

The impact of turnover rate on the employee performance in the National Oil Corporation in Libya

¹Nadia Aboulgasem, ²Assoc. Prof. Dr. Valliappan Raju

¹PhD candidate, ²Sr. Lecturer, Limkokwing University, Malaysia

¹Faculty of business and management,

Limkokwing University of Creative Technology, Cyberjaya, Malaysia

Abstract: Employee turnover forms the hub of any organizational success in the field of business. Employee performance can be shown in many different aspects based on the kind of business an organization is operating on. Besides the importance of employee performance, the employee performance imposes a huge issue for organization, which increases the organizations to focus on employee performance. This research is conducted to identify the role of employee turnover towards the employee performance in the National Oil Corporation in Libya (NOC). This research used a quantitative approach to obtain primary data from 320 employees from NOC. The finding and results of this research recognized a significant and negative contribution from employee turnover on the employee performance of NOC. It recommends that establishing good incentives methods as well as building engagement of employees could improve the employees' turnover, which reflects on gaining the employee's performance.

Keywords: employee turnover, employee performance, oil and gas industry, NOC, Libya

1. INTRODUCTION

Several previous studies have paid attention toward relative factors that influence the human resources issues such as employee turnover rate and employee performance. These factors have highlighted the significant of satisfying employees to gain high performance and retention in return from the employees. As criticized, conducting comprehensive improvement needs to a competencies leadership, which able to make a successful transforming within the organization (Queen, Peel, & Shipman, 2013). Promoting organizations to boost its performance by harnessing the available resources is considered as one of the big entrance, which starts from assessing the several relatives elements that influence employee turnover rate, as well as maintaining their ability and efficiency with proper retention programs (Elnaga & Imran, 2013).

NOC as a government corporation that dominates the oil and gas industry, it faces many challenges toward controlling its employee performance and retention in unsteady situation like what happening nowadays in Libya. If managers are requested to list the issues they face currently, the argument for persuading workers is going to be close to the top (ALDamoe, Yazam, & Ab Hamid, 2013). Due to the unsteady situation of the country; several issues have arisen during the period from 2011 to 2016, the turnover rate has increased rapidly during the last five years, which has raised an issue that related to recruiting and select new employees. Retention of employees carries clear advantages. Park and Shaw (2013) noted that long-term employees have higher productivity and efficiency in the work than new employees, given their long experience with the company. The loyal staffs also improve operational processes and train incoming staff. According to Yamamoto and Kuroda (2016), loyal staff can also be loyal customers and avoid advertisers from the mouth in some cases.

2. LITERATURE REVIEW

According to Thwala et al. (2014); *'Turnover is the individual movement across membership boundary of an organization and it is the ratio of the employees of organization who left in a particular period of time with the average number of employees in that organization during the same period of time.* In accordance with Armstrong (2006) that employee retention relates to how a corporation keeps their staff from quitting the job thereby creating retention strategies to assure that staff stays in the corporation. A study indicates that HR practices can be mainly keen in making the company to accomplish its retention objectives. These practices incorporate employee undertaking, rewards and recompense, selection, and recruitment.

Rajan (2013) dissected medical attendants' impression of push and draw factors for the part of attendants from tests of 60 medical attendants working in exceptional multidisciplinary doctor's facilities in Tyroneville, Tamil Nadu. The investigation recognized insufficient pay, not equivalent to workload and commitment, two working frameworks with long and non-social working hours, and high workload because of deficient staff medical attendants and other supporting staff as indicated by persistent size and nonappearance. Of settlement offices and deficient security, the assignment of unfit wing of wellbeing, the steed who does not give it a second thought and insufficient pay rates are not uniform in nature were the driving components most importantly from the turn of medical caretakers. Moreover, the examination likewise confirmed that high pay rates, healing center area, three work framework, 8 hours' work, less workload, it is uniform for all staff, convenience offices and qualified staff (nursing administrator) who is in a similar nursing calling was drag factors before Everything from the medical caretakers' pivot. The investigation of the examination demonstrated that the respondents 'impression of the drivers of the medical attendants' turnover was at a normal level and that their perspective of the variables of the revolution of the medical caretakers was at an abnormal state.

