



## EFFECTS OF EMPLOYEE TURNOVER ON CONSTRUCTION PROJECTS IN ABUJA, NIGERIA

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### ABSTRACT

*Employee turnover had been identified to be one of the most expensive and difficult workforce challenge facing the construction industry and its project delivery operations due to human capital cost. The purpose of the study is to evaluate the effects of employee turnover on construction project operations. A total of eighty-three (83) questionnaires were distributed to a total population of ninety-three (93) Medium Tax Compliance Building and Civil Engineering Construction Firms in Abuja, Nigeria as obtained from Federal Inland Revenue Service (FIRS) December 2016 Tax year. Seventy five (75) were returned, checked and found suitable for the study. The questionnaires were distributed using purposive non-random sampling method and snowball sampling method to identify the respondent from the total population of Abuja construction firms on a likert type scale of 1-5. The responses were analysed using Relative Importance Index to determine the predictive power of the factors considered. The study identified employees as brain box of an organisation and their turnover may lead to lost organisational corporate memory thereby leading to the organisation being vulnerable in many fronts. Employee turnover disrupts and negatively affects the performance of the project team, the project operations, and potentially negates the competitive advantage of organisations in which it occurs. The study concluded that high turnover rates typically mean companies are doing a poor job selecting the right employee(s), failing to provide a motivating work environment or losing out to employers that offer better pay and benefits. The study therefore recommended that employers should create a workplace culture that support high performers financially, intellectually and psychologically while at the same time efficiently and fairly weed out poor performers.*

**KEY WORDS:** *Employee Turnover, Skilled Employees, Employees' Productivity, Construction Projects, Construction Project Delivery, Construction Industries*

### INTRODUCTION

The subject of employee turnover has raised quite a number of concerns in the construction industry due to its disruptive effects on construction processes, operations, productivity, project performances, cost to the organisation, and makes it difficult in maintaining a steady and successful operation (Shamsuzzoha & Rezaul, 2011; Boushey & Glynn, 2012; Karlyn, 2015; Bilau, Ajagbe, Sholanke, & Sani, 2015). Employee turnover creates insecurity for the organisational workforce and is one of the most expensive

and difficult workforce challenges facing organisations (Surji, 2013).

Research by Boushey and Glynn (2012) estimate the cost of turning over one employee as 16%, 20%, 21% of the annual salary of low, middle and high level employees respectively; and even up to and disproportionately as high as 213% for very highly paid jobs and those at the senior or executives level.

\*Sometimes benefits may accrue when employee turnover occur e.g. if a new hire is more effective than the one replaced or when a retired employee is replaced by a younger one (Shamsuzzoha & Rezaul, 2011). Whichever, the replacement of one worker is bound to disturb the rhythm and harmony of teamwork that plays a crucial role in the attainment of efficiency and productivity in the organisation (Ankrah-Kusi, 2012). This means that in the interim, operations may be disrupted and may be potentially costly. Unplanned and frequent employee turnover is generally regarded as bad for a business and a bad way to have a firm being run (Jacob, 2016). High turnover rates typically mean companies are doing a poor job selecting the right employees, failing to provide a motivating work environment or losing out to employers that offer better pay and benefits (Kokemuller, 2013). An organisation must not only possess but should continually strive to retain its priced employees. This is because "an organization that can successfully retain their priced Human Resources have an advantage over organizations that cannot" (Cho & Son, 2012). Loosing a single key worker can decrease the likelihood of a project's success and can reduce investors' confidence in the firm (Shamsuzzoha & Rezaul, 2011).

Studies by Long, Ajagbe and Kowang (2013) reveal that organisations are increasingly concerned about their capability to retain their key employees such as high performers as long as necessary. High turnover rates of skilled professionals can pose a risk to a business or organisation due to human capital cost (Das & Baruah, 2013). This is because Human capital loss has a significant impact on cost/schedule trade-off choices, staff allocation strategies, and ultimately project cost and duration (Abdel-Hamid, 1989). When a member of a team leaves suddenly, there is bound to be a disruption of the group operation, reduction in overall group performance and loss of portions of the organisation's memory and knowledge based (Akgün & Lynn, 2002). Although the occurrence of employee turnover in general

has been an area of substantial research, only a relatively small number have addressed the topic of skilled employee turnover with most concentrating on consequences as it affects the construction industry generally. The effect of employee turnover during a turnover cycle on the construction firm, the construction projects and the project team is yet to be fully explored. Hence the need for the study.

