CAUSES AND EFFECTS OF HIGH LABOUR TURNOVER IN A DEPRESSED ECONOMY

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07/PG/Ph.D/HRM/3082

ST. CLEMENTS UNIVERSITY

TURKS & CAICOS ISLANDS

NOVEMBER, 2012

TITLE PAGE

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A Dissertation Submitted in partial fulfillment of the requirement for the award of Doctor of Philosophy (Ph.D) Degree in the Human Resource Management of the St. Clement University, Turks of Caicos Islands.

November, 2012

APPROVAL

This is to certify that this research was carried out under strict supervision and has been approved for submission to the St. Clements University, in partial fulfillment of the requirement for the award of the Degree of Doctor of Philosophy (Ph.D) in Human Resources Management.

Project Supervisor.

Academic Adviser.

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DEDICATION

This work is dedicated to my children whose comfort was shut changed in attempt to give the desired attention to this work.

Eluu Vincent Ogbonnia

ACKNOWLEDGEMENT

Acknowledgement are mere token appreciation of man's humanity to man and so is not an adequate compensation for more favour.

In literary works therefore, are pass by gents and ladies whose contributions cannot be easily washed away and this is why in this work I owe a lot to professor David Iornem, Dr. David Le Cornu of St. Clements University and my parents and lots more who in one way or the other not only laid the foundation for this work but also encourage me to push onto this height academically.

I also wish to thank Mr. & Mrs. Nkem Nwankwo for beautifully typesetting this work.

Eluu Vincent Ogbonnia

ABSTRACT

This work is devoted to determining the causes and effect of high labour turnover in a depressed economy. Although high labour turnover has been variously defined by H.T Graham and Michael Armstrong as "The movement of people into and out of a Firm on the assumption that a leaver will eventually be replaced by a new employee" and "as employee wastage – Meaning the number of people leaving an organization vis a vis the number coming in with the attendant loss to an organization in terms of the resources wasted on their training" respectively. The import of this discuss, focused on welfare of workers, job security, Human Capital Development, Manpower shortages cum unemployment, correlation of its effect on emerging States, intellectual capacity, management responsibilities, factors influencing employees turnover and empirical analysis of turnover rates. The researcher adopted a historical design method and descriptive design for the study where the researcher used both primary and secondary data. The population of the study is 300 out of which 240 questionnaire were returned. The sample size determination using Yaro Yamen's formular is 226. The instrument for the data collection is questionnaire and interviews, and the study adopted stratified random sampling procedure. The instrument was tested for validity and reliability. Hypotheses were formulated and carefully tested using chi-square formular. The study revealed the following: That high labour turnover has an adverse effect on an organization. That the remote and immediate causes of high labour turnover are wages reduction, greener pasture seeking, and job dissatisfaction with company approach on lay offs, lack of incentives, training and hiring and firing. The researcher recommended as follows- that organizations should avoid the remote and immediate cause of high labour turnout by training their workers and providing the necessary incentives. The study is significant because it will educate employers, employees, students, future researchers, policy makers and government.

The data were analysed using tables, percentages and chi-square test.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In all economic activities human effort is the key, it is the human knowledge transformed into activity that gives utilities or values to all commodities. It is man who cultivates land whether he uses a hoe or a tractor; it is man who invents designs, makes and operates machines. Thus every single endocavour here on earth has Mar. fingerprint. Thus without human effort, both of mind and muscle, there is no production and therefore no life. This human effort which is vital for production is called labour.

The quality of labour refers to whether it is good or bad in influence to the production of a given good or service. The quality of labour depends upon many factors such as education and training, personal health, organization of labour, working conditions attitude lo work organization other factors of production used with labour etc. it is easy lo understand that an under nourished worker, badly clad with chronic disease will have a lower productivity than his counterpart who Feeds well, wears good and clean clothes and enjoys good health conditions. Education and training by the mere fact that they impart more knowledge and health skills improve the quality of labour and (hereby enhance its productivity.

According to Orji N. (2009), labour turnover is defined as "the movement of people into and out of the firm" and it is usually measured by recording movements out of the firm on the assumption that a leaver will eventually be replaced by a new employed" On the other hand, Michael Armstrong described labour turnover as employee wastage. Meaning the number of people leaving an organisation vis a vis the number coming in with the attendant loss to an organisation in terms of the resources wasted on their training.

Consequently, and by implication, high labour turnover in this respect refers to the proportion of those employees leaving an organisation to those remaining and the frequency with which this occurs in an organisation within a given period say one year. When we talk of causes therefore, we intend to examine those factors that necessitate the syndrome such as poor remuneration welfare, environment and future, etc; the effect on the other refers to the resultant happenings in an organisation as a result to this stand point of a worker. This may lead to loss of revenue occasioned by a reduction in productivity due to vacuum created by those leaving and or collapse of an enterprises depending upon the magnitude of its effect and calibre of employee s involved.

The possession of skills and good knowledge is sometimes not enough for the productivity of a worker. Usually supporting factors of production must be present in an organized manner for production to take place. A brain surgeon cannot perform an operation without tools nurse and doctors; a teacher cannot give lessons effectively without chalk, paper, pens, books, classrooms and students etc.

To conclude however, human resources (labour) have been found to be of equal importance in the attainment of goals and objectives of organization. This is because of the fact that capital and materials on their own cannot achieve any result but rather, the ability and motivation of the labour force to effectively coordinate them, determines the end result.

In other words, if the labour force of any organization is weak, then the productivity and overall organizational performance will be very poor even if the very best materials and technology arc provided.

The resultant effect today is that most organizations not only pursue a commensurate remuneration for their workers, but they go beyond by providing a number of both monetary and non-monetary incentives to their employees in order to increase their productivity and organizational efficiency.

1.2 Statement of the Problem

In the Banking sector for instance, high labour turnover has come to be regarded as the most disturbing factor to the Board and management of most of our financial institution. The reason is quite obvious - higher Pay packet. If one takes a look at our National Dailies especially the Business Times, alt that catches the eye are nothing but appointments and promotions. This however are not unconnected with the that a number of positions has been made vacant thereby necessitating a reshufflement to make up for the loss, A closer look at the universities growth in the past five years especially within the tile of Obasanjo's immediate past four years reveals that this sector has benefited from the Obasanjo's legacy probably as a way to checkmate the brain-drain syndrome that hit the same sector in the early 90s as earlier indicated. The universities have witnessed an unprecedented upsurge in her nominal roll. Thanks to the improved pay packages of the University lecturers by same Govt. On the other hand, other sectors especially the private sector had been the losers with woes to tell. This in a way underscores the need for the study, It is also of note to site, even the obvious cases of the changes that has taken place in the public sector especially the civil service which also witnessed an improved pay package courtesy, the Obasanjo Regime, Possibly to counter, the near dissertation of the service as it were before ho came All these had happened despite the oil wind fall including the much touted gains I n the oil prices globally especially during the gulf war. In fact, the ever restive mood of the Niger Delta Region can not be divorced from lack of the desired wages for labour leaving youths of that Region to fight for what they consider their right ostensibly as a result of inclement working conditions of their parents.