The cost of employee turnover is determined by many variables, including price and the relative supply of replacements in the internal or external labor market, the quantity of training invested in the operation degree of the worker, as well as the worker. Normal performance of replacements is likely to be high and where replacement costs are low, organizations may reap the benefits of employee turnover of inferior performers. On the other hand, employee turnover of high performers is prone to be dysfunctional for the business. Therefore, it is necessary to recognize the conditions under which workers of distinct functionality levels are probably to leave the business. Where, for many reasons, high performer employee turnover is more expensive than at lower job levels, this can be particularly in the corporation's higher job levels. As an example, since the standard deviation of performance is often greater in jobs that are more complicated, top performer employee turnover in higher level occupations results in greater functionality declines than similar employee turnover in lower level occupations. Also, performance is more challenging and expensive to replace and at higher job levels tends to get a bigger effect on business success. Ultimately, employee turnover of top performers in higher level occupations may lead to the lack of future leaders of the business, indicating the need for top performer employee turnover in the positions that are salaried expands nicely beyond the short-term performance losses and transaction costs associated with such withdrawal.

Yazinski (2009) provides a short revision of 12 retention factors working towards the conservation of corporations' most valuable assets such as culture, employee motivation, communication, performance, recompense, career growth, advantages, training, working condition and learning, and many more. Butali, Wesang'ula, & Mamuli (2013) examined the impacts of staff turnover on representative performance to work at Masinde Muliro University of Science and Technology. The targets of the examination were to decide the money related or financial impacts of staff turnover. The aftereffects of the examination showed that the turnover of workers had negative money related consequences for the association and the effect of the difference in representatives contrarily on the social planning of the establishment. The consequences of the investigation demonstrated that the lion's share of respondents showed that staff turnover expanded crafted by the rest of the staff, the fulfillment of influenced customers, lessened wage because of low efficiency, decreased profitability in the Organization, expanded obligation regarding practice and diminished spirit of staff. The investigation suggested that the Administration ought to enhance the terms and states of administrations to expand the standard for dependability so as to maintain a strategic distance from liabilities emerging from turnover of staff.

Shukla and Sinha (2013) examined the turnover of workers in the keeping money division. The goals of the examination were to recognize the principle factors for turnover of workers and to decide the degree to which determinants influence the turnover rate of the representative. The turnover rate was dissected in light of three factors: workplace, profession improvement and employment fulfillment. The aftereffects of the investigation demonstrated that the workplace, work weights, remuneration, worker relations with management, and vocation development have significantly affected the turnover of representatives in the saving money division. The consequences of the investigation demonstrated that activity fulfillment and the workplace were the principle factors for turnover of staff. Contrasted with work fulfillment and workplace, vocation advancement was less however an extraordinary calm criticalness. The examination additionally

noticed that high turnover has negatively affected representative performance. Jhatial, Mangi, & Ghumro (2012) uncovered in their examination that the general picture of human resource management and administrative culture in broad daylight division establishments was powerless while the private association was enhancing moderately. They likewise said that respondents in multinational organizations had communicated a high assertion in view of legitimacy based human resources, authoritative culture and working disposition with high confidence. The examination reasoned that there is a connection among all factors. The investigation reasoned that watching over the human factor with shared regard, direction and worker strengthening can upgrade representative confidence, duty and fulfillment that are really identified with the representative's choice to stay in the association.

