

**ST. MARY'S UNIVERSITY COLLEGE**

**BUSINESS FACULTY**

**DEPARTMENT OF MANAGEMENT**

**AN ASSESSMENT OF EMPLOYEE TURNOVER  
IN BANK OF ABYSSINIA**

**BY  
AZEB FISEHA**

**JULY 2010  
SMUC  
ADDIS ABABA**

AN ASSESSMENT OF EMPLOYEE TURNOVER  
IN BANK OF ABYSSINIA

A SENIOR ESSAY SUBMITTED  
TO THE DEPARTMENT OF MANAGEMENT  
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MANAGEMENT

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APPROVED BY THE COMMITTEE OF EXMINERS

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Chairperson

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Signature

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Advisor

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Signature

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External Examiner

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Signature

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Internal Examiner

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Signature

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# **CHAPTER-ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Human Resource is a Key ingredient affecting organizational Competitiveness and ability to full fill its mission. The effectiveness of an Organization in providing a product or service that fits customer's needs is critical for its survival.

Employees are important components of every organization, since they do the work and create the idea that allows the organization to achieve its goals or objectives to survive in its environment in the long run.

So, handling of this vital element should get due consideration from the management side of an organization. Because, when it happens in substantial Number of time it will cause a problem of high turnover, which results in disruption of activities, wastage of money, time and poor performance.

Turnover is the net result of the exit of some employees and entrance of others to the work organization. Turnover can be quite costly to an employer. The cost of turnover include: increased costs for severance pay, under utilized facilities until the replacement is hired, employment costs such as recruiting, interview time test costs, computer records costs Administration costs of notifications and payroll changes. Obviously, there is also a loss of productivity until the new employee reach the performance level of the one who left the job. Ivancevich & Glueck, (1989:873)

Most employees leave their jobs when their needs are not being satisfied at their present place of work and an alternative job becomes available elsewhere which the employees believe that it will satisfy more of their needs.



Overall organizations try to reduce turnover by using different methods. Such as by better employee selection, communication, supervisor training and incentive awards.

### **1.2 Background of the Organization**

Following the National Bank of Ethiopia monetary and banking Proclamation Number 83/1994 which allowed private banks to operate in Ethiopia, Bank of Abyssinia is the 3<sup>rd</sup> private bank to open on August 13, 1996 its doors for customers.

The objective of the bank is to provide domestic and international banking service through an innovate and optimal utilization of state of the art technology as well as human and other resources.

The bank has its own financial contribution toward the development of the country's economy and is the one, which has the lion market share in the banking industry. The bank currently has about 1721 employees with different qualifications. Among them 59% are males and the rest 41% are females. Currently the bank is providing major services, such as Deposit accounts, Foreign Exchange Transactions, Forex, Local transfers, Loans, X-Press money transfer and Dahabshiil money transfer.

### **1.3 Statement of the Problem**

Employee turnover is one of the indicators of low morals of employee. In Bank of Abyssinia turnover of employees' seems to rising steadily; experienced employees frequently leave the organization and join other organizations. To replace the experienced staffs requires a significant period of time which results in a lot of turnover costs. Such costs as the following are usually involved.

Hiring cost involving resources such as time, finance and facilities for recruitment interviewing and examining candidates for replacement, training cost involving all the necessary resources including the time of the supervisors, the human resources department and the trainee, Loss of production in the interval between separation of the old employee and the

replacement by the new, Loss of productivity until the new employee reaches the performance level of the one who left the job.

The technical way to prevent the factors which tend to force is to address it's through coherence of human resources management.

In Bank of Abyssinia employees' turnover seems high and this employee turnover has a great impact on productivity and employee performance.

The following empirical data show the five years employee turnover from 2004/05 up to 2008/09 G.C.

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09
No. of Employee	522	622	747	1021	1170
No. of Employee Turnover	15	34	51	69	94
% of Employee Turnover	5.7%	12.93%	19.39%	26.24%	35.74%

**Source: Annual Report**

The study shows when the number of employees turnover increasing yearly, so the bank should take in to consideration the reason why employees turnover.

#### **1.4 Research Question**

To investigate the problem in detail, the study tries to answer the following basic research questions.

1. What are the basic reasons of employee's turnover in Bank of Abyssinia?
2. What are the consequences of employee's turnover in Bank of Abyssinia?
3. What are the basic cost components of employees' turnover in Bank of Abyssinia?
4. What measures should be taken to overcome the existing Problems?

### **1.5 Objective of the Study**

The general objective of this research is to assess employee's turnover for the last five years in Bank of Abyssinia, and come up with possible solutions.

In line with this general objective, the study intends to achieve the following specific objective.

- To identify the reason of employee's turnover .
- To assess and examine the effect and impact of employees' turnover in Bank of Abyssinia.
- To show and analyze the significance effect of turnover cost.
- To indicate possible measures to be taken by the bank to overcome the problem.

### **1.6 Significance of the Study**

The information obtained from the study contribution to Bank of Abyssinia management. It gives understanding about turnover and its consequences to the organization. It would remind the organizations responsible personnel that turnover is a serious issue and should be given consideration to reduce it. The finding of the study also expected to serve as source of information for researcher who is interested to conduct detailed study in the area.

### **1.7 Scope (Delimitation of the Study)**

It is true that a research was more reliable if it enables to cover the total population. However, the researcher could not include all the branches of Addis Ababa due to time and resources constraints to collect and process data from all the branches. Thus, to make the study manageable, the study was delimited to seven branches of the Bank: Bole, Abba-Koran, Raguel, Negadras, Arada, Olympia and Guenet branches.

### **1.8 Research Design and Methodology**

#### **1.8.1 Research Design**

As the study was expected to assess and/or explore the problem of employee's turnover of the Bank of Abyssinia, descriptive research method used to describe phenomena associated with a subject population or to estimate proportions of the population or discovery of associations among different variables. Descriptive research method was preferred because it is appropriate to analysis quantitative data.

#### **1.8.2 Population and Sampling Technique**

The target population of the study were employees' of Bank of Abyssinia working for the seven branches in Addis Ababa, including those who are working at management level. Out of the total population 341 employees of the selected branches, 30% or 102 employees was selected by using stratified random sampling techniques in order to get proportional representation of the branches.

Thus, using stratified sampling seven branches located in Addis Ababa was selected purposely for the sake of easy accessibility. Taking the seven branches as stratified, the populations from each branch classified as clerical and non-clerical.