Problems are those obstacles that militate against the smooth running of an organization. In this project, they include:

i) The problem of labour turnover, which has over the years, pose a serious problem to most organizations.

ii) The cost of having the labour turnover for the organization.

iii) The problem of knowing the kind of incentives that is suitable for workers.

iv) The problem of fixing wages wags rates and other related items.

v) The problem of apportioning the best overtime amount and it should commensurate with the level of output.

vi) The problem of implementing the best kind of incentive schemes to such workers.

1.3 Objective of the Study

Labour of recent has been a critical issue in the Nigerian State culminating to the now talked about labour Reforms Act and tin possible show down between the Organised labour (NLC) and the Federal Government of Nigeria. In the late 80s and early 90s, Nigeria witnessed a twist in her history as a nation when the Nigeria Universities lost their hard trained lecturers in succession in what then came to be popularly known as the Brain-drain. Today, the situation has not changed much and very many establishments are busy counting their losses. If the situation must change, if the Nigeria worker must dream of a guaranteed future after active working life, then high labour turnover as it is evident in most establishments deserve a mention and this is the high point of this work. Therefore the objective of this study is to attempt to take a deep into the remote causes of this syndrome, examine the effect it has on organisation and the way forward for employers of labour. This study will also cast a glance at the way forward for the depressed economy such as Nigeria and the third world countries. It will also attempt to strike cord between employers and employees via the many modules that will result here from on the need for a healthy relationship between labour and employers of labour.

Objectives help to provide standards against which performance can be assessed. Our objectives to the study in question include:

i) To identify and examine the type of incentives and any other motivational strategies that is provided in the organizations.

ii) To identify the standard set by management and how productivity is measured by organizations.

iii) To identify reasons for low productivity and their remedies.

iv) To determine whether or not there is increasing efficiency in work when employees are motivated.

v) To proffer solutions to high labour turnover.

vi) To determine whether financial rewards and other attractive fringe benefits are sufficient motivational factors.

vii) To determine the best wage and wage rate for workers and compare them with the employee's output.

viii) To identify the best possible incentive that will boost productivity.

1.4 RESEARCH QUESTIONS

In order to guide this research, the following questions have been advanced:

1. What are the immediate causes and remote causes of high labour turnover?
2. Has the Government done just enough on their part with regards to provision of infrastructural facilities like good roads, power and water?
3. What effect will high labour turnover, syndromes have on the employees and Employed?
4. Are there remedies for high labour turnover?
5. Do you think high labour turnover affects an organization?
6. Why do all industries not haven the same degree of labour turnover?
7. Those promotions and incentives decrease of labour turnover?
8. Do you think that not making room for training and growths by organizations contribute to high labour turnover?

1.5 RESEARCH HYPOTHESES

All scientific enquiries are geared towards proving or disproving a phenomena or a preconceived notion about issues, social, scientific, economic or political. The particular issue to be examined and the objective of the enquiry often demand the formulation of certain hypotheses which would be validated through the scientific testing of the data generated from the enquiry. Hypothesis in this case refers to tentative statement of fact that is subject to empirical validation by testing. There are Null Hypothesis (Ho) and the alternative hypothesis (H1).

In order to further guide this research the following hypotheses will be tested.

Hypothesis No. 1

Ho: High labour turnover has no effect on an organization.

Hi: High labour turnover has an effect on an organization.

Hypothesis No. 2

Ho: High labour turnover has no negative effect on employees and employers.

Hi: High labour turnover has negative effect on employees and employers.

Hypothesis No 3

Ho: Promotions and incentives do not decrease labour turnover.

Hi: Promotions and incentives decrease labour turnover.

Hypothesis No 4

Ho: All industries experience the same degree of labour turnover.

Hi: All industries do not experience the same degree of labour turnover.

1.6 SIGNIFICANCE OF THE STUDY

In the years gone by, the Government has introduced a number of measures through various policies and programmes to better the lots of the Nigerian worker but these efforts as genuinely as they seem. have not yielded the much desired impact: the Udorji award of the mid seventies the minimum wage act of the Obasanjo Regime have all but addressed partially the yearnings of the Nigerian workers but significantly that of the civil servants as most of these policies and programmes seem not to concern the private sector employers. The employees of this sector has continued to languish in abject poverty even as they face the same market forces as their counterparts in the civil service In all, it goes to show that much is yet to be done towards the realization of the aspirations of the workers of this Nation In fact, it seems as if the Government are not sincere in their desire through these policies and programmes to solve this problems. Otherwise how can the Government justify their sincerity when subsidy has been completely removed from the oil sector? Today, a litre of fuel is sold at ₦97 despite the fact that the country is rated number five as the highest oil producing nation in the world. Because this country has witnessed more than five times increase in the pump price of fuel and other bye products of petroleum within one year, it goes to show that the new price of ₦97 per litre of petrol may not stay and the meaning despite the threat of the NLC to call Nigerian out for a strike for the fifth time this year, is that the Nigerian worker is in for more trouble.

Consequently, and it, view of the need to avoid total collapse of the economy, this study will help to point the way out both for the Government, the organized private sector and the labour Again, this study as 1 hope will also serve as a base for future Researchers who may be interested in furthering this discuss. It also promises to be a blue print for use by every employer of labour to know how best to motivate their workers and discourage high labour turnover.

1.7 SCOPE OF THE STUDY

This study is limited to a survey of seven industries in different sectors viz:

1. Services – Accommodation, food and drinking places
2. Arts, entertainment and recreation.
3. Retail/Wholesale trade
4. High Tech
5. Government-public-state/local
6. Association – Professional/Trade
7. Utilities.

However, the findings will be generalized.

1.8 LIMITATION OF THE STUDY

The limitation and shortcoming in the course of conducting this research are as follows:

i) Some of the employees are not educated and as such, it was difficult to get their message.

ii) Not all the questionnaires that were sent to the respondents were answered and it made the researcher to revisit over and again.

iii) Based on some organizations policy of secrecy, it was difficult for the researcher to get some basic information such as salary of management staff and some final account figures.

iv) There were not enough books, journals, and other related printed literature that was used to effectively draw up a conclusions.

9 DEFINITION OF TERMS

LABOUR: - According to Ojo O. (2001:74), "it is human knowledge transformed into activities that gives utility or values to all commodity".

LABOUR COSTING: - According to T. Lucy (2001:80), "it is a process whereby the cost of a product, operation, job, cost center and department can be established". This is done for cost control purposes.

LABOUR TURNOVER: - According to T. Lucy, (2001:84), it is usually expressed as a radio i.e.

$$\frac{\text{Number of employees replaced per period}}{\text{Average total number of employees in the period.}}$$

PRODUCTIVITY:- Orji N. (2009) defined productivity as a phenomenon, which is concerned with the utilization of resources to produce a given output, the resources could be labour materials and capital.

INCENTIVES:- According to Longman Dictionary of Contemporary English, "something, which encourages you to work harder, start new activities.

