

# Impact of Labor Turnover on Organizational Performance in IT Sector (With Special Emphasis on IT Department of TCS Noida)

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## ABSTRACT

In the recent years impact of labor turnover has received considerable attention by senior management, human resource professionals, and industrial psychologists. It has been proven to be one of the most seemingly intractable human resource challenges confronting organizations. Labor plays a significant role for the performance of any business firm. The efficiency, productivity and effectiveness of the Organization are highly influenced by a competent and well-experienced workforce. This research was carried out to examine the impacts of labor turnover on Organization performance in IT sector (WITH SPECIAL EMPHASIS ON IT DEPARTMENT OF TCS NOIDA). The main purpose of the study was to determine the impact of employee turnover on the performance of an organization. The research study supports the argument of Derek (2006) that the employees' turnover positively associated with the organization inefficiency. The sample study comprised fifty respondents, both qualitative and quantitative data have been used and the questionnaires were individually administered. It is clearly evidenced that there is negatively relationship between organizational performance and the employees' turnover. The general objective of this study was to assess the impacts of labor turnover on Organizational performance at TCS Noida. The study recommended that the Management continue employing people who are well trained and who perceive their jobs as expected. Organizations should not only employ to fill a job but also consider a fit between the person and the organization. It is highly recommended that management should give attention to those factors that they can easily manage. Management has to understand that people are different and appreciates those differences.

**KEYWORDS:** Labor, TCS, Labor turnover, Organizational performance, workforce

## 1. INTRODUCTION

### 1.1 Labor Turnover

Labor turnover refers to the rate of change in the workforce of an enterprise during a given period. It has been defined as the time-to-time changes in the composition of the workforce that result from hiring, release and replacement of employees M, Armstrong (2006). C.B Gupta (2003) defined Labor turnover as a measure of the extent to which employees leave and new employees enter the service of concern offer more detailed explanation of labor turnover:

"Employee turnover occurs when workers leave their positions in organizations. Their reasons for leaving jobs are a measure of employee morale. The rate of employee turnover is one measure of the commitment of employees to organizational goals. Turnover is determined partly by organizational policy and management through factors such as salary, benefits, promotions, training and work schedules, and partly by personal factors that are largely beyond employer's control – for example, an employee's desire to relocate".

### 1.2 General Discussion of the Topic

Schultz (2008,) define labor turnover as the movement of employees in and out of the boundaries of the organization. Considering this definition, transfers to a different branch or

plant would not be considered as staff turnover. Staff turnover is perceived as a final and permanent act. These authors also distinguish between controllable and uncontrollable turnover.

#### ➤ Classification of Labor Turnover

##### A. Controllable staff turnover

Includes both voluntary resignations and dismissals. Voluntary resignations are controllable because management can offer better wages, working conditions and opportunities to retain employees, while dismissals are controllable because management can use more constructive strategies, such as training, unambiguous policies on discipline and coaching, to shape an employee's behavior to a desired level rather than dismissing the employee.

Dismissal can also be avoided if due attention is given to the selection of suitable persons and encouragement of stable groups through careful induction procedures and proper socialization.

##### B. Uncontrollable staff turnover

Refers to turnover which is outside the control of management, such as turnover as a result of death,

retrenchments and incapacity. Avoidable turnover is considered as controllable in the sense that management could have minimized or prevented such loss.

### ➤ The Measurements of Labor Turnover

#### 1. The staff turnover rate (LTR)

The most commonly used measure for staff turnover is the staff turnover rate (LTR). The LTR gives an indication of the percentage of employees that leave the organization over a period of time. The LTR is calculated by the means of the following formula:

$$\frac{\text{Number of leavers during a period (V + D)}}{\text{Average of number in employment during period}} \times 100$$

Average of number in employment during period

It should be noted that the monthly LTR may fluctuate considerably and therefore the calculation of quarterly or yearly rates are recommended as being more reliable. For comparative purpose, rates should always be expressed on a per annum basis, irrespective of the period over which they are calculated. In other words, if a monthly LTR is calculated, it should be multiplied by 12 (months), if a quarterly LTR is calculated, it should be multiplied by four (terms).