Questionnaire would be distributed to 30% sample respondents were selected from the stratum of each branch using simple random sampling. On the other hand, respondents were selected from the management body for an interview by using purposive sampling. Thus, interviewees would be selected in order to get the relevant data.

#### **1.8.3 Types of Data Collected**

The researcher used both primary and secondary data source to collect relevant information. The primary data was collected from the sample respondents of Bank of Abyssinia employees' in seven branches. Using primary data source would be essential enable to get first hand and updated information from the subjects of the study. The secondary data was collected from the reports of the bank, staff regulation manuals, books, research undertaking on similar area and so on. The reasons of

using secondary data are because they are quick reference and incur less cost. They also help to get information that cannot be obtained from the primary source.

#### **1.8.4 Methods of Data Collection**

The methods that the researcher used to collect the required data are: Self-Structured questionnaire and structured interview. Questionnaire was used in order to get information from a wide-range of respondents. On the other hand, structured interview would deploy to collect data from the management. This instrument was chosen to compare the responses of employees with those of the management and make judgments accordingly.

#### **1.8.5 Methods of Data Analysis**

The researcher was analyzed and interpreted the collected data by using descriptive statistics method. Thus, the data was tallied, tabulated and analyzed using numbers and percentage. This method is used because it is appropriate to analyze quantitative information. The data obtained from the interview however, analyzed qualitatively method.

#### **1.9 Limitation of the Study**

Research work requires sufficient time and availability of financial and material resources, because of these factors, the study was limited only on seven selected city branches of Bank of Abyssinia.

#### **1.10 Organization of the Paper**

The first chapter, which is introductory part, would include background of the study, background of the organization, statement of the problem, research question, objective of the study and significant of the study, the scope (delimitation), methodology of the study .chapter two deals with review of related literature, the third chapter deals with data analysis & interpretation and the fourth chapter contains summary of findings, conclusion, recommendation.

## **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Definitions of Turnover and Related Terms**

#### **2.1.1 Turnover**

Turnover is the net result of the exit of some employees and in turn of others to the work organization. Ivancevich & Glueck, (1989:1) According to Mathis and Jackson, (1997:75) turnover occurs when employees leave an organization and have to be replaced. Excessive turnover can be a very costly problem, one with a major impact on productivity.

Turnover often is classified as voluntary or involuntary in nature. **Involuntary turnover** occurs when an employee is fired. **Voluntary turnover** occurs when an employee leaves by his or her own choice and can be caused by many factors. Causes include lack of challenge, better opportunity elsewhere, pay supervision, geography, and pressure. Certainly, not all turnovers are negative. Some workforce losses are quite desirable, especially if those who leave are lower-performing, less reliable individuals.

#### **2.1.2 Absenteeism**

Absenteeism is the failure of employees to report for work as scheduled, whether such failure is excused or not. Scheduled absences, such as vacations, holidays and leave of absence, are not counted as job absence. Megginson, (1981:547)

#### **2.1.3 Employee separations**

Employee separation occurs when an employee ceases to be member of an organization.

In relation to the above, another writer, French, (1986:292) illustrates separation and its type in the following manner.

Employees may leave the organization involuntarily, through layoff or dismissal, or voluntarily, through resignations or retirement. Although the

reasons for separation vary, each instance should be analyzed and understood in terms of its impacts on the individual employee and on the organization as a whole. Sudden or unexpected removal from the organization can be particularly difficult for the affected employee and can damage the morale of coworkers and organization's general climate. Even when the employee initiated the separation, the organization must be able to continue functioning until the staff vacancy is filled. Thus the effective management of employee separations is vital to the healthy and continued functioning of the organization.

#### **2.1.3.1 Layoff**

Layoff is the temporary or indefinite removal of employees from the payroll. Generally, the purpose of the layoff is to reduce the organization's burden of excess labor costs when human resources cannot be used effectively. Layoffs may affect relatively small groups of employees, but when a large organization runs in to serious financial problems, large numbers of workers may be laid off. In some instances, managements is too quick to layoff employees because of financial downturn, thus depleting the organization's valuable human resources for the long term and damaging the morale and security of retained employees. In other instance, however, layoffs may be the only option remaining for an organization facing possible bankruptcy. French, (1986:292)

#### **2.1.3.2 Discharge**

Discharge takes place when management decides that there is a poor fit between an employee and the organization. Discharge is a result either of poor performance or a failure by the employee to change some unacceptable behavior that management has tried repeatedly to correct. Gomez Mejia, (1995:235)

Moreover, as per French view, discharge (also called dismissal, termination, or firing) is management action in which an employee is separated from the organization for violation of company rules or inadequate performance.

Because discharge is a traumatic experience for the affected employee, and usually for others as well, most managers are extremely reluctant to dismiss an employee unless there are substantial and well-documented reasons for such action. In many cases, timely warnings and effective supervisory involvement in correcting problems can eliminate the need for employee termination. The policy of many organizations is that each discharge case be reviewed by higher authority before a final decision is reached. Federal civil service regulations, as well as most state and local civil service regulations, require that all dismissal be reviewed.

### **2.1.3.3 Resignation**

Resignation is the voluntary separation of an employee from the organization. (French, 1986:294) Resignation should be analyzed from their implications for the particular organization. However, sometimes resignation of staff may give a chance to an organization to correct and reconsider a mistake in handling staff members or to bring a “new blood” to the organization.

Most companies systematically analyze their rate of turnover, which is usually calculated as the ratio of separations to total work force for some period, and attempt to maintain it within reasonable proportions. This analysis is sometimes made for particular departments, divisions, or classes of employees to identify areas where turnover is excessive. Obtaining this information is an important first step in understanding and controlling turnover.

### **2.1.3.4 Retirement**

Retirement is the systematic separation of older workers from the organization allowing them to pursue interests outside of work while opening up positions and career opportunities for other employee. French, (1986:295)

## **2.2 The Causes Of Turnover**

As per French, using the under listed methods will ease the burden towards identifying the actual causes of turnover.



**Exit interviews** are widely used to obtain information about the causes of turnover. Usually the interview is conducted by a representative of the personal department, who tries to determine why the employee is leaving the organization.

**Post employment surveys** that ask separated employees to supply reasons for their resignations are sometimes used in place of exit interviews, on the assumption that data obtained a few weeks later more valid than those obtained at the time of departure. French , (1986:295)

As per Morrey, there are a number of factors that contribute to employee turnover. Some of these factors are mentioned below.