## LITERATURE REVIEW

Employees are important in the day to day running of an organisation's operations as without them operations may be unsuccessful. Management must do more to reduce employee turnover in order to enhance their operations. When employee turnover occurs, an organisation incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organisational memory) and the loss of social capital (Parker & Skitmore, 2005). As earlier stated, sometimes benefits may accrue when employee turnover occurs e.g. if a new hire is more effective than the one replaced or when a retired employee is replaced by a younger one (Shamsuzzoha & Rezaul, 2011). In the interim, operations may be disrupted and may be potentially costly to the projects, project firm and the project team.

The effects of employee turnover on the construction firm cannot be over emphasised. It leads to loss of organisational corporate memory. Akgün and Lynn (2002) found that turnover reduced overall group performance due to the loss of portions of the organisation's memory once the individual left. Competitive advantage will be compromised once quality and customer service fall short as a result of disengagement; which in turn influences the risk of the loss of long-term customer relation and contracts in addition to competitors gaining these human assets (Parker & Skitmore, 2005 and Surji, 2013). Administrative cost increases leading to

decrease in profitability as a result of cost incurred on separation and recruitment processes to fill the void left by departing employee(s) (Ongori 2007). Organisational productive time is lost during separation & recruitment processes, co-worker burden period and learning curve period of the replacement employee(s). In addition, customers complain increases which may lead to lose confidence, negative public relation and lost business opportunities as potentials may conclude that the organisation is not a good place to work or to do long term businesses (Po, 1996 and Gardner, 2009). Employee turnover does not only limit the chances of a firm expanding but also affects its' stock since most stock holders have the tendency of associating turnover with poor management and would hold up buying more of it (Basel & Fayza, 2015).

Employee turnover also affects construction projects in several ways. The disengagement of an employee disrupts project operations leading to decreased productivity (Pee, Kankanhalli, Tan, & Tham, 2014). In addition, group projects that rely on teamwork may slow down thereby reducing team members' productivities (Butali, Wesang'ula, & Mamuli, 2013). Productivity of the new employee(s) is often below usual as a result of learning curve or orientation phase (learning the project's ground rules, the goals of effort, the plan of work and all the details of the system) prior to full deployments to the job (Abdel-Hamid, 1989 and Chapman, 1998). Disruption of work schedule as a result of employee disengagement leads to co-workers' burden, increase in working hour, lowering of morale & commitments to work, and absenteeism (Po, 1996). These may lead to increase in project time and cost Overrun resulting to deteriorating quality of work (Carsen, 2005).

Finally, employee turnover affect the project team as well. When project team members change frequently, the employees who stay have a difficult time building a positive team dynamic (Smith, 2009). Group socialisation processes decrease and increased internal conflict may occur, which can trigger additional

negative occurrences (Mabindisa, 2013). When an employee leaves, pulling other workers off their jobs may be necessary, or working hours may need to be increased to cover up for the work of the departing employee (Po, 1996). Employees who witness a percentage of staff leaving on a regular basis will begin to question management's handling of staff. Insecurity is created for the remaining staff members and many may question when it will be their turn (Smith, 2009).

## METHODOLOGY

The research adopted a quantitative approach. The questionnaires were drafted from review of literature of previous related works and expert contributions. The study population include Tax Compliance Building and Civil Engineering Construction firms within FCT, Abuja. A Sample Size of 83 was computed from the formula used by Yamane (1967) from a total population of 93 firms using 95% confidence level and  $\pm 5\%$  precision level (e)

$$n = \frac{N}{1 + N(e)^2}$$

Where N = total population of study 93  
e = precision level of  $\pm 5\%$   
inputting the above will give 75

Adding 10% to the total =  $75 + (75 \times 10/100)$   
 $= 75 + 7.5 = 83$ . A total of 75 completed questionnaires out of 83 distributed were returned and checked and it was established that all relevant questions were dully answered/ticked

The research used purposive non-random sampling method and snowball sampling method to identify the respondent from the total population of Abuja construction firms. This was as a result of non-availability of address directories of the respondents' firms. Hence, the researchers relied on referral from known firms. In addition, only Project Managers constitute the population of respondents. The questionnaires were divided into two sections: Section A contains personal

& organisational data and Section B contains research objective questions. The data were presented using tables, charts and texts. Relative Importance Index (RII) was used to determine the correct prediction power of each variable using

$$RII = \frac{\sum W/A * N}{\dots\dots\dots 1}$$

$$(0 \leq RII \leq 1) \dots\dots\dots 2$$

**RESULTS**

**Profession of Respondent**

The result of the analysis of the profession of respondents shows 20%, 10% & 20% of the respondents are Architects, Builders and Quantity Surveyors respectively. The highest response rate was from Civil Engineers with 40% with the lowest response rate from M&E and others whose categories were not defined by the researchers.