#### 1.3 Objectives of Study:

1. To investigate the cause of labour turnover in IT sector with special focus on IT department in TCS Noida.
2. To determine the impact of labour turnover on organization effectiveness.
3. To determine what impact labour turnover has on employee performance in IT department.
4. To recommend strategies that can be used to reduce the high level of labour turnover.

#### 1.4 Scope of Study:

The aim of this research is to describe the impact of labor turnover on organizational performance. Generally the study focuses on the theoretical aspect of labor turnover covering content, classification and methods of measuring it. The special emphases were given on the strategies that can be addressed to retain employees in IT sector at TCS Noida, IT department.

## 2. LITERATURE REVIEW

### 2.1 Title

Employee turnover: "Employee turnover" as a term is widely used in business circles By: Henry Ongori, Department of Management, and University of Botswana, Botswana.

Although several studies have been conducted on this topic, most of the researchers focus on the causes of employee turnover but little has been done on the examining the sources of employee turnover, effects and advising various strategies which can be used by managers in various organizations to ensure that there is employee continuity in their organizations to enhance organizational competitiveness. This paper examines the sources of employee turnover, effects and forwards some strategies on how to minimize employee turnover in organizations. Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee's turnover.

## Sources of employee turnover

### 1. Job related factors

There are several reasons why people quit from one organisation to another or why people leave organization. The experience of job related stress (job stress), the range factors that lead to job related stress (stressor), lack of commitment in the organization, and job dissatisfaction make employees to quit. This clearly indicates that these are individual decisions which make one to quit. They are other factors like personal agency refers to concepts such as a sense of powerlessness, locus of control and personal control. Locus control refers to the extent to which people believe that the external factors such as chance and powerful others are in control of the events which influence their lives.

### 2. Voluntarily vs. involuntary turnover

There are some factors that are, in part, beyond the control of management, such as the death or incapacity of a member of staff. Other factors have been classed as involuntary turnover in the past such as the need to provide care for children or aged relatives. Today such factors should not be seen as involuntary turnover as both government regulation and company policies create the chance for such staff to come back to work, or to continue to work on a more flexible basis.

### 3. Organizational factor

Organizational instability has been shown to have a high degree of high turnover. Indications are that employees are more likely to stay when there is a predictable work environment and vice versa (Zuber, 2001). In organizations where there was a high level of inefficiency there was also a high level of staff turnover (Alexander et al., 1994). Therefore, in situations where organizations are not stable employees tend to quit and look for stable organizations because with stable organizations they would be able to predict their career advancement.

### 2.2 Title

Employee turnover: cause of factor influencing turnover  
BY: Beri G.C., Human Resource Tata McGraw New Delhi  
In his study on the cause of factor influencing turnover and retention of staff and retention problems for professional have talked about the Working hours, workload and work schedules which are also common concerns to both groups. In addition, career development, promotion and appreciation of contribution were important retention factors, while a supportive professional environment, reduction in workload and working hours and more flexible work patterns were important to consultants.

### 2.3 Title

Causes of the cost of employees turnover

BY: Cosenza, Robert M.

Cosenza, Robert M. in his study on the causes of the cost of employees turnover due solely to unfairness in the workplace and have talked about the effect of unfairness upon an employee's decision to leave their employer and the financial to employer due to voluntary turnover. Further he highlighted Recruiting and retaining the best and the brightest remove the barriers and biases which create unfair workplace.

### 3. RESEARCH METHODOLOGY

**3.1 Introduction:** This chapter describes the research design that was used during data collection sampling methods and techniques that were followed. This chapter also describes the research instruments and data analysis tools and methods as well as the tools used in reporting.

**3.2 Research Design:** The study adopted a descriptive research design since the study intendeds to gather quantitative and qualitative data that describes the nature and characteristics of the impacts of labour turnover on organization performance. The study considers this design appropriate since it facilitated towards gathering of reliable data describing the true characteristics of the impacts of labour turnover on organization performance.