REMUNERATION:- An amount of money paid to someone for work done. (Oxford Advanced Learners Dictionary).

SCHEMES:- An organizational official plan that is intended to help in some way or improve the activities of such an organization. Oxford Dictionary (2001:1050). n of certain plants used for makin

JUTE:- A fibre outer ski g canvas, ropes etc. Oxford Dictionary (2001:648).

OVERTIME PAYMENT:- According to G. MC Beath and D.N Rands (1976:308-310), if an employee is paid by the hours and he works overtime, he usually receives a level of payment in excess of his normal hourly rate.

OVERTIME:- According to Oxford Advanced Learners Dictionary, "it is time that you spend working at your job after you have worked the normal hours". It normally comes with a pay different from your regular pay.

ALLOWANCE:- The term allowances according to Zollistsch and Longsner (1970:183) "it is wide range of special payment which may be given for a variety of reasons. Allowance according to Oxford Dictionary (2001:29) is an amount that is given to somebody regularly or for a particular purpose.

PROMOTION: - According to Vernon, Amussel and Eugen H Hughes (1981:177) is the Vertical movement of employees in the organization to a position of higher authority.

LEAVE GRANT:- This is an amount of money given to staff or an organization during the time they are not working. It is always due to the fact that most office jobs are stressful and it is given in order for them to rest and come back better staff.

QWL: - Quality of work life. Defined and operationalised in term of employees perception of their physical and psychological well being at work.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1.1 THEORETICAL FRAMEWORK RELATED TO THE RESEARCH WORK .

It is not a hidden fact that the rate of competition among industries in Nigeria is on the increase every passing day. With such competitive nature of industries today, preliminary investigation revealed that most of the production industries have to strive hard to maintain a high productivity level with a minimum cost as much as possible. As a result, many of these industries do provide some form of incentives to pursue certain policies that ensures the good welfare of their workers. For instance according to Flippo B.E (1080:271), it was found that these incentives plans were appropriate when labour cost are heavy in cost competitive market and also when production technology is not well advanced. Take fore example like most developing countries of the world or rather third world countries (Nigeria, Ghana etc) where they are lagging behind in technology and they do a lot of stressful jobs, these incentives are much needed to boost their ego and make them work harder, unlike their counter parts in developed societies where they don't do much.

Furthermore, in 1885, Frederick W. Taylor developed the first wage incentive plan now known as the Taylor differential price – rate plan. (Flippo B.E 1980:233).

To attain the best incentive Scheme, a careful study is made on each workers operation, and then a standard rate of output is established that is within the reach of the average worker. Normally two types of rate prevail - one for the worker who fails to reach the organization. Assuming the standard output is 100 units per day, a worker who produces 100 units should receive N200 i.e. the companies standard salary. A worker who produces less than 100 units should receive less than his standard (Basic salary) of N200, while a worker who produces more than 100 units should receive more than N200. Oilier types of wage incentive plans are the Halsey and Rowans plans. For (he two plans, a standard time is allowed for the completion of a job. If the worker completes the job in less than the allotted time (standard or required); he/she is given a percentage bonus payment on the time saved.

Incentives are inevitable in the attempt by organizations at all time to motivate workers and increase efficiency and productivity. In addition, the establishment of equitable and competitive base rate will assist in attracting skilled personnel to an organization, lake for example in today's, Nigerian "New generation" banks, most staff (hey have there are workers from the old generation banks or the big three (First Bank, Union Bank of Nigeria and United Bank for Africa). This is because the new banks pay far higher compared to what the people in the old generation banks pay. And because of that they tend to attract a lot of skilled personnel and of which they have a' lot of choices to make from the number who come for their interview. Thus organizations provide a number of varying forms of incentives.

2.1.2. PREMIUM BONS SCHEME (PBS)

PBS is a development which aims at providing the formula whereby the benefits from additional output above normal level arc shared between the employee and the employer. These are applicable in areas where there is no incentive scheme or were the incentive scheme is not properly defined. Reason been that in lime rate payments the employer [done reaps the benefit while in piecework, the benefit goes. to the worker alone. In order to strike a balance between these two extremes, we have the following incentive scheme like

1. Halsey Scheme
2. Rowans scheme
3. Taylor scheme

4. Merrick scheme
5. Accelerating bonus scheme
6. Group bonus scheme
7. Lien bonus scheme

The first two principal are the most commonly used, ie Halsey and Rowan.

Halsey

Under the scheme, the employee receives a fixed proportion of any time which he can save by completing the job in less then the allowed lime. This scheme adopts a proportion of 50% which can be varied.

Example:

The time allowed for a piece of work is 60 minutes. If Mr. X is able to complete the work in 36 minutes, what will be his bonus if the time rate per hour is ₦120

Solution

Time allowed = 60min.

Time used = 36min.

Time rate = ₦120/hr

Time saved = 60-36 = 24min.

Bonus = $\frac{24}{60}$ x 50% x 120

Bonus = ₦24.

Rowan Scheme

The Rowman scheme uses a formula which ensures that a ceiling is applied to the size of the bonus. The proportion of the time saved which is credited to the employee is based on the percentage which the time taken bears to the time allowed.

Using the former example for Halsey scheme we can calculate the bonus in Rowans scheme.

Solution

Bonus for Mr. X $\dfrac{\text{time used X Time saved X Time rate}}{\text{Time allowed}}$

Bonus $= \dfrac{36}{60} \times \dfrac{24}{60} \times \dfrac{120}{1} = \underline{₦28.8}$

2.1.3. STRATEGIES FOR MOTIVATION (INCENTIVES USED BY ORGANIZATION)

The general idea of using money as an indicant for people to work harder is almost as old as money itself, For hundreds of years, people have been managing through the "Punishment reward system until the past century it was not unusual for workers to be paid for what they produce and only during the time they were working without any from of guaranteed basic wage. By with holding payment when work was not done and providing remuneration when it was performed. Managers money as both Sanction and Reward (i.e. as both positive and negative incentive.

a) HOUSING/RENT SUBSIDY

According to G. Mc Beath (1976:339-340) housing/rent subsidy refers to the provision of houses / quarters for workers. There are several forms of this housing assistance. On an industrial estate or in a new town, a company may have available certain number of houses for rental through the housing units, at a subsided rate; where this is absent, the workers are given some certain amount as housing allowance to take care of their accommodation. In some eases, the company also rents some houses in the town for some staff.

Housing assistance is a useful benefit to offer, and one, which has only, a marginal cost to the company. The extent of help given should be regarded to the needs of the company and the amount of incentive required.

b) TRANSPORT/CAR SUBSIDY

According to G. Mc Beath and D.N. Rands (1976:338) the provision of vehicles to convey stall to and from work at management discretion. Sometimes, the top management staffs arc given car loans, and or company's car (official cars). This is necessitated by the rise in the rate of absenteeism and late coming to work as a result of the common and obvious problems faced by commuters such as fuel scarcity and exploitation by commercial vehicles operators,

c) OVERTIME PAYMENT

According to G. Mc Death and D.N.RANDS (1976:308 - 310) if an employee is paid by the hours and he works overtime, he usually receives a level of payment in excess of his normal hourly rate. The supplement for this hourly rate is known as overtime premium.