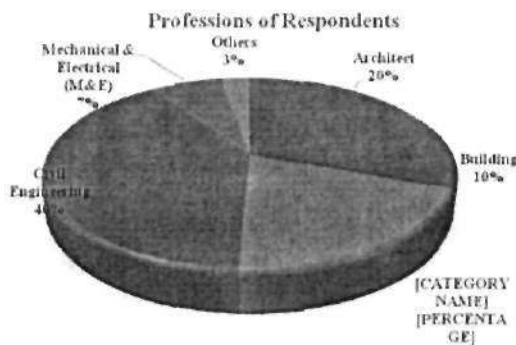


Figure 1: Profession of Respondents  
Source: Field survey (2017)

**Class of Construction Operations of Respondents**

On the classes of construction operations of the respondents, 32% and 16% of the respondent firms specialised in Building and Civil Engineering construction respectively, while the remaining 52% are involved in a combination of both. This is represented in Figure 2.

**Effects of Employee Turnover on Construction Firm, the Project and the Team**

For easy of investigation, the likely effect of employee turnover on construction projects

was considered from three points of view. These include organisation related, project related and project team related effects. The essence was to rank in the order of severity of effects of factors listed so as to assist management in drafting sound organisational proactive measures in reducing disruptive and other negative effects of employee turnover on construction projects. The scale and decision rule used as follows:

- ✓ Very serious effects (*unacceptable impacts*) = 5
- ✓ Serious effects (*High impact*) = 4
- ✓ Moderate effects (*reasonable impacts*) = 3
- ✓ Small/Slight effects (*Low impact*) = 2
- ✓ Negligible effects (*Very low impact*) = 1

The result was ranked and presented in Table 1.

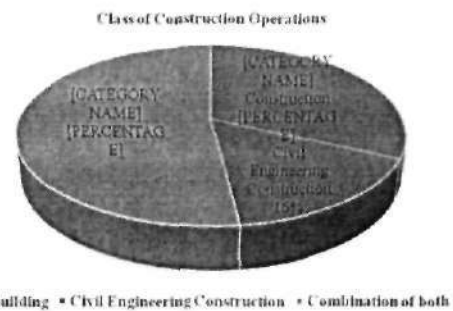


Figure 2: Class of Construction Operations  
Source: Field Survey (2017)

**DISCUSSION OF RESULTS**

**Effects of employee turnover on the Construction Firm**

Various effects of employee turnover on the construction firm were listed and ranked. Lost organisational corporate memory, lost productive time lower investors' confidence, increased administrative cost & lower profitability, with RII of 0.843, 0.837, 0.741 and 0.715 respectively were ranked as most commanding adverse effects of turnover on the project firms by the respondents.

From the result of the study, lost organizational corporate memory was rated as

**Table 1: Effects of Employee Turnover on Construction Firm, the Project and the Team**

S/N	Factors	5	4	3	2	1	Total	W	RII	position
<b>A Effects of Employee Turnover on the Construction Firm</b>										
1	Lost Organizational Corporate Memory	65	37	12	6	0	120	521	0.868	1st
2	Lost Productive Time	51	43	26	0	0	120	505	0.842	2nd
3	Increase Administrative Cost & Lower Profitability	43	36	17	24	0	120	458	0.763	3rd
4	Lower Competitive Advantages	3	76	33	8	0	120	434	0.723	4th
5	Lower Investors' Confidence	6	76	23	11	4	120	429	0.715	5th
6	Increase Customers Complains & Loss Confidence	12	60	18	30	0	120	414	0.690	6th
7	Lost Business Opportunities	4	47	37	21	11	120	372	0.620	7th
8	Negative Public Relation	11	35	31	30	13	120	361	0.602	8th
<b>B Effects of Employee Turnover on the Construction Projects</b>										
1	Disruption of Work Schedule	90	22	8	0	0	120	562	0.937	1st
2	Lower Work Morale	51	48	16	5	0	120	505	0.842	2nd
3	Increase in Project Time Overrun	46	51	23	0	0	120	503	0.838	3rd
4	Increase in Project Cost Overrun	44	49	27	0	0	120	497	0.828	4th
5	Arrival Effect (learning ground rules, plan of work and other details)	12	47	30	17	14	120	386	0.643	5th
6	Deteriorating Quality of Work or Services	13	37	41	20	9	120	385	0.642	6th
<b>C Effect of Employee Turnover on the Project Team</b>										
1	Co-Workers' Burden and Increase Workload	65	34	21	0	0	120	524	0.873	1st
2	Increased working hour leading	46	57	17	0	0	120	509	0.848	2nd
3	Insecurity, Demotivation	39	47	22	12	0	120	473	0.788	3rd
4	Emotional and psychological pressure on remaining staff	23	65	26	6	0	120	465	0.775	4th
5	Lower commitment towards organizational interest	21	56	33	10	0	120	448	0.747	5th
6	Loss of Confidence in Management	9	64	47	0	0	120	442	0.737	6th
7	Lead to rivalry, conflicts and change resistance	23	38	55	4	0	120	440	0.733	7th
8	Reduction in group performance and effectiveness	9	67	32	12	0	120	433	0.722	8th
9	Reduced Team Dynamics	21	45	36	11	7	120	422	0.703	9th
10	Decreased Employee Social Integration	0	51	48	14	7	120	383	0.638	10th