**3.3 Sample Selection:** The data has been collected from total number f the employees in the IT department of TCS Noida organization.

**3.4 Sample Size:** The Target population comprised of all employees working at IT department of TCS Noida .Because the target population was only 50 employees so there was no need of select a sample size. All of them have responded. Thus the sample size of this research selection is 50.

**3.5 Data Collection:** Collection of data is done by primary data through Questionnaire. The questionnaire consisted of 18-item scale to measure employee engagement using 5 point likert scale. Data was collected using a structured close ended pre-coded questionnaire.

**3.6 Data Analysis:** After data collection, analysis on employer’s views, ideas and opinions was done which would help the organization.

**3.7 Sampling Technique:** -Using Convenience sampling technique 50 respondents were selected.

**3.8 Data Interpretation:** Interpretation of data is done by using SPSS tools and also using descriptive statistic tools (by using these techniques) accurate information is obtained.

**3.9 FORMULATION OF HYPOTHESES:** Several hypotheses were formulated, using Statistical Package for Social Sciences (SPSS) version 15 for Widows, to test for significance in the empirical analysis. These will be discussed further in chapter 4.

**Ho1** There is a significant relationship between labour turnover and organizational effectiveness.

**Ho2** There is a significant relationship between labour turnover and employee’s performance.

**Ho3** There is a significant relationship between employee’s performance and organizational effectiveness.

**Ho4** There is a significant relationship between ways to reduce labour turnover and organizational effectiveness.

**Ho5** There is a significant relationship between ways to reduce labour turnover and employee’s performance.

### 4. DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

This chapter focuses on the interpretation of data collected from the questionnaire which was distributed among the participants and also the study on the specific issues that were raised earlier in the objectives of the study.

#### 4.2 HYPOTHESIS TESTING

According to Wilson (2010:237) hypothesis testing is one of the main methods to test for significant relationship between variables. It involves an analysis of some aspect of the statement or questions that generates a statistical value. The Person Chi square test was performed to test hypotheses using the Statistical Package for Social Sciences (SPSS) version 15 for Windows. The Chi square test was performed to determine whether there was a statistically significant relationship between the variables.

#### Hypotheses 1

There is a significant relationship between labor turnover and organizational effectiveness.

#### LABOR TURNOVER AND ORGANISATIONAL EFFECTIVENESS (N=50)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	492.570 <sup>a</sup>	306	.000
Likelihood Ratio	184.038	306	1.000
Linear-by-Linear Association	7.951	1	.005
N of Valid Cases	98		

Pearson’s Chi-square =492.570, df= 306, significance p<0.000.

**Interpretation:**It shows a highly positive relationship between labor turnover and organizational effectiveness. Pearson’s test showed a significant correlation (p<0.000). There is significant economic impact when an organization loses any of its valuable employees, especially given the knowledge that is lost with the employee’s departure.

#### Hypotheses 2

There is a significant relationship between labor turnover and employee’s performance.

#### LABOR TURNOVER AND EMPLOYEE PERFORMANCE (N=50)

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi Square	407.754 <sup>a</sup>	306	.000
Likelihood Ratio	195.769	306	1.000
Linear-by-Linear Association	2.111	1	.146
N of Valid Cases	50		

Pearson Chi-square =407.754, df= 306, significant p< 0.000.

**Interpretation:** The results reflected a positive relationship between staff turnover and employee performance. The Pearson’s test showed a significant correlation (p<0.000).

**Hypotheses 3**

There is a significant relationship between employee’s performance and organizational effectiveness.

**RELATIONSHIP BETWEEN EMPLOYEE PERFORMANCE AND ORGANISATIONAL EFFECTIVENESS (N=50)**

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	410.900 <sup>a</sup>	289	.000
Likelihood Ratio	185.527	289	1.000
Linear-by-Linear Association	11.551	1	.001
N of Valid Cases	50		

Pearson Chi-square =410.900, df= 289, significant p< 0.000.