1. **The economy** – in exit interviews one of the most common reasons for leaving is the availability of higher paying jobs. Obviously, in better economy the availability of alternative jobs plays a role in turnover.
2. **The performance of the organization** – If an organization is in economic difficulty, workers believe that it is rational to seek other employment.
3. **The organizational culture** – The reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, among other factors, will influence such indices of job.
4. **The characteristics of the job** – some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristic, including its repetitiveness, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment. A job's is also important, as are many other factors.
5. **Unrealistic expectations** – another factor is the unrealistic expectations and general lacks of knowledge that many job applicants have about the job at the time that they receive an offer. When these unrealistic expectations are not realized, the worker becomes disillusioned and decides to quit.
6. **Demographics** – turnover is associated in particular situations with demographic and biographical characteristics of workers. But to use lifestyle

factors (e.g. smoking) or past employment history (e.g. many job changes) as an explicit basis for screening applicants, it is important for legality and fairness to job applicants to verify such bio data empirically.

7. **The person** – In addition to the factors listed above, there are also factors specific to the individual that can influence turnover rates. These include both personal and trait-based factors. Personal factors include things such as changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. In addition to these personal factors, there are also trait-based or personality features that are associated with turnover. These traits are some of the same characteristics that predict job performance and counterproductive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer’s equipment or production. These traits can be measured and used in employee screening to identify individuals showing lower probability of turnover.

It is important to note that the factors listed above can be classified as being within or beyond the control of the employing organization. In order to actively participate in reducing costs associated with turnover, organizations need to identify those factors over which they do have some control and initiate necessary changes to reduce turnover attributable to these “controllable” factors.

### **2.3 Impact and Costs of Turnover**

According to Morrey, analyses of the costs associated with turnover yield surprisingly high estimates. The high cost of losing key employees has long been recognized. However, it is important for organizations to understand that general turnover rates in the workforce can also have a serious impact on an organization’s profitability and even survival. There are a number of costs incurred as a result of employee turnover. French, (pp 1) Few of which are listed below.

1. Recruitment of replacements, including administrative expenses, advertising, screening and interviewing, and services associated with selection, such as security checks, processing of references, and possibly psychological testing.

2. Administrative hiring costs.
3. Lost productivity associated with the interim period before a replacement can be placed on the job.
4. Lost productivity due to the time required for a new worker to get up to speed on the job.
5. Lost productivity associated with the time that coworkers must spend away from their work to help a new worker.
6. Costs of training, including supervisory and coworker's time spent in formal training, as well as the time that the worker in training must spend off the job.
7. Costs associated with the period prior to voluntary termination when workers tend to be less productive.
8. In some cases costs associated with the communication of proprietary trade secrets, procedures, and skills to competitive organizations.
9. Public relations costs associated with having a large number of voluntary or involuntary terminations in the community spreading gossip about the organization.

In consistent with Morrey views, Gomez and others (1995:231-232), have enhanced relatively related costs towards replacing an employee as follows:

**Recruitment costs** – The costs associated with recruiting a replacement may include advertising the job vacancy and using a professional recruiter to travel to various locations (including college campus) and generate a pool of job applicants. To fill top level executive positions or technologically complex opening, it may be necessary to employ a search firm to locate qualified individuals, who most likely are already employed. A search firm typically charges the company a fee of about 30% of the employee's annual salary for its services.

**Selection costs** - Selection costs are associated with selecting, hiring, and placing a new employee in a job. Selection can involve interviewing the job applicant, which includes the costs associated with travel to the interview

site and the productivity lost in organizing the interview and arranging meetings to make selection decisions. Other selection costs involve testing the employee and conducting reference checks to make sure the applicant's qualifications are legitimate.

**Training costs** – Organizations incur costs in providing new employee with the knowledge necessary to perform on the job. New employees need some specific training to do their job. Training costs include the costs associated with an orientation to the company's values and culture. Also important are the direct training costs specifically, the cost of instruction, books and materials for training course. Finally while new employees are being trained, they are not performing at the level of fully trained employees, so some productivity is lost until trainees master the skills required by the job.

According to Cascio, (2006:56) training cost are three component turnover cost

1. Informational literature, (an employee handbook).
2. Instruction in a formal training program.
3. Instruction by employee assignment, on-the-job training.

**Separation cost** - A company incurs separation costs for all employees who leave, whether or not they will be replaced. The largest cost of separation involves compensation for the job loss in terms of pay and benefits. Most companies provide severance pay (also called separation pay) for employees who are laid off through no fault of their own. Other separation costs are associated with the administration of the separation itself. Administration often includes an exit interview to find out the reasons why the employee is leaving (is he or she leaving voluntarily).

According to Cascio, (2006:55-56) separation costs include:-,

1. Exit interview: - including the cost of the interviewer's time and the cost of terminating employee's time.

2. Administrative functions related to termination, example, and removal of the employee from the payroll, termination of benefits, and turn-in of company equipment.
3. Separation pay, if applicable
4. Increase unemployment tax, (two sources) in states that base unemployment tax rate on each company's turnover rate, high turnover will lead to a higher unemployment tax rate and Replacements for those who leave will result in extra unemployment tax being paid.

**Replacement costs-** There are eight cost elements with replacing employee's who leave are the following

1. Communicating job availability.
2. Pre employment administrative functions for example, accepting applications and checking references.
3. Entrance interview or perhaps multiple interviews.
4. Testing and/or other type of assessment procedure.
5. staff meetings, if applicable, to determine if replacements are needed, to recheck job analyses and job specifications, to pool information on candidates, and to reach final hiring decisions.
6. Travel and moving expenses, for example, travel for all applicants and travel plus moving expenses for all new hires.
7. Post employment acquisition and dissemination of information, for example, all activities associated with in-processing new employees.
8. Medical examinations, if applicable, either performed in-house or contracted out.

## **2.4 Evaluation of Turnover**

Turnover is the net result of the exit of some employees and entrance of others to the work organization.(Ivancevich &Glueck,1989: 876). Turnover can be quite costly an employer. Turnover needs to be examined and monitored. Since it involves the most important resources of organization. The Organization needs to know who is leaving, why they are leaving and

whether any effort on their part can slow turnover. These are questions that can be answered if a deep evaluation of a turnover program is implemented. There are several quantitative methods for computing turnover. Some of the traditional formulations are:

<b>Separation Rate</b>	=	$\frac{\text{No. of separation during the month}}{\text{Total No. of employees at mid month}} \times 100$
<b>Quit Rate</b>	=	$\frac{\text{Total Quits}}{\text{Average working force}} \times 100$
<b>Avoidable Turnover</b>	=	$\frac{\text{Total separations - unavoidable}}{\text{Average work Force}} \times 100$

According to Mathis & Jackson, turnover rate for an organization can be computed in a number of different ways. The following formula from the U.S. department of labor is widely used. Separations are people who left the organization.