Source: Field Survey (2017)

the most serious effect of employee turnover on construction firms. This may be because employees can be likened to the brain box

of an organisation. When they leave, they go with everything the organisation had invested in them. Research involving Project Managers

conducted on organisational learning by Parker and Skitmore (2005) found that turnover reduced overall group performance due to the loss of portions of the organization's memory once the individual left. Productivity time of the departing employee is lost and is even worse if such is part of a team whose job is based on teamwork. A lot is incurred in administration in replacing an employee who quits especially if such is highly skilled (Zeynep & Huckman, 2007). These may lower the company profit while increasing administrative cost for the accounting period in question. By extension, competitive advantage may be affected leading to other ugly occurrences such as lower investors' confidence and lost business opportunities.

### **Effects of employee turnover on the Construction Projects**

Disruption of work schedule, lower work morale, increase in project time overrun and increase in project cost overrun with 0.949, 0.861, 0.837 and 0.832 respectively were rated to have higher turnover effects on construction projects, while deteriorating quality of work or services 0.640 was ranked least.

As shown in Table 1 Part-B disruption of work schedule was rated as having the highest effect of employee turnover on construction projects. It must be noted that when an employee quit an organisation, the project becomes first victim. Work schedule is disrupted, leading to increases in co-workers' burden. Remaining employees' work morale may be lowered which may further lead to increase in project time and cost overrun if not properly nipped. Productivity reduces and the replacement will need time to up productivity to the level of the departed employee due to learning curve. Research by Abdel-Hamid, 1989 and Chapman (1998) supported this as they found out that productivity reduced during the learning period of replacement employee(s) This assimilation period is therefore needed to acquaint a newly arrived project manager with the mechanics of the project.

### **Effects of employee turnover on the Project Team**

Co-workers' burden and increase workload, increased working hour, emotional and psychological pressure on remaining staff with RII of 0.875, 0.843 and 0.795 respectively were ranked the most severe effect of employee turnover on the project team. While reduced team dynamics and decreased employee social integration 0.677 and 0.640 respectively were ranked least severe.

As supported from the result of the study in table1 Part-C, co-workers' burden and workload often increased to cover up for the role of the employee that quit. This may lead to longer working hours resulting to high work-stress, leading to burnout, insecurity and demotivation of the remaining works. Turnover by co-workers may also cause those who remain to question their own position in the organisation and to initiate search strategies to locate better positions (Po, 1996). These can also have a negative impact on other employees by disrupting group socialization processes and increasing internal conflict, which can lead to triggering additional absenteeism.

### **CONCLUSION**

The research was conducted to evaluate how employee turnover within construction projects affect the project firm, project team and the project itself

- i. Findings reveal loss of organisational corporate memory, loss of productive time, increase administrative cost and lower profitability, lower competitive advantages as major effects of employee turnover on construction firms.
- ii. The effects of employee turnover on construction projects were identified as disruption of work schedule, lower work morale, increase in project time overrun, increase in project cost overrun.
- iii. Finally, the effects of employee turnover on the project team were identified as co-workers' burden and increased workload; increased working hours leading to insecurity, demotivation,

emotional and psychological pressure on remaining staff among others.

In conclusion, employee turnover had been identified to disrupts and negatively affect the performance of the project team, the project operations, and potentially negates the competitive advantage of organisations in which it occurs. The study therefore recommends that employers should create a workplace culture that support high performers financially, intellectually and psychologically while at the same time efficiently and fairly weed out poor performers. The study further recommends that management identifies causes of employee turnover in the first place so as to advance salvage and preventive measures to reduce their occurrences.

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