**Interpretation:** It reveals that the results reflect a highly positive relationship between employee performance and organizational effectiveness. A Pearson’s test showed a positive correlation (p<0.000). Effectiveness could be defined as the degree to which the organization realizes its goals.

**Hypotheses 4**

There is a significant relationship between ways to reduce labor turnover and organizational effectiveness.

**WAYS TO REDUCE LABOR TURNOVER AND ORGANIZATIONAL EFFECTIVENESS(N=50)**

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	218.920 <sup>a</sup>	170	.007
Likelihood Ratio	146.286	170	.906
Linear-by-Linear Association	8.374	1	.004
N of Valid Cases	50		

Pearson Chi-square =218.920, df= 170, significant p< 0.007.

**Interpretation:** There is a significant association between ways to reduce staff turnover and organisational effectiveness. The Pearson’s test showed a significant correlation (p<0.007).

**Hypotheses 5**

There is a significant relationship between ways to reduce labor turnover and employee’s performance.

**WAYS TO REDUCE LABOR TURNOVER AND EMPLOYEE PERFORMANCE (N=50)**

	Value	df	Asymp.Sig. (2- sided)
Pearson Chi-Square	206.229 <sup>a</sup>	170	.030
Likelihood Ratio	158.894	170	.719
Linear-by-Linear Association	16.669	1	.000
N of Valid Cases	98		

Person Chi-square =206.229, df= 170, significant p< 0.030.

**Interpretation:** The results reflect a significant relationship between employee performance and ways to reduce staff turnover. The Pearson’s test showed a significant correlation (p<0.030).

**5. FINDINGS& CONCLUSION**

- A total of 100% of respondents agreed that high turnover increases work load for each employee.
- 78% of the respondents agreed that they were not satisfied with working conditions.
- 86% of the respondents agreed that work boredom is the cause of staff turnover .
- It is noted that labor turnover has a negative impact on the organisational productivity and on employee performance.
- Labor turnover may be caused by lack of opportunities for career development, remuneration and working condition.
- Labor turnover if not taken into consideration will damage the image of the organisation, where customers will lose trust in the organisation.
- Moreover, productivity of the organisation will also decrease, while employees will be demotivated to work for a company with high labor turnover rate.
- Organizations will need to either create an intellectual capital environment where the transmission of knowledge takes place throughout the structure.

**6. CONCLUSION**

This study focused on the impact of labor turnover on organizational effectiveness and employee performance in the IT sector with reference to IT department TCS noida. Labor turnover may be caused by lack of opportunities for career development, remuneration and working condition. This study therefore makes recommendations arising from the empirical analysis, to reduce Labor turnover in the IT department TCS noida. Poor working condition was also a factor which was cited as the reason for labor turnover, the relationship with immediate supervisors has also been mentioned by most respondents as a factor for employee turnover. Involvement in decision-making and lack of autonomy were all cited as the challenge that triggers employees turnover. Therefore it is suggested that employees’ recognition and motivation towards organizational performance have a positive relationship in between them. Of further importance, the Management is advised to provide employees with autonomy in such a way that they feel ownership of their organization.

**7. Recommendation**

- Management should give attention to those factors that they can control, including communication with staff, fair treatment, recognition for effort and performance, participation in decision making, providing support and encouragement, and training and developing staff to prepare them for promotion and enhanced responsibility.
- Top management should develop employee assistance programmes in the organisation to assist employees with problems to eliminate absenteeism or labor turnover.
- Top management should reduce work boredom to employees by revisiting employee’s job description in order to add some challenge job tasks on the employee’s job description.
- Top management should give due recognition to its internal employees when there are new positions within the organisation. Clear, achievable goals and standards for each position should be set and should be known to employees.

- Top management should also appreciate employee's input in the organisation when they meet organisational goals. Appreciation can be through announcement or writing a letter of commendation and placing it in the notice board or provide some incentives.

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