<b>Turnover</b>	=	$\frac{\text{Number of employee separations during the month}}{\text{Total number of employees at mid month}} \times 100$
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Common turnover figures range from almost zero to over 100% per year, and normal turnover rates vary among industries. Organizations that require entry level employees to have few skills are likely to have higher turnover rates among those employees than among managerial personnel. As a result, it is important that turnover rates be computed by work units. For instance one organization had a company wide turnover rate that was not severe but 80% of the turnover occurred within one department. This imbalance indicated that some action was needed to resolve problems in that unit. Mathis & Jackson (1997:75-76)

## **2.5 General Factors That Contribute To The Reduction Of Employee Turnover**

### **2.5.1 Orientation and Placement**

#### **ORIENTATION**

Orientation also called induction is designed to provide a new employee with the information he or she needs to function comfortably and effectively in the organization.

Typically orientation conveys three types of information

- i. General information about the daily work routine
- ii. A review of the organizations history, founding fathers, objectives, operations and products or services, as well as how the employee's job contributes to the organizations needs and
- iii. A detailed presentation, perhaps in a broucher of the organizations policies, work rules and employee benefits.

### **2.5.2 Training and Development**

Successful candidates placed on the jobs need training to perform their duties effectively. It is any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge. The need for training and development is determined by the employee's performance deficiency computed as follows.

Training and Development need = standard performance - actual performance

### **2.5.3 Performance Appraisal**

- An organization's goals can be achieved only when people put in their best efforts, how to ascertain whether an employee has shown his or her best performance on a given job? The answer is performance appraisal. Employee assessment is one of the fundamental jobs of human resource management, but not an easy one through.

- In simple terms, performance appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output initiative.
- It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential development.

#### **2.5.4 Job Evaluation**

Job evaluation is the process of analyzing and assessing the various jobs systematically to ascertain their relative worth in an organization. Jobs are evaluated on the basis of their content and placed in the order of their importance. In this way, a job hierarchy is established in the organization, the purpose being fixation of satisfactory wage differentials among various jobs.

#### **2.5.5 Employee Remuneration**

Remuneration is the compensation an employee receives in return for his/her contribution to the organization. Remuneration occupies an important place in the life of an employee. His/her standard of living status in the society, motivation, loyalty, and productivity depends up on the remuneration he or she receives. For the employer too, employee remuneration is significant because of its contribution to the cost of production. Besides, many battles (in the form of strikes and lockouts) are fought between the employer and the employees in issue relating to wages or bonus. For human resources management too, employee remuneration is a major function. The human resource specialist has a difficult task of fixing wages and wage differentials acceptable to employees and their leaders. Since employee remuneration is such an important subject, considerable space is devoted in books and periodicals for detailed discussion of wage related and salary-related problems.

#### **2.5.6 Incentive Payments**



Besides wages and salaries, employees are incentives depending up on their performance. Incentive payments are quite substantial and are paid as regularly as wages and salaries.

### **2.5.7 Employee Benefits and Services**

Employee benefits and services include any benefits that the employee receives in addition to direct remuneration.

Fringes embrace abroad of benefits and services that employees receives part of their total compensation package pay or direct compensation is based in critical job factors and performance. Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.

Employee benefits and services are alternatively known as fringes service programmers, employee benefits or hidden payroll.

### **2.5.8 Executive Remuneration**

Executive remuneration is considered to be an individual who is in a management position at the highest levels. Specifically, this category includes vice presidents, managing directors and general managers.

Their remuneration generally comprises four elements. They are:-

- Salary
- Bonus
- Long-terms incentives
- Perquisites
- (perks)

### **2.5.9 Motivation Concepts**

Now that employees has been hired, trained and remunerated, they need to be motivated for better performance. The human resource specialist must use several ways to motivate the employees. Before that, the specialists need to be acquainted with the different approaches to the process of motivation. A basic

principle is that the performance of an individual depends on his/her ability backed by motivation. Swathappa, (2004:157-299)

Mushrush, (2002:1-3) suggested that, turnover costs for many Organizations are very high and can significantly affect the financial performance of an organization. Direct costs include recruitment, selection, and training of new people. Much time and expense go into this process. Indirect costs include such things as increased workloads and overtime expenses for coworkers, as well as reduced productivity associated with low employee morale.

He also advised the following patterns in order to reduce employee turnover.

**First, hire the right people and continue to develop their careers.** An investment in upgrading the workforce is one of the best investments a company can make when looking at long-term growth. Hiring the people that are a good “fit” with the culture of the organization meaning that their values, principles, and goals clearly match those of the company and then training as necessary will go a long way toward ensuring employee loyalty and retention.

**Second, most companies with low turnover rates are very employee oriented.** They solicit input involvement from all employees and maintain a true “open-door” policy that avoids closed-door meetings. Employees are given an opportunity for advancement and are not micro-managed. Intrinsic rewards are critical. Employees must believe they have a voice and are recognized for their contribution. Remember that “trust” and “loyalty” is a two-way street.

**Third, develop an overall strategic compensation package** that includes not only base and variable pay scales, but long-term incentive compensation, bonus and gain-sharing plans, benefit plans to address the health and welfare issues of the employees, and non-cash rewards and perks as well. To be competitive in today’s labor market, most companies find it necessary to offer a standard benefit package, including health,

dental, and life insurance, vacation and leave policies, and investment and retirement plans.

Perks or non-cash rewards to recognize exceptional performance can be critical. Service recognition, event tickets, trips, and public recognition can send strong message to the public regarding company culture and values. Simply examine the issue and needs of employees and try to develop creative programs to address these needs.

Just a word of caution: Be fair and consistent in establishing compensation. Promote from within if possible. Attempt to avoid bringing new people on board at a higher rate than current employees.

If company follows these steps and shows a genuine concern for the well being of employees, the company may not have to pay the highest wages in town to have the lowest employee turnover rate. Mushrush, (2002:1-3)

On top of what has been stated by Mushrush, another writer Mathis and Jackson specify ways for controlling turnover.