There are some considerable variations in methods of overtime payment from company to company. This happens not only on the determination of actual payment, but also in the wide variation in the level of staff who may be paid for working overtime between one organization and another.

However, when overtime becomes heavy, the inconvenience factor increases substantially, and some extra compensation is required. This extra incentive is given in the form of premium payment, which is the payment for say, one and half- hours for each one hour worked.

The cost of overtime is not simply cither a salary of a benefit cost. The additional work time should result in additional work output, which least partially offsets the cost to the company.

To the employee, overtime is a benefit, to some, a most important benefit representing a regular supplement to income.

To the employer, overtime may involve excess cost for relatively unproductive time, or may in some cases result in a form of saving (Mofarland D.E 1979:545).

d) ALLOWNANCE

The term "allowance" according to Zollistsch and Langsner (1970:183) covers a wide range of special payment which may be given for a variety of reasons. Allowance given when an employee is on an assignment away from home to cover his excess costs of living and travelling hardly ranks as additional remuneration.

Allowance which may be considered part of remuneration are those which arc made, likely premium payments, as part of taxable earnings to compensate for some special or temporary aspect of a post or inconveniences. In each ease, the allowance should be directly relate to the inconvenience or special requirement, to provide adequate incentive in the situation. They include, house allowance, wife allowance, children allowance, dependent relatives etc.

E. LEAVE GRANT

One of the most important benefits is the granting of paid leave. At the lime of writing this research, the majority of staff employees arc granted three weeks paid leave a year. Incidentally, G.Mc Bcath and D.N. Rands (1976:329 330) informed medical opinion is firm (serious) concerning the need for four weeks leave for staff, most especially the executive to counteract the inevitable stress associated with their posts.

The minimum leave entitlement of three weeks plus six statutory days costs the equivalence of over 8% of the payroll over the working year. Calculated on the basis that the over 8% of the year, stall arc on leave and not productive.

$$\frac{\text{Weeks basic leave + 1.2 weeks statutory leave x 100}}{\text{A total of 52 weeks in a year}}$$

$$= 8.1\%$$

(F) PENSION

There are few staff employees who do not enjoy the prospect of receiving a pension when they retire from service.

However (MC Kersie and Hunter 1973:144) the many pension plans which individual companies have developed or purchased from specialist pension companies varies substantially, both in cost to the company, contribution from the employee and benefits from the employee.

According to G. Mc Beath and D.N.Rands (1976:336) the simplest type of schemes covers simply a straight pension for the employee at the time he retires.

Normal retiring ages in Nigeria today is 60 for both men and women. Although an increasing number of plans cater for retirement, without loss of pension rights, up 5 years earlier than this. In addition, many plans color for situations in which the company may wish to retire one of its old staff, perhaps on grounds of failing performance and, in view of long service, docs not wish to simply fire him, but prefers to retire him on reduced pension. Such plans have incorporated a scale of actually calculated reduction in pension entitlement for retirement up to ten years before the normal age i.e. (60 years).

The basis for most pension calculation is an accumulation of a percentage of the average salary for each year of service over a specified number of years of service, or occasionally ever-final salary. More especially, a typical example would provide for N11½% for each year's service. Some pension schemes limit payment to 50% of final salary, although the legal limit is at $66^{2}/_{3}$% of final salary.

(g) LIFE ASSURANCE

Some pension plans, according to G.Mc Beath and D.N Rands (1976:336) provide for life assurance in areas where the employee dies after fairly long service or where he dies within say, five years of retirement and has not drawn a minimum defined sum in pension benefit.

This usually takes the form of an arrangement through one of the major life assurance companies the cover of all staff at rate, which is substantially below those normally available to an individual on the open market. This cover may be arranged entirely at the company's expense, or more usually arrange as a benefit, which employees are encouraged to take up on the extremely advantageous terms offered

(h) MEDICAL BENEFITS

According to G.Mc Beath and D.N Rands (1976:33) this refers to the provisions of medical services to any staff. Though this incentive exerts considerable influence on the performance and morale of the worker, it affects mostly their sense of security. As in terms of the cost, time is saved compared with them going to a public hospital. It was found that the provision of this incentive has a favourable effect on the rate of sick. No wonder many companies arrange for their members of staff to have regular medical check-up to ensure all is well. Apart from detailed checks of this sort, general x-ray examinations are widely supported, together with the provision of medical facilities against any epidemics.

Most of these items have a marginal cost, which is more than offset by reduction in lost working time. It is also a fact that these facilities arc widely appreciated by staff.

(I) MEAL SUBSIDY

According to G. Mc Beath and D.N. Rands (1976: 338) wherever it is difficult for employees to return home for lunch, employers tend to make some arrangement to ensure that their staff arc adequately fed at mid-day on an industrial estate or in a large factory, this normally takes the form of providing canteen services, while in town or city centers, where the office accommodation is very close to existing canteen or restaurant facilities some form of luncheon Voucher may be issued

Depending on the efficiency of the catering organization, the cost of the benefit to the company may be marginal or even nil, but in some cases, it is equivalent to 3% or 4% of total pay-roll cost of the employees concerned.

(J) TRAINING

Training according to G. Mc Beath and D.N. Rands (1976: 33a) is an act of acquiring more knowledge or skill to do a particular job.

Though, the company has training department which plans, organizes and coordinate any formal training programme for the employees, it nevertheless sends some of its staff on certain short courses. The others like the apprentices learn on the job.

However, (Stanley ML Babson 1974:129) the cost incurred in the course of training the workers either within or outside the company (institution of learning or at other bigger companies) are taken to overhead at the end of the year or month.

This training helps in impacting more knowledge and skill on the workers thereby increasing their efficiency and productivity.

(K) PROMOTION

This according to Vernon A. Musselman and Eugene H Hughes (1981; 177) is the vertical movement of employees in the organization. It is an individual incentive scheme, which usually involves the acquisition of more skills and experiences to be able to assume more responsibilities and exercise wider power or authority.

This incentive is meant to satisfy human desire to move up as a result of learning and acquiring more skills and experience. This is because where there arc no prospects for promotion, the effects are easily noticeable, particularly in a very ambitious worker, and the symptoms usually takes the form of instability, irrationality in behaviour and lack of enthusiasm at all times. In certain extreme cases such employees ever leave and go for that offers such opportunities.

(L) SALES INCENTIVE

According to William F. Dinsmore (1965:9) most companies have special compensation plans for their salesman, just as they have separate plans for executives, factory and clerical personnel. The typical reasons according to Richard C. Smyth (1968: 114) given by firms for paying their salesman on an incentive basis are as follows:

i) Less supervision is required because the salesman has an incentive to produce, rather than to live on the job.

ii) Sales work especially lend itself to incentives when sales and control job results in a greater degree than people who have to work as a team or depend on each other.

iii) It puts new life into a sales force, and extra sales arc produced when competent salesmen are adequately rewarded for their extra efforts.