3. RESEARCH METHODOLOGY

This research depends on the quantitative methodology approach; the purpose of using the quantitative approach in this research is to provide appropriate and exact results as well as a ground discussion about the study examinations. In addition to provide a better perception of the relationship between the employee performance and the employee turnover, which can't be forecasted from the qualitative approach only, using quantitative analysis will help to enhance the data constancy of the final conclusion of the research (Hussein, 2015). The population of this study is the total employees of NOC, which are 75,000 according to the NOC (NOC, 2016); hence, the study sample is 382 participants based on Payne (1967) sample determinants table. For the purpose of collecting this research data, a questionnaire instrument will be used. The measurements of this study have adopted from previous studies. The measurements of the employee performance factor have adopted from (Babaei, 2011), while the measurements of employee turnover from the study of (Jung & Yoon, 2013). The obtained primary data of this research will be tested by employing SPSS software, the correlation and regression tests will be used to examine the impact of employee turnover on the employee performance in NOC.



Figure 1: Conceptual framework

4. FINDING AND DISCUSSION

The research had several tests, which were the demographic test to ensure that respondents came from different backgrounds, the reliability test to ensure that the items used in the questionnaire are reliable and valid, the correlation test to find out the relationship between the employees performance and independent variable and the employee turnover as a dependent variable, and the regression test to predict the future impact of employees performance on employee turnover. The following tables and figures explain the obtained results. Figures 1,2,3,4,5, and 6 shows the respondents demographic backgrounds, a total of 320 employees have participated from NOC. Most of the participants are male (n=174, 54.4%), while the female participants (n=146, 45.6%).

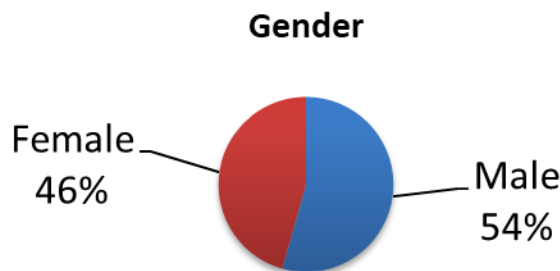


Figure 1: Respondents Demographic Backgrounds (Gender)

In term of age, the age category (36-45) has the highest score (n=154, 48.1%), age category (25-35) has got (n=45, 14.1%), age category (46-55) has got (n=96, 30%), while the age category (above 56) has got (n=25, 7.8%).



Figure 2: Respondents Demographic Backgrounds (Age)

In education level, most of the NOC hold a bachelor degree (n=188, 58.75%), high school level (n=11, 3.4%), diploma level (n=21, 6.6%), master level (n=55, 17.19%), PhD level (n=44, 13.75%), and other (n=1, 0.3%).

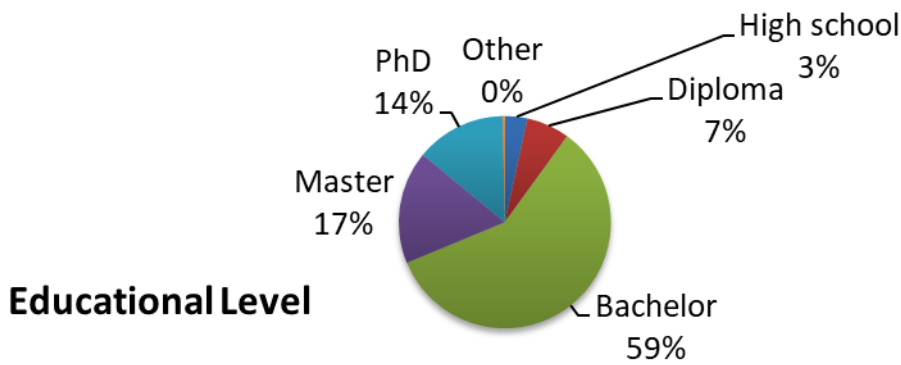


Figure 3: Respondents Demographic Backgrounds (Educational Level)

The income level of the participants is ranged from LD100 to LD 1501 and above, for the income level (LD100 – LD500) has scored (n=21, 6.6%), income level (LD 501- LD 1000) has scored (n=81, 25.3%), income level (LD 1001- LD 1500) has scored (n=174, 54.4%), and income level (LD 1501 and above) has scored (n=44, 13.75%).