**During the recruiting process** the job should be outlined and a realistic preview of the job presented, so that the reality of the job matches the expectations of the new employee. A good way to eliminate voluntary turnover is to improve selection and to better match applicants to jobs. By fine-tuning the selection process and hiring people who will not have disciplinary problems and low performance employers can reduce involuntary turnover.

**Good employee orientation** also will help reduce turnover, because new employees are more likely to leave than employees who have been on the job longer. Also employees who are properly inducted into the company and are well trained tend to be less likely to leave. If people receive some basic information about the company and the job to be performed, they can determine early whether they want to stay.

**Compensation** also is important. A fair and equitable pay system can help to reduce turnover. An employee who is underpaid relative to employee in

other jobs with similar skills may leave if there is an inviting alternative job available. An awareness of employee problems and dissatisfactions may provide a manager with opportunities to resolve them before they become so severe that employees leave.

**Career planning and internal promotion** can help an organization keep employees, because if individuals believe they have no opportunities for career advancement, they may leave the organization. Career “shocks” may lead to turnover. Shocks include being turned down for a promotion, being transferred to a new location without adequate training and believing that the immediate supervisor will not be fair as a result of a negative performance review. Mathis & Jackson, (1997:76)

## **2.6 Improving Employee Retention**

As per Sparrow (pp 6-7) points out that, the following elements play a positive role in improving retention:

- Make line managers accountable for staff turnover in their teams. Reward managers whose record at keeping people is good by including the subject in appraisals. Train line managers in effective supervision before appointing or promoting them. Offer re-training opportunities to existing managers who have a poor record at keeping their staff.
- Ensure wherever possible that employees have a ‘voice’ through consultative bodies, regular appraisals, attitude surveys and grievance systems. This helps to ensure that dissatisfied employees have every opportunity to sort out problems before resigning. Where there is no opportunity to voice dissatisfaction, resigning is the only option.
- Wherever possible, accommodate individual preferences on working hours. Be as flexible as possible in the allocation of shifts. Where people are forced to work hours that do not suit their domestic responsibilities they will invariably be looking for another job which can offer such hours.
- Avoid the development of a culture of ‘showy’ where people feel obliged to work longer hours than are necessary simply to impress management.

Evaluation of individual commitment should be based on results achieved and not on hours put in.

- Provide as much job security as possible. Employees who are made to feel that their jobs are precarious may put a great deal of effort in to impress, but they are also likely to be looking out for more secure employment at the same time. Security and stability are greatly valued by most employees.
- Bend over backwards to ensure that you do not and are never seen to discriminate against employees on any unfair grounds. A perception of unfairness, whatever the reality when seen from a management point of view, is a major cause of voluntary resignations.
- Defend your organization against penetration by headhunters and others seeking to poach your staff. Keep internal e-mail addresses confidential, train telephone operators to spot calls from agents and to avoid giving them useful information, refuse to do business with agents who have poached your staffs, and enter into pacts with other employers not to poach one another's staff.

## **CHAPTER THREE**

### **3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This chapter deals with presentation, analysis and interpretation of data that gathered by using questionnaire and interview from different employees holding different positions. The respondents are mostly clerical staffs with some non-clerical and managerial staff. Questionnaires were distributed to

102 selected employees. Out of this 82 were completed and returned timely the rest 20 of questionnaires are not returned.

The chapter comprises three sections. Section one presents analysis of the respondents profile. Section two presents analysis and interpretation of data collected through questionnaire and interviews. The last section also presents summary of findings.

### 3.1 General characteristics of Respondents

**Table 1: Respondents according to sex, age & length of service**

Item		Frequency of respondents	
		No	%
<b>I</b>	Sex		
	Male	54	66
	Female	28	34
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>II</b>	Age		
	20-30	55	67
	31-40	25	31
	Above 41	2	2
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>III</b>	Work Experience/Duration of Service Year		
	1-3 Years	24	29
	4-6 Years	36	44
	7-9 Years	20	25
	10-12 Years	2	2
	Above 12 Years	-	-
	<b>Total</b>	<b>82</b>	<b>100</b>

As shown in Table 1. , out of 82 respondents, 66% are males while the rest 34% of them are females. This shows that the bank employees were predominantly males. Item II table 1, 67% are between the age of 20-30, 31% belongs to the age group of 31-40, 2%of respondents are above 41. There is as the age bracket increased, we find less number of workers and while it decreased, we find more number of workers interested to work for

the bank of Abyssinia. Thus the bank heavily relies on the very young work force which doesn't prefer to continue to work for the bank. This also implies the young workforce enters the bank to acquire work experience while the bank profile of experience employees is at risk.

Regarding work experience of the respondents as shown in table 1 item 3 out of 82 employees, 44% respondents serving for 4-6 years in the bank, 29% have served between 1-3 years in the bank, in addition 25% of respondents have served the between 7-9 years, 2% of respondents serving the bank between 10-12 years. The majority of respondents have service year between 4-6 years. In today's competitive market, employees are always enforced to seek alternative as much as possible.

**Table 2. Respondents according to Educational Background**

	Item	Frequency of respondents	
		No	%
<b>I</b>	<b>Educational level</b>		
	Certificate	8	10
	College Diploma	16	19
	BA Degree	58	71
	Masters	-	-
	Others	-	-
	<b>Total</b>	<b>82</b>	<b>100</b>

As indicated in Table 2 above, out of 82 respondents 71% are first degree holders, 19% are Diploma holders, 10% of the respondents' possess Certificates. Almost the respondents were a Degree holder the qualification of employees has a great impact on the Bank of Abyssinia performance and productivity that is why most bank's give priority for qualification.

### 3.2 Data Pertaining The Study

**Table 3. Employees Attitude to Benefit package**

Item		Frequency of Responses	
<b>I</b>	Do you agree the bank gives adequate transport allowance/transport service	No	%
	Strongly agree	10	12.20
	Agree	15	18.29
	Neutral	18	21.95
	Disagree	37	45.12
	Strongly Disagree	2	2.44
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>III</b> A S i t	How do you rate the attractiveness of the provident fund?	No	%
	Good	14	17.07
	Average	43	52.44
	Poor	25	30.49
	<b>Total</b>	<b>82</b>	<b>100</b>

em I of table 3 shows that 45.12% of respondents disagree with benefit package that was offered by the bank, on the other hand 21.95% of respondents were simply neutral and 18.29% of the respondents Agree on the benefit package, 12.20% strongly agree and the rest 2.44% of respondents strongly disagree on the benefit package.