In developing an incentives plan for salesmen (Lassor A Blumenthol 1965: 66) it is necessary to be able to identify and measure job performance and to decide on a basis of reward. This requires that management determines what goal it is seeking and have available accurate data on sales and market conditions that will enable them establish a standard for proper sales performance.

If management is not able to read the economic condition properly, it may establish impractical sales incentive too small pay out for salesmen or too high a sales expense.

(M) BONUS AT THE END OF THE YEAR

This normally works hand in hand with sales incentive. The organization will give bonus to any staff who produces most, sells most depending on the duty of such am individual. Bonus is defined as any addition out of your regular income. It could be bonus in monetary terms, no rent or very low rent, free feeding for a particular period etc.

(N) JOB SECURITY

One of the major means is getting he best out of a worker is job security. This means assuming a worker that he will continue to have his job provided he does his duty and doing it without any reason him off. Take for example, if a staff knows that it is part of the companies' strategy to lay off workers after 5 years in order for such company or organization not to pay gratuitee. Most staff there will not put in their best. The reason is simple they are denied their right. Or another example is if and organization may fold up or become bankrupt at any moment. Once staff find out, the will be looking for belter jobs elsewhere is jobs with better security. And this will affect production or general output because his mind is divided. The reason is that he is looking for a move stable job. And in a country like Nigeria were the economy is bad and workers generally appear liacadasical, it should be known that without job security, and people won't really work.

(O) GRATUITEE

This is a huge amount of money given to employees after working a considerable long time for an organization to thank such worker for the work he has contributed or done for the organization. In Nigeria, gratuitee is paid or rather a worker (employee) is entitled his gratuitee after 5 years of his services rendered to that organization, or a minimum of five years and above. This is also given not withstanding death, Even if such an employee dies while in office and such employee has attained five years and above, his next of Kin is expected to have the money. Gratuitee is one of the key factors job hunters (seekers), employed staff and others concerned seek in the office. So most times people tend to work more because the longer you work, the higher your gratuitee.

2.1.4 ROLES OF INCENTIVES

No book on the financial cost considerations of man can be compel without some discussion on the role of incentives. It is obvious that extra compensation provided by incentives in many instances becomes the catalyst whereby man obsolescence becomes feasible.

Actually, incentives are so varied and so dynamic that they could be he subjects of the book by themselves.

Third Chapter cannot possibly cove the consequences of all wide variety of present day incentive alternatives, but at best the most common ones such as fringe benefits bonus and other financial incentives.

There are quite a number of reasons for having incentives one and the most obvious and predominant is the desire to stimulate productivity or achievement, which will basically yield a greater economic benefit to the company i.e. for a given job. A worker is given lime frame, he exceeds this, and he takes and earns a bonus above wage.

The more production above took, the higher their bonus and the greater his take home pay, as this lake home pay increases, the per unit production cost of the article he is producing declines, providing decreased costs and better margins for his company.

A well conceived or throughout incentive plan will include the following objectives. They are divided into two:

(A) Is for management

(B) Is meant for employees.

(A) FOR MANAGEMENT

i) Lowered cost resulting from increased productivity.

ii) Improved cost control, leading to production that is more consistent, uniform and fewer variables in actual cost.

iii) Improved utilization of facilities.

iv) Improved workers morale, as earning become proportional to work input.

v) Substantial training of workers and managers in order to support greater worker involvement.

The following highlighted points are explain under:

1) Lowered costs resulting from increased productivity:- It is clear that the higher productivity is, the higher the profit of such organization and this in essence reduces cost because it does not give room for lazy or redundancy in such organization since output is measured and followed strictly by the management of such organizations.

2) Improved cost control, leading to production that is consistent uniform and less variable:- Since you can easily measure workers output, you can easily control cost in the since that you hive staff when necessary. And in essence, you tend to have an organized company without too many complications

3) Improved utilization of facilities:- In most organizations with good incentive scheme, you expect your staff to work with all the resources in terms of technology provided to him or her. Since you pay him or her very well, you expect the best and nothing less.

4) Improved workers morale as earnings become proportionate to

<u>workers output:-</u> You improve the morale of staff who work more since there are things like bonus etc. for better output and you encourage others since every body will want a belter pay pack. And secondly, you won't make other dedicated workers to be less eager to work.

5) <u>Substantial training of workers and managers in order to support greater work involvement:-</u> You train both workers and managers together by allowing them to go on course so that they can both gain in terms of the study they went for and they can also work better and this will ensure profitability and good output.

(B) **FOR EMPLOYEES**

i) An opportunity to earn money in excess of base rate and in proportion to individual effort.

ii) An opportunity for individual recognition

iii) An opportunity for a healthful competitive spirit among employees,

iv) An opportunity for employees to control (at least partially) the level of their standard of living by their own initiative.

v) Preparation for managerial position.

1) <u>An opportunity to earn money in excess of base rate and</u>

<u>proportion to individual effort:-</u> For employees, incentives make them work harder even if they don't want to. This is because you need more money and in a place like Nigeria were cost of living is very high, you need to make as much money as you possibly can.

Furthermore, it improve you technical know how whether wanted or not and aids them for managerial position.

2. <u>An opportunity for individual Recognition:-</u> Most staff or employees want to out do their fellow staff in order to looked out as outstanding staff and when promotion comes, they will be picked instead of their fellow workers this is because of the simple nature of human beings, having to be more popular, wealthier and recognized by other people and to be admired.

3. <u>An opportunity for healthful competitive spirit among employees:-</u> Since it is known by every staff that the more you work, the more you pay check and that there is bonus for every extra work done sub-ordinate staff will tend to compare in order to make a lot of money and this is turn improve output or productivity.

4. <u>An opportunity for employees to control the level of their standard of living by their own initiative:-</u> This point is linked to the ones above since you make more money when you work harder, earn more and in general, have a high standard of living.

5. Preparation for managerial position:- Most sub-ordinates staff, work very hard to be out standing, gets the knowledge and hope for promotion. In this way, they prepare for management position. Stanly M. Babson, Jr. (1974; pg.109).

All the points listed by the employees can be summarized as quality of work life (QWL).

QWL may be defined and operationalized in terms of employees perceptions of their physical and psychological well being workers the opportunity to make decisions about their jobs. The design of their work places and what they need to make products or to deliver services most effectively.

Its focus is on employee and management operating a business together joint labour management co-operation is the very essence of QWL effort but participation can take several forms. The most effective to combine are:

1. Financial reward to workers for productivity improvement.
2. Job changes that involve substantial increase in workers responsibility and autonomy.
3. Substantial training of workers and managers in order to support greater worker involvement.

Although there are many pit falls associated with instituting a productivity improvement or QWL program, the potential financial gain may well justify the efforts.

