly onto one and only one factor. Iterated principle axis factor was used with three factors as our method of extraction – varimax rotation. The rotation method serves to make the output more understandable by seeking the so called 'simple structures'. It is a method of loading where items load most strongly on one factor and much weakly on the other factors. Rotations can be orthogonal or oblique allowing factors to correlate. The varimax rotation is an orthogonal rotation (independence) of the factors axes to maximize the variance of the squared loadings of a factor (column) on all the variables (rows) in a factor matrix.

III. Findings

3.1 Impact Of Labour Turnover On Business Growth

The 5point Likert scale was used as an ordinal measurement to measure the perceptions of the respondents on each of the items effect on business growth as follows;

1 – Strongly agree; 2 – agree; 3 – neither; 4 – disagree; 5 – strongly disagree.

Table 33: Effect Of High Labour Turnover On Business Growth

	Strongly agree		Agree		Neither		Disagree		Strongly disagree		Total F
	F	%	F	%	F	%	F	%	F	%	
High rates of turnover of pump attendants reduces sales volume	4	33.3	3	25.0	3	25.0	2	16.7	0	0	12
Customers do not care who serves them in the forecourt	0	0	3	21.0	1	7.1	6	42.9	4	28.6	14
Frequent changes of pump attendants is expensive to business	5	41.7	2	16.7	1	8.3	2	16.7	2	16,7	12
Long serving pump attendants have loyal customers	7	53.8	3	23.1	1	7.7	1	7.7	1	7.7	13
Long serving employees give superior service to customers	7	53.8	3	23.1	1	7.7	1	7.7	1	7.7	13

Table 34: Effect Of High Labour Turnover On Business Growth

	Mean	Mode	Median
High rates of turnover of pump attendants reduces sales volume	2.25	1	3
Customers do not care who serves them in the forecourt	3.78	4	2
Frequent changes of pump attendants is expensive to business	2.5	1	2
Long serving pump attendants have loyal customers	1.92	1	2
Long serving employees give superior service to customers	1.92	1	2

From table 33 the majority of employers at 33.3%, strongly agree that high rates of turnover of pump attendants reduce sales volume. This is reflected by the highest median at 3. Raymond et al (2006) maintain that the firms with high employee retention rates perform better and increase their profits (Raymond, Hang-yue, & Foley, 2006). While 42.9% of employers disagree that customers do not care who serves them in the forecourt, Manley (1996) pointed to the concept of "subliminal" effects of turnover that include a lack of recognition from new staff members for regular clients and the clients who follow favourite staff to another organization (Manley, 1996). A majority of 41.7% employers strongly agree that frequent changes of pump attendants are expensive to business. This is compounded by the fact that the costs of training labour are high hence reducing profitability of the business, (Mitchell, Holtom, Lee, Sablynski, & and Erez, 2001). Long serving pump attendants have loyal customers according to the responses of 53.8% employers. Another 53.8% of the employers strongly agree that long serving pump attendants give superior service to customers. According to Rowley and Purcell (2001), organisations not only lose both recruitment and replacement costs, but have to replace seasoned employees with inexperienced personnel as well as contend with disrupted work schedules (Rowley & Purcell, 2001). When asked about the cost of maintaining long serving pump attendants, 38.5% strongly disagree that they are expensive to maintain. A large majority of employers at 64.3% agree that there is a relationship between business growth and labour turnover. This is in line with a contention that if companies have high rates of employee turnover, "the economic results could be devastating for an organisation". 35.7% of the employers agree that frequent new pump attendants lower service standards always. Glebbeek and Bax (2004) observed that low employee turnover is seen as an asset in the competitive war while high turnover is seen as a problem to be managed (Glebbeek & Bax., 2004). According to Armstrong (2008), high rates of attrition can destabilize a business. 46.2% strongly agree that service business requires stable workforce . This was noted by Manley (1996) that regular clients follow favourite staff if they move to other organizations. Employers at 50.0% strongly agree that age of pump attendants is important consideration in recruitment. According to Young (1970), age has been found to be related to rates of turnover which decreases with increasing age. The typical pump attendants were found to be between 20 and 30 years at 80.4%. This is the age group most affected by high incidences of changing jobs, Silcok (1954).

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