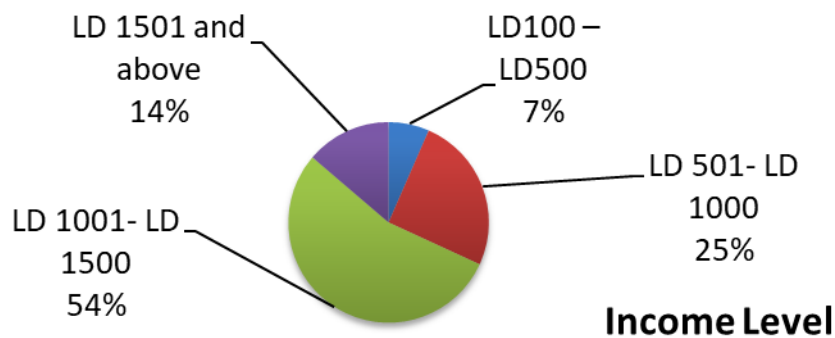


Figure 4: Respondents Demographic Backgrounds (Income Level)

For the experience profile of the participants, most of the participants belong to the experience category (3-5 years) (n=122, 38.1%), experience category (below than one year) (n=100, 31.3%), and experience category (5 years and above) (n=98, 30.6%)

Experiencie



Figure 5: Respondents Demographic Backgrounds (Experience)

Table 1 shows the results for the reliability test for the two variables for this research. The reliability test ensures the internal consistency of the variables. The reliability test uses the factor Cronbach Alpha to determine the internal consistency of the variables; if the result is above 0.7 then the variables show good internal consistency. For this research the results were 0.786 for employee performance and 0.855 for employee turnover.

Table 1: Reliability test

| Factors | Items | Cronbach Alpha |
|----------------------|-------|----------------|
| Employee Performance | 3 | 0.786 |
| Employee turnover | 4 | 0.855 |

For the reason of recognizing the relationship between employee performance and employee turnover among NOC employees, the correlation test is employed. Table 2 shows a significant and negative relationship between employee turnover and employee performance ($r = -0.708$, $p = 0.000$).

Table 2: Correlations test

| | | EP | ET |
|----|---------------------|---------|---------|
| EP | Pearson Correlation | 1 | -.708** |
| | Sig. (2-tailed) | | .000 |
| ET | Pearson Correlation | -.708** | 1 |
| | Sig. (2-tailed) | .000 | |

** . Correlation is significant at the 0.01 level (2-tailed).

Tables 3 shows the result of regression test, this test is employed to examine the contribution of employee turnover to the employee performance in NOC. The adjusted R^2 value is 55.7%, this means the model construct significantly explains the employee performance of NOC employees. As the T value is 11.002 for the construct, and P-value was less than 5% for the construct, the regression result shows a significant contribution from employee turnover to the employee performance of NOC. Looking at the coefficients of the variable, β weight for employee turnover 0.304.

Table 3: Regression test

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------------|-----------------------------|------------|---------------------------|---------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | .281 | .069 | | 7.664 | .000 |
| ET | -.410 | .074 | -.304 | -11.002 | .000 |
| Adjusted R ² | 55.7% | | | | |

a. Dependent Variable: Employee performance

The result of this research is similar to the result in the literature review of the employee turnover; it provides evidence that the level of employee turnover of the company affects NOC employees' performance. This result emphasized the role of controlling the employee turnover to the company. Employee performance incorporates these practices and performance conducted by the corporation with the main target of recognizing and engaging possible staff. It has been long considered as a significant part of human resource management as it implements the important option of designing an essential resource (Chaneta, 2014). Delery and Doty (1996) described seven HRM practices, which can be important to general organizational performance. Most of the previous studies in the field of employee turnover stated that employee performance is affected by the employee turnover, which this research's results also reassure these findings on the NOC Corporation based on the point of view of the employees of NOC.