2.1.5Human Capital Development

The term human capital formation refers to the 'Process of acquiring and increasing the number of persons who have the skills, education, expertise and experience which are critical and yet crucial for the economic and the political development of a country. Human capital formation is associated with investment it man and his development as a creative and productive resource' Harbison (1962). Similarly, Bontis et al, (1999) in Armstrong (2006:8) captures human representing the human factor in the organization, the combined intelligence, skills and expertise that give the organization its distinct character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survive, of the organization. According Schultz (1196,) and Onah (2003:4), there are five ways of developing human resources:-

(i) Health facilities and services, broadly conceived to include all expenditures that affect the life expectancy strength and stamina, and the vigour and vitality of the people.

(ii) On-the-job training, including old type apprenticeships organized by firms.

(iii) Formally organized education at the elementary, secondary and, higher levels.

(iv) Study programmes for adults that are not organized by firms including extension programmes notably in agriculture migration of individuals and families to adjust to changing job opportunities. To this list may be added the import of technical assistance, expertise and consultants. In its wider sense, investment in human capital means expenditure on health, education and social services in general; and in its narrower sense, it implies expenditure on education and training. It has become conventional to talk about investment in human resources in its narrower sense because expenditure education and training is capable of measurement as company to the expenditure on social services.

The notion of investment in human capital according to

Harbison et al (1964) in Jhingan (2008:387) is of recent origin. In the process economic growth, it is customary to attach more importance to the accumulation of physical capital. Now it is increasingly recognized the growth of tangible capital stock depends to a considerable extent human capital formation, which is the 'process of increasing knowledge the skills and the capacities of all people of the country. Development experts including human capital specialists such invested in human beings. It is therefore their view that it is the lack investment in human capital that has been responsible for the Slow growth of the LDCs. Unless such economics spread education knowledge, and know-how, and raise the level of skills and physics capitals, there may never be progression in the level of know-how that the ultimate driver for growth and development.

Underdeveloped countries are faced with two diverse manpower problems. They lack the critical skills needed for the industrial section and have a surplus labour force. The existence of surplus labour is to considerable extent due to the shortage of critical skills, accordingly these diverse problems are interrelated. Human capital formation aimed at solving these problems by creating the necessary skills in man as productive resources and thus providing him gainful employment.

Development race will be seriously hampered and limited without the requisite human capital, this is because without human capital in it adequate form, no aspect of the economy can function or function optimally. The LDCs therefore requires very large doses of strategic human capital for any meaningful headway to be made in their development.

The LDCs or underdeveloped countries as posited by Jhingan (2008:395) are strongly committed to the programmes of constructing roads, dams, powerhouses, factories pertaining to light and heavy industries, hospitals, schools, colleges and a host of other activities associated with development planning. For this, they need engineers, technicians, technical supervisor, managerial and administrative personnel, scientists, doctors, nurses, veterinarians, agronomists, accountants, statisticians, economists, secretaries, stenographers etc. if there is a dearth of this varied type of human capital, .physical capital cannot be productively utilized. As a result, machines break down and year out soon, materials, components are wasted, and the quality of production falls.

Moreover, underdeveloped countries import physical capital for development but they are unable to utilize it fully due to the lack of the adequate, requisite or critical skill required for its operation. Though technical know-how and skills usually come with foreign capital, yet it is insufficient to meet the diverse and varied requirements of the LDCs. Thus the failure of human capital to grow at the rate of physical capital has been responsible for the low absorptive capacity of the later in underdeveloped countries, hence the need for investment in human capital becomes of paramount importance.

Furthermore, the LDCs according to Jhingan (2008) are characterized by economic backwardness, which manifests itself in low labour efficiency, immobility, limited specialization in occupations and trade, deficient supply of entrepreneurship and customary values and traditional social institutions that minimize the incentives for economic change. He further maintains that the economic quality of the population will remain low when there is knowledge of what natural resources are available, the alternative production techniques that are possible, the necessary skills, the existing market conditions and opportunities, and the institutions that might be created to favour economic efforts and economic rationality.

To remove economic backwardness and instill the capacities and motivations to progress, it is necessary to increase the knowledge and skills of the people. In fact, without an improvement in the quality of human factor no progress is possible in an undeveloped country. In short, investment in human capital is required to raise the general living standards of the people in LDCs and this is possible when education and training which will ultimately make for raise and increase income and living standards of the people.

Problems of Human Capital Formation: It is difficult to assess the total stock of human capital required in an underdeveloped country, just as it is difficult to determine how return on educational investment should be measured. There is the need according to Jhingan (2008:390) in the case of underdeveloped countries for appropriate human capital in the form of educated person in different vocations to provide the missing components in the initiate stages of their development. Similarly, Heintz (2009) opines that as they install complex equipment and methods of production, persons with critical skills are more important than just any other person. There is greater need for entrepreneurs, business executives, administrators scientists, engineers, doctors etc these are the persons that posses the requisite and critical skills with which the overall economy can growth however, the availability of these critical human capital is in short supply in the LDCs and to that extent, growth and development is either stunted or grows negatively.

So far as the pattern of investment in education gives so much room for concern, almost all the underdeveloped countries of Asia, Africa and Latin America accord a high priority to primary education which is often free and compulsory as in the case of Nigeria. It however, leads to according to Jhingan (2000) to considerable wastage and stagnation and puts a severe strain on the physical facilities and teaching personnel. Attention should also be given secondary education since it is people with secondary education that provide the critical skills needed the most for economic development.

Moreover, there seem to be no deliberate effort to match the demand and supply of different types of critical skills through human capital planning. As a result Lewis (1962), submits that some countries go on absorbing poorly trained university graduates at a faster rate than their general economic growth, sooner or later and with their present expansion, many LDCs will have to contend with one of the most explosive problems of discontent and frustration, which is that of graduate unemployment. As a matter of fact, in consideration of the high cost of education, the educated unemployed certainly constitute a huge waste of human and material resources. To further compound the problem, of the defective educational system, there is low wage and salary structure, unwillingness to accept a job in rural areas or one considered below the occupational hierarchy or status.

In like manner, Jhingan (2008) hold that insufficient attention is paid to agricultural education, adult education as adult education helps in changing the outlook of the farmers, sharpens their decision-making skills and provides them necessary information with regards to modern agricultural practices. Nevertheless, these educational and training programmes require a large number of teachers and instructors, which the LDCs woefully lack. Another problem of investment in human capital is that politicians and administrators consider it more in terms of providing building, sometimes without or inadequate equipment than the teaching staff. In fact, the real bottleneck to the formation of human capital in LDCs is the supply of qualified instructors and teachers and closely associated with that is the fact that the LDCs are held back also by the shortage which in turn limit the capacity of the economy to grow as appropriate.

2.1.6 Manpower Planning in LDCs

Manpower planning according to Onah (2003:51) who cited Ogunniyi (1992) Mathis and Jackson (1997), Griffin (1997), Dessler (2001) see it to relates to the long rang development of semi skilled and skilled manpower requirements of the economy, and to plan educational priorities and investments in human resource development so as to enlarge employment opportunities in the future. It is also involved in critical analysis of supply, demand, surplus, shortages, wastages and utilization of human resources.