As item II of table 3, 52.44% of respondents the attractiveness of the provident fund they have to be average, where as 30.49% of respondents little attractiveness of the provident fund and 17.07% of respondents attractiveness of the provident fund. Most of the benefit package is not adequate to retain the employees who are acquiring skill in the bank and one of the leading reasons for employees' turnover.

**Table 4. Employees to Remuneration**

Item		Frequency of Responses	
<b>I</b>	Are you satisfied with the salary scale in relation to workload and responsibility of the bank, in comparison with other banks?	No	%
	Satisfied	36	43.90
	Neutral	29	35.37
	Dissatisfied	17	20.73
	<b>Total</b>	<b>Total</b>	<b>82</b>
<b>II</b>	How well does the bank offer annual salary increment, bonus and incentive to motivate the employee?	No	%
	Very high	22	26.83
	High	35	42.68
	Moderate	-	-
	Low	5	6.10
	Very low	20	24.39
	<b>Total</b>	<b>82</b>	<b>100</b>

From the table 4 of item I, 43.90% of respondents replied that the salary scale of the bank was satisfied, 35.37% of respondents believe with neutral a salary scale of the bank and the rest 20.73% of respondents believe with dissatisfied salary scale of the bank. It implies that majority of the respondents were satisfied with the salary scale of the bank.

Response obtained from the interview in relation about the benefit package and comparative with market, such as annual salary increment, bonus and educational coverage is very good and competitive.

Item II of table 4, indicates that the annual salary increment, bonus and incentive of the bank offer about 42.68% of respondents said that the bank has High annual salary increment, bonus and incentives, 26.83% of the respondents very high annual salary increment, bonus and incentives on the other hand 24.39% of respondents agreed that there was very low annual salary increment, bonus and incentive and the rest 6.10% low annual salary increment, bonus and incentive that the bank offer. This indicates the annual salary increment, bonus and incentives plays significant role to stay the bank.

**Table 5. Employees related to Decision Making and Job Satisfaction**

Item		Frequency of Responses	
<b>I</b>	At what extent you have professional freedom to make a decision in order to build your professional confidence?	No	%
	To a very great extent	8	9.76
	To great extent	11	13.41
	To some extent	16	19.51
	To less extent	47	57.32
	Not at all	-	-
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>II</b>	At what extent you satisfied by your job assignment?	No	%
	Very High	14	15.85
	High	15	19.51
	Average	-	-
	Low	20	24.39
	Very Low	33	40.25
	<b>Total</b>	<b>82</b>	<b>100</b>

The above table 5 Item I , as shows that 57.32% of respondents to less extent that they have freedom to make decision, 19.51% of respondents to some extent of freedom to make decision,13.41 of respondents to great extent sharing decision and the rest 9.76% of respondents have sharing decision to build their professions to a very great extent. The researcher believe that, these factor could have caused that employees dissatisfaction with their job and have no confidence on the bank, then it causes employee turnover.

Item II of table 5, 40.25% of respondents very low job assignment, 24.39% of respondents low of job assignment, 19.51% of respondents high satisfied job assignment and the rest 15.85% of respondents very high job assignment. In view of this the researcher believes improper assignment of duty is a cause to the employees dissatisfaction and their turnover.

**Table 6. Respondent about motivation and work Environment**

<b>Item</b>		<b>Frequency of Responses</b>	
<b>I</b>	What motivation tools the bank are using to retain employees?	No	%
	Salary Increment	16	19.51
	Training	-	-
	Promotion	45	54.88
	Recognition	10	12.20
	Incentive	11	13.41
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>II</b>	How do you rate the bank in use latest technology?	No	%
	Very good	-	-
	Good	13	15.85
	Rarely	8	9.76
	Poor	20	24.39
	Very Poor	41	50.00
	<b>Total</b>	<b>82</b>	<b>100</b>

Respondents from the Question on the motivational tools 54.88% promotion, 19.51% salary increment, where as 13.41% incentive and 12.20% recognition. Motivation or reward system plays a significant role in determining the level of job satisfaction and reducing turnover. Hence, managements should provide some motivational tools in order to encourage workers.

Responses obtained from the interview in relation to remedial measures take by the bank to minimize the employees turnover problem is that, the bank has made a salary adjustment and promotion for the staff, tried to employee moral under taken in consideration and reclassification must be done at least every two years.

Item II of table 6, 50% of the respondents stated that very poor in use latest technology in the bank, 24.39% of respondents poor use latest technology,15.85% of respondents good in use technology and the rest 9.76% of them replied they have rarely to use new technology. Majority of employees far from information systems due to suing latest technology.

**Table 7. Labor union of the Bank**

Item	Frequency of Responses	
	No	%
Do you believe that the labor union stands for the rights of the employees?		
Yes	52	63.42
No	30	36.58
<b>Total</b>	<b>82</b>	<b>100</b>

From the above table 63.42% of respondents believe that the labor union stands for the rights of employees. On the other hand 36.58% of the respondents do not think they were stand for the employees rights. Majority of respondents replied that the labor union stands for the

rights of employees, it collects data from employees who leaves the bank and negotiate with management.

**Table 8. Performance of the Bank**

Item	Frequency of Responses	
	No	%
How do you rate the strength of the bank in terms of financial and performance?		
Very high	7	8.54
High	20	24.39
Average	-	-
Low	15	18.29
Very low	40	48.78
<b>Total</b>	<b>82</b>	<b>100</b>

As shown on the above table, 48.78% of the respondents rate the financial performance strength of the bank as it is very low, 24.39% of respondents said it was high. On the other hand 18.29% of respondents said it was low and the rest 8.54% of them rate it very high. This implies that the bank financial strength was very low it led the employees to seek other alternative.

Responses obtained from the interview in relation about the consequence of employee turnover they are explain that there is no quality of work activity, as accost such as interview, training and time gap to replace the new employee are cost component of employee turnover.