5. CONCLUSION AND RECOMMENDATIONS

This research has been conducted to identify the relationship of employee turnover and the employee performance on the Libyan National Oil Corporation (NOC). Libya was selected to be the scope of this research because of that Libya is a rich country of oil, so Libya can benefit so much of the essential findings of this research in order to improve the oil and gas industry in Libya. According to the unsteady situation of the country; several HRMPs issues have arisen during the period from 2011 to 2016, the turnover rate has increased rapidly during the last five years, which increased the demand and focus on employee performance to ensure the success for organizations. According to this research results, employee turnover is a key success factor for organizations to gain employee performance, especially for those organizations that operate in oil and gas industry. To sum it up, the researcher has come up with the following recommendations for NOC to take into considerations in order to improve employee turnover that impact on employee performance.

1. NOC should build trust among its employees and leadership; the staffs need to trust each other as well as their management. Management always monitors employees to understand how their choices affect the vital impact of the organization and whether their practices reflect what they say. This was can assist NOC to ensure its employees performance.
2. NOC should apply more incentives to its employees; incentives are proven in many studies that they can increase the employees' turnover. Coordinated incentives for responsibility and results. Officials who need their staff must be convinced that incentives should be allocated in the light of targeted standards and that different things inspire many staffs.

REFERENCES

- ALDamoe, F. M., Yazam, M., & Ab Hamid, K. (2013). Human Resource Management Practices on Organizational Performance in Libya Firm. *Public Administration Research*, 2(1), 29.
- Babaei, D. (2011). *Mediation Effects of Behavior Outcomes in the Relationships Between Human Resource Practices and Firm Performance*. Universiti Putra Malaysia.

- Butali, N. D., Wesang'ula, P. M., & Mamuli, L. C. (2013). Effects of Staff Turnover on the Employee Performance of Work at Masinde Muliro University of Science and Technology. *2013*, 3(1), 8. doi: 10.5296/ijhrs.v3i1.3111
- Chaneta, I. (2014). Recruitment and selection. *International Journal of Management, IT and Engineering*, 4(2), 289.
- Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management journal*, 39(4), 802-835.
- Elnaga, A., & Imran, A. (2013). The effect of training on employee performance. *European Journal of Business and Management*, 5(4), 137-147.
- Hussein, A. (2015). The use of Triangulation in Social Sciences Research: Can qualitative and quantitative methods be combined? *Journal of comparative social work*, 4(1).
- Jhatial, A. A., Mangi, R. A., & Ghumro, I. A. (2012). Antecedents and consequences of employee turnover: Empirical evidence from Pakistan.
- Jung, H. S., & Yoon, H. H. (2013). The effects of organizational service orientation on person–organization fit and turnover intent. *The Service Industries Journal*, 33(1), 7-29.
- Park, T.-Y., & Shaw, J. D. (2013). Turnover rates and organizational performance: a meta-analysis: American Psychological Association.
- Payne, D. A. (1967). *Educational and psychological measurement*.
- Queen, J. A., Peel, H., & Shipman, N. (2013). *Transforming school leadership with ISLLC and ELCC*: Routledge.
- Rajan, D. (2013). Impact of nurses turnover on organization performance. *Afro Asian Journal of Social Sciences*, 4(4), 1-18.
- Shukla, S., & Sinha, A. (2013). Employee Turnover in banking sector: Empirical evidence. *IOSR Journal of humanities and social science*, 11(5), 57-61.
- Thwala, W. D., Ajagbe, A. M., Enegbuma, W. I., Bilau, A. A., & Long, C. S. (2014). Sudanese small and medium sized construction firms: An empirical survey of job turnover. *International Journal of Management & Accounting*, 1(1), 31-37.
- Yamamoto, I., & Kuroda, S. (2016). The Effect of Labor Turnover on Firm Performance among Japanese Firms (Japanese): Research Institute of Economy, Trade and Industry (RIETI).