The general approach or primary goal is the adoption of policy actions and strategies, which will not be stressful and or be a negation endeavour to balance the equation of supply and demand required socio-economic and political development of a nation.

2.1.7 Manpower Shortages

The manpower shortages in LDCs according to Jhingan (2008), Onah (2003) and Armstrong (2006) fell into several categories two of these are paraphrased as follows:

(i) Current Shortages: There is a shortage of highly educated professional manpower in the LDCs, such manpower includes scientists, engineers, doctors, agronomists and veterinarians etc. these caliber of professionals prefer to live in cities and not in the rural areas where their services are most needed. Thus their shortage is increased and/or induced by their own relative immobility.

Other professionals such as civil, mechanical, electrical, chemical, metallurgical and agricultural technicians, nurses, midwives and health technologists etc where shortages occur is basically for some of these reasons

(a) The failure by the LDCs to recognize the important role they can play in national development;

(b) The few persons who are qualified to enter a technical institute prefer to enter a university because the holder of a university degree has a higher status and pay; and

(c) The seats available in the technical institutes are very few as compared to the universities.

Shortages also exists of persons with entrepreneurial abilities and skills, just as there are shortages of trained primary, secondary and technical/craft teachers and instructors because of their low salaries. To this end, they tend to leave the technical/teaching profession; this shortage is particularly acute of science and mathematics teachers in the secondary schools, including statisticians, economists, development strategists, radio and television specialists, as well as airplane pilots and aeronautical engineer.

Replacement of Foreign Personnel: There are current manpower shortages of highly skilled manpower at the top level in the LDCs of Africa and the Gulf countries due to the replacement of foreign personnel. With the gradual withdrawal of foreign personnel in the wake of nationalization and other related policies, manpower shortages are likely to increase further in the petroleum sector (up and down stream like), the mines, the plantations, the universities, the hospitals, the power plants, etc in some LDCs.

2.1.8 Manpower Surpluses

Manpower surpluses according to Onah (2003), Armstrong (2006), Njoku (2007) and Jhingan (2008) all agree are related to both unskilled and skilled workers available for and in search of gainful employment. These manpower surplus in LDCs consisting of the following two categories are paraphrased as follows.

1. The underemployed include both open and disguised unemployed. Open underemployed are those who are working less than the normal hours. Disguised unemployed are those whose contribution to output is less than what they can produce by working for normal hours of work per-day. These forms of underemployment exist in rural and urban areas in the LDCs. In

the rural areas for instance, the underemployed include the landless agricultural workers, peasant farmers, craftsmen and self-employed persons. They are the result of backward agricultural methods and feudal system of land tenure. Whereas in the urban areas, they include hawkers on the streets, petty traders, workers in repair shops, shoe-shiners etc that are not qualified for medium and higher skilled jobs.

2.1.9 Urban Unemployment and Underemployed:

Besides the surplus educated and uneducated manpower already existing in urban and rural areas of LDCs urban unemployed and underemployed are on the increase with development. The rapid increase in populations, the spread of education in rural areas and the building of roads and the establishment of new industries in urban areas are encouraging migration of people to the urban areas and cities, unfortunately, the industrial sector has failed to absorb the growth of labour force thereby increasing urban unemployment and underemployment.

2.1.10 Strategy for Manpower Planning:

The following as paraphrased here have been listed in Jhingan (2008:401) as some possible ways for manpower planning.

(i) **Building of incentives:** In the LDCs, since all skills are critical scarce, scientists, engineers, doctors, managerial administrative personnel, etc, should be encouraged and given due status. In me LDCs due recognition in the form of good salary and high social status not accorded to persons possessing such critical skills. Often political pressures, nepotism and sectionalism result in a tragic waste of precious talent, low morale and undermining of efficiency. To avoid the brain drain, building of incentives is crucial for both the accumulation and investment in human capital.

(ii) **Training of Employed Manpower:** The second important plank for the strategy of human resource development is to upgrade the qualifications and improving the performance of employed manpower in strategic occupations. For this purpose, efforts should be made to develop management-training programmes, supervisory-training courses, productivity centers, institutes of firms on-the-job training and apprenticeship programmes. Universities and vocational institutes can start part-time extension services and rural community reorganization and development programmes for the transformation of traditional agriculture and rural life.

(iii) **Development of Formal Education:** The third component of the strategy for manpower planning is the development of formal education, because the LDCs are faced difficult choice educationally. A strong case could be made for improved primary and secondary education, including the much desperately needed high level manpower of all kinds that is in short supply. So far as primary and secondary education is concerned, the emphasis should be not only on increasing the number of pupils enrollment but also on improving the quality of education by employing qualified teachers and the use of new techniques of education such as visual aids, appropriate texts and simplified curricula.

So far as tertiary level education is concerned, the agricultural, scientific, medical, and engineering facilities should be expanded, while that of arts, humanities, social science and law should be limited. Research institutes in natural and biological sciences, information and communication technology, engineering and agriculture should be established to increase the country's capability of modern science and technology to its own needs. Another important element in the strategy or formal education is adult education.

2.1.11: Agriculture

Agriculture may be defined as the production and reproduction of animals, fishes, crops and forest resources for the consumption and another benefits of man. Although subsistence agriculture is practiced in the most of the LDCs, it will not be over statement to say that it is the life wire of the economics of these countries as it provides employment to a majority of the people. Nigeria according to Avav and Uza (2002:92) has a total landmass of 98.3 million hectares, with over 70% of the population employed by faming. They posits further that the cultivable and is 72 million hectares while only 34 million hectares or 47% are actually cultivated. This makes Nigeria a land surplus economy, despite the size of arable land, domestic food production has continued to lag behind the food needs of the population. Similarly, Ibe (1994:1) holds that agriculture has established itself as the most important economic activity in Nigeria, this is on the basis of its contribution to total output and employment and this preeminent position is likely to continue for years to come.

2.1.2: Components of Agriculture

Agriculture according to Avav and Uza (2002:92) is made up of the following components parts.

1. **Crop Production:** This involves the cultivation of different crops. These crops are divided into two main categories of food and cash crops. Food crops which are mainly for consumption include tubers such as yam, cassava, coco yams, potatoes etc. and

cereals such as rice, beans, maize, millets, sorghum or guinea corn etc including such other as vegetable like tomatoes, onions, etc. on the other hand cash crops are mainly meant for sale either locally or for export and they include, coca, rubber, cotton, palm kernels, groundnut, etc.

2. **Livestock:** This type of agriculture involves rearing of domestic animals. Such animals include goat, sheep, pig, cattle, horse, donkeys and poultry. Many of these animals, which are reared to satisfy domestic consumption like cattle and poultry, are found in different, proportions and different parts of Nigeria.

3. **Forestry:** This concerns the preservation, conservation maintenance of economic trees or plants it also involves the extraction of various forms of resources associated with fore. We derive a lot from such plants preserved and they including timber for plywood, furniture, building of houses, boa manufacture of papers, electric poles etc. other resources we got from forest include wild life, food, as grazing ground, roof and herbs, etc.