**Table 9. Employee and Management relationship**

Item		Frequency of Responses	
<b>I</b>	Do you think the bank gives a lot attention to take care of its human resource?	No	%
	Yes	28	34.15
	No	54	65.85
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>II</b>	How often your supervision or manager supports you soon, when you had a problem related to your job?	No	%
	Very often	17	20.73
	Often	10	12.20
	Sometimes	35	42.68
	Rarely	20	24.39
	Not at all	-	-
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>III</b>	Do you agree that the management responded to employee issue?	No	%
	Strongly agree	11	13.41
	Agree	15	18.30
	Neutral	-	
	Disagree	22	26.83
	Strongly Disagree	34	41.46
	<b>Total</b>	<b>82</b>	<b>100</b>

As indicated table 9 Item I, 65.85% of them said that the bank no gives a lot attention to take care of its human resource and 34.15% of the respondents the bank gives a lot attention to take care of its human resource. This indicates that there is weakness on the human resource department.

According to item II, the above table 42.68% of the respondents indicated that the supervision process was sometimes, 24.39% of the respondents rarely, 20.73% of respondents the supervision support very often and the rest 12.20% of them are often supervision.

Appropriately, supervisor or manager not enable employees to correct on time and give them satisfaction on their work. It may increase employees turnover in the bank.

Item III, in the same table 41.46% of the respondents indicate that management response was strongly disagree to employee issue, 26.83% of the respondents disagree to employee issue, 18.30% of the respondents the management response was agree to employee issue and the rest 13.41% of them argue that management response was strongly disagree to employee issue.

The management was not listening to the employee idea, deal with them, not solve the problem and not give immediate response to their questions was the way communicate with employee. It give message that they are not to motivated to accomplish forward the banks objective. This condition lead employees tend to leave their working place and join other banks.

**Table 10. Respondent main reasons for leaving**

Item		Frequency of Responses	
<b>I</b>	What are the main reasons for staffs' resignation from the bank?	No	%
	Low salary	9	10.98
	Promotion problem	58	70.73
	Poor working environment	15	18.29
	<b>Total</b>	<b>82</b>	<b>100</b>
<b>II</b>	If there is other reason for turnover, please specify?	-Lack of recognition and discrimination -Emergency of new banks and their need of well experienced bankers. -The management specially the human resource unable to recruit and not to give on time promotion to the staff.	

As shown on the above table 10 item I, 70.73% of respondents say that promotion problem was the cause for employee turnover, 18.29% of respondents indicate that poor working environment and the rest 10.98% of respondents indicate that low salary payments was it's the cause for turnover. For majority respondents those promotion problems were cause of employee turnover in the bank and contribute the highest percentage for the cause of turnover compared to the other factors.

The interviewer responses that the reasons of employee's turnover there is a high labor market opportunity and delay in reclassification.



## CHAPTER FOUR

### 4. SUMMARY, CONCLUSION AND RECOMMENDATION

#### 4.1 Summary of Findings

This chapter deals with summary of findings, conclusions and recommendation. Based on the finding . the study was designed to assess employees turnover in bank of Abyssinia located at Addis Ababa by collecting relevant information from 82 respondents of the selected seven branches of the bank.

Accordingly, the summary of findings was summarized as follows.

- Majority of respondents replied that the promotion tools is important to retain the employees.
- Most of respondents replied that the bank does not gives adequate transport allowance/transport service.
- Majority of respondents rated the rate of attractiveness of the provident fund as average.
- Most of respondents replied that they are satisfied by the salary scale of the bank compared to other banks.
- Less number of respondents indicate that their annual salary scale, bonus and incentives motivate the employee at high rate.
- Majority of respondents replied that they have less contribution in decision making.
- Less number of respondents are not satisfied by their job assignment.
- Majority of respondents believe that they are over loaded to fill the gap for vacant position and responsible more than the compensation they earn.
- half of respondents indicated that there is no opportunity to use latest technology.
- Majority of respondents indicates that labor union stands for the right of employees.

- Most of respondents state the financial and performance strength of the bank was very low.
- Majority of respondents replied that the bank does not give proper attention to take care of its human resource.
- Less number of respondents replied that sometimes supervisors/managers are supporting and assisting when there is a problem related to a job.
- Less number of respondents replied that the management does not respond to employee issues.
- Majority of respondents state that the main reason for staffs resignation from the bank due to the absence of promotion.

#### **4.2 CONCLUSION**

Based on the basic questions of the study and findings obtained, the following conclusions are rendered.

- ✓ They do not have freedom to make decision making.
- ✓ The bank uses sufficient motivational tools to retain its employees, so they are satisfied with annual salary increment, bonus and incentive.
- ✓ They are not satisfied by their job assignment.
- ✓ In the absence of using latest technology, employees are dissatisfied during their stay in the work place.
- ✓ The labor union is committed to stand for the rights of employees.
- ✓ According to the study, financial and performance strength of the bank is very low, it may be unable to meet its set objective.
- ✓ The bank does not fully support or give attention to take care of human resource to retain its employees.
- ✓ The supervisors/managers do not fully support when a problem arises in their day to day activities.
- ✓ It has also found out through this research, that the causes for high employee turnover is inadequate promotion problem.

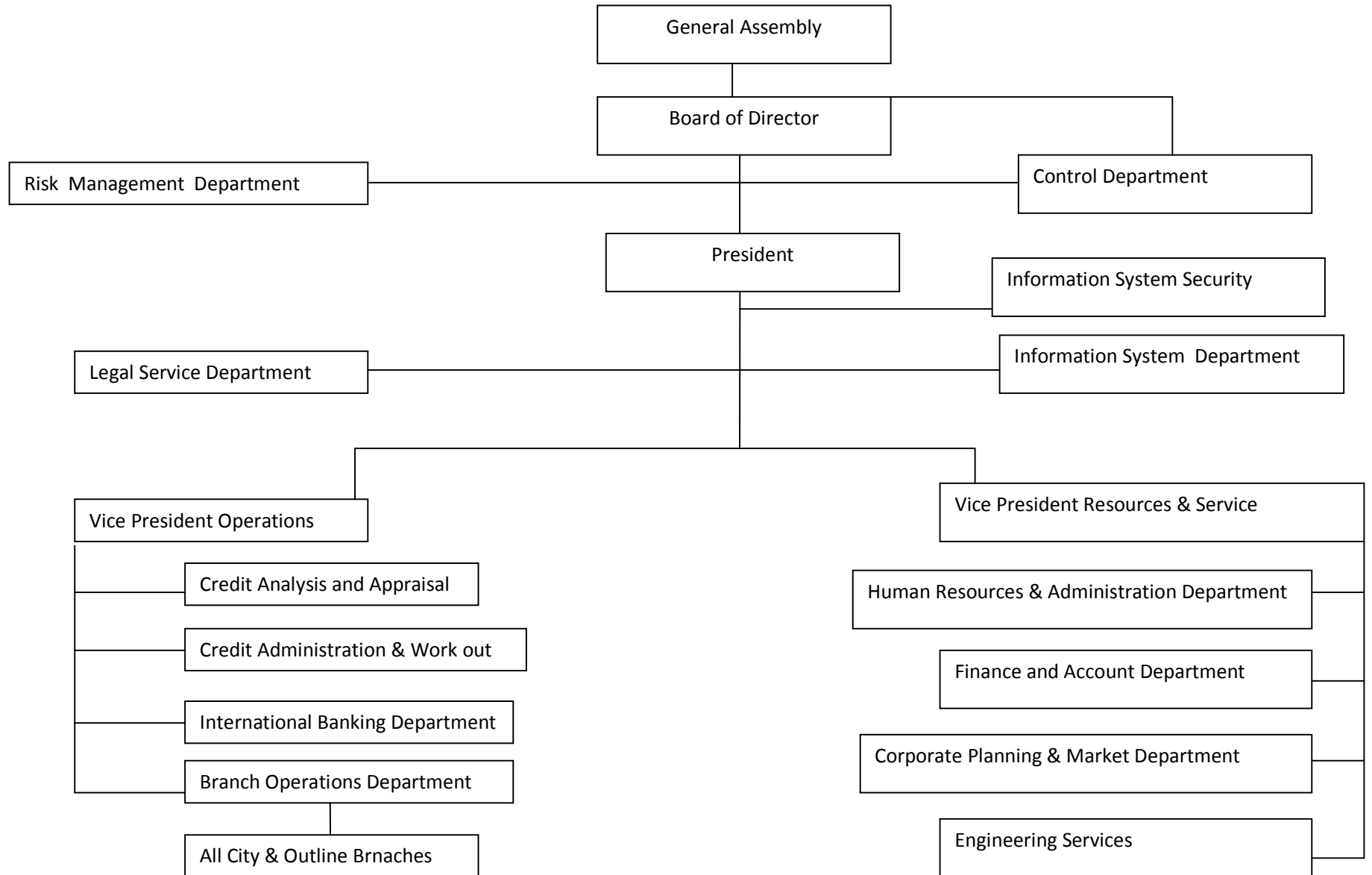
### **4.3 RECOMMENDATION**

To solve some problem regarding employees turnover the following possible solution are recommended.

- The bank should use the latest technology that are applicable in the existing industry . it helps employees to introduce themselves with it.
- The bank should conduct reclassification to maintain employees, promotion and benefit package in order to strength financial and performance of bank.
- It has to take measure to make employee satisfied with their job assignment.
- The bank should give right to sharing in decision making.
- The bank should collect data from employees whether they are satisfied or not it helps to adjust and take proper action in advance.

# Appendices

# Organizational Structure of Bank of Abyssinia



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**St' Mary University College**  
**Faculty of Business**  
**Department of Management**

Questionnaire to be completed by Employees of Bank of Abyssinia

Dear Respondent

I am undertaking this study titled "An Assessment of Employees Turnover in Bank of Abyssinia Branches located at Addis Ababa" for the partial fulfillment of my BA Degree in Management

For the sake of confidentiality, no need to write your name on the questionnaire

I would like to thank you in advance for your co-operation!

Section )- General information about respondents

Instruction: please put {  $\surd$  } mark in the box that corresponds to your answer.

1. Sex    a) Male      
          b) Female
2. Age  
   a) 20-30      
   b) 31-40      
   c) Above 41
3. How long have you been in Bank of Abyssinia?  
   a) 1 to 3 years      
   b) 4-to 6 years      
   c) 7 to 9 years      
   d) 10to 12 years      
   e) Above 12 years
4. What is your current educational status?  
   a) Certificate              
   b) College Diploma      
   c) BA Degree              
   d) Master and above      
   e) Other, please specify \_\_\_\_\_

Section II- Data regarding the study

Instruction: Select your choice by putting { √ } mark in the box that corresponds to your answer.

1. Do you agree the Bank adequate transport allowance/transport service?

Strongly agree  Disagree

Agree  Strongly disagree

Neutral

2. How do you rate the attractiveness of the provident fund?

Much  Little

Average

3. Are you satisfied with the salary scale in relation to workload and responsibility of the bank, in comparison with other banks?

Satisfied  Dissatisfied

Neutral

4. How well does the Bank offer annual salary increment, bonus and incentive to motivate the employees?

Very High  low

High  very low

Moderate

5. At what extent you have professional freedom to make a decision in order to build your professional confidence?

To a very great extent  To a very great extent

To a very great extent  Not at all

6. By what extent do you satisfied by your job assignment?

Very High  low

High  very low

Average



7. What motivation tools the bank should use to retain employees?

Salary Increment  Promotion  Incentive

Training  Recognition

8. How do you rate the Bank in use latest technology?

Very good  Poor

Good

9. Do you believe that the labor union stands for the right of the employees?

Yes  No

10. How do you rate the strength of the bank with regard to financial and performance?

Very High  low

High  very low

Average

11. Do you think the Bank gives a lot attention to take care of its human resources?

Yes  No

12. How often your supervisor or manager supports you soon, when you had a problem related to your job?

Very often  Rarely

Often  Not at all

Sometimes

13. Do you agree that the management response to staff issue?

Strongly agree  Disagree

Agree

14. What are the main reason for staff's resignation from the Bank?

Low salary  Promotion problem

Poor working environment

If others please specify \_\_\_\_\_

**St' Mary University College  
Faculty of Business  
Department of Management**

Interview Questions

To be conducted

With Managers

- 1) What are the main reasons of employee's turnover in the Bank?
- 2) What are the consequence of employee's turnover in the Bank overall performance in terms of activity, costs and work overload?
- 3) How do you see your salary pay and benefit package as compared to the market?
- 4) What do you suggest the Bank should to do to minimize employee's turnover?

### **DECLARATION**

1. The undersigned, declare that this senior essay/project is my original work, prepared under the guidance of Mr. Yimer Adem. All sources of materials used for the manuscript have been duly acknowledged.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Place of submission \_\_\_\_\_

Date of submission\_\_\_\_\_

### **SUBMISSION APPROVAL SHEET**

This senior research paper has been submitted to the department of management in partial fulfillment of the requirements of BA degree in management with my approval as an advisor

Name \_\_\_\_\_

Signature \_\_\_\_\_