4. **Fishery:** It involves breeding, multiplication and catching on fishes from the rivers and ponds for human consumption. Fishing constitutes major occupation of riverine people just as fishes constitute main source of protein animal protein. Despite the size

and bodies of water there are, Nigeria still imports fish because it is not yet self-sufficient in fish production.

Despite being the most agriculture-based .continent in the world African countries like other LDCs does not produce enough food to feed its people. These are a variety of reasons for this problem, notably among which is high rate of population growth, the loss of farm labor due to widespread rural-urban migration, a general lack of adequate investment in modern agricultural technology etc. Most LDCs import food staples and yet require/rely on food aid.

Agro-Output:

There were encouraging trends as posited by Newman et al (2009) for African agriculture in the early 21st century. According to them, with the exception of countries that faced political turmoil in the 1990s, much of Africa-including countries with large populations, such as Nigeria, Ghana, Tanzania, and Zimbabwe-showed impressive growth in agricultural production. Profits from agriculture rose significantly in the 1990s and outperformed the previous decades. African policymakers remain concerned about population growth outpacing the growth of food production, but current trends point towards a more optimistic scenario for Africa's food supply.

Forestry

Although about one-fifth of the continent is covered by forest according to Newman et al (2009), there is relatively lie forest industry in Africa. Most felled trees are cut down to clear land for farms or, to a lesser extent, to supply fuel wood or fire wood. The most desirable timber, trees are mahogany, abeche, iroko, and other tropical hardwoods. Newman et al (2009) and Stock (2009) respectively hold that tropical forests rarely offer dense stands of a single species, however inhibiting massive logging operations. Selective cutting is very expensive, especially in the interior where transport costs become prohibitive.

In 2006 according to them, African countries exported $4 billion of forest products. The largest exporters were South Africa, Cameroon, Gabon, Cote d'lvoire, and Ghana. Countries with greater levels of industrialization were more likely to process timber into sawn wood for export, which is typically more profitable than exporting uncut timber. For example, South Africa, Coted'lvoire, and Ghana cut or otherwise processed almost all of their exported forest products, while Gabon. Equatorial Guinea, and Liberia exported almost all of their forest products unprocessed.

Fishing

Fish is not a major staple food in the savanna and highland zones of Africa, where there is a relative abundance of livestock as a source of protein. However, Newman et al (2009) opine that in the tropical forest margins of the West African coast, fish is a crucial source of protein and, in dried form, a common condiment. Principal grounds for marine fish such as tuna, sardines, and hake are found off the West Africa coast from morocco to Senegal, and from Angola and Namibia. The Nile, Niger, Congo, and Senegal rivers and Lakes Victoria, Tanganyika, Malawi, and Chad are major sources of freshwater fish. The most common freshwater catch is the Nile perch.

In 1999 Newman et al (2009) submits that African fishers caught a- total of 6.3 million metric tons offish, of which 3.8 million metric tons were marine fish. Morocco, Egypt, South Africa, Ghana and Nigeria were the top African countries in total fish catch, and Morocco, Namibia, South Africa, Senegal, and Libya exported the most fish. Morocco is also the leader in fish-processing industries, producing more canned fish, fish oil, and fish meal than any other African country.

2.1.13: Role of Agriculture and Industry in Economic Development

The contribution of agriculture to economic development according Jhingan (2008:334) lies in.

i. Providing more food to the rapidly expanding population.

ii. Increasing the demand for industrial products and the necessitating the expansion of the secondary and tertiary sectors.

iii. Providing additional foreign exchange earning for the import capital goods for development through increased agriculture exports.

iv. Increasing rural income to be mobilized by the state.

v. Providing productive employment, and

vi. Improving the welfare of the rural people.

In LDCs food production dominates the agricultural sector. When output expands with increased productivity, it increases the income on the farmers. Rise in per capita income leads to substantial rise in the demand for food. The demand for food increase with the expansion of population in cities and industrial areas all things being equal, farm output should be at a higher rate than the rate of increase of food demand. In a situation Jhingan (2008) posits where the increased production of agricultural commodities lags behind the growth in demand for them, there will be a substantial rise in food prices. To offset domestic shortage and prevent rise in price, food may be imported from abroad but it can be at the cost of capital goods needed for development. The state may also introduce price controls, rationing and compulsory food collection. All this emphasizes the importance of increase in food production in LDCs.

Ibe (1994), Nwogwugwu (2008), Jhingan (2008) and Stock (2009), all agree that there is lack of real purchasing power in the LDCs thus reflecting the low productivity in agriculture. The basic problem therefore is low investment returns caused by the small size of the market. However, increased rural purchasing power caused by expansion of agricultural output and productivity will tend to raise the demand for manufactured goods and expansion the size of the market. The corollary effect is that this will lead to the expansion of the industrial sector. Moreover, the demand for such inputs as fertilizers, better tools, implements, tractors, irrigational facilities in the agricultural sectors will lead to the great expansion of the industrial sector. In addition, the means of transportation and communication will similarly expand when the agricultural surplus is to be transported to urban areas and manufactured goods to the rural areas. The long run effect Jhingan (2008) argues of the expansion of the secondary and tertiary sectors will be towards higher profits in them whether they are operated in the private or the public sector. These profits will tend to increase the rate of capital formation through their reinvestment.

In like manner, he maintains that underdeveloped countries mostly specialize in the production of few agricultural goods for exports; as output and productivity of the exportable goods expand, their exports increase and result in larger foreign exchange earnings. It can therefore be seen that agricultural surplus leads to capital formation when capital goods are imported with the foreign exchange it has earned. Similarly, increased market surplus of goods grains leads to a net savings of foreign exchange, as the economy tries to achieve the goal of self sufficiency in food production. Larger production of food and export crops not only conserves and earn foreign exchange but also lead to the expansion of the other sectors of the economy. Foreign exchange earning can be used to build the efficiency of other industries and help the establishment of new industries by importing scarce raw materials, machines, capital equipment and technical know-how.

Additionally, stock (2009) Ibe (1994) and Jhingan (2008) are all of the view that increase in rural income as a result of the agricultural surplus tends to improve rural welfare, for instance, peasant rural dwellers start consuming more food especially to a higher nutritional value in the form of superior quality cereals, eggs, milk, fruits, etc. some might build better houses fitted with modern amenities while providing themselves with modern means of transportation like motorbike, including other status symbol items like wrist watches, ready made garments, shoes, etc. they also receive direct satisfaction from such services as health centers, banking, transportation and communication facilities. This increased agricultural surplus has the effect of raising the standard of living of the mass of the rural people.

2.1.14: Concept of Development

The traditional model of determining and explaining development is usually based on the ability of the national economy to generate and sustain an annual increase in the Gross National Product (GNP) at an average of 5%. This is the amount of goods and service available for consumption and re-investment for the average citizen of the country. It is now obvious that this is no longer generally accepted as the only yardstick for measuring development.

We shall attempt to consider development from a more holistic perspective; this holistic approach is the new and more generally accepted concept of development. This new economic view of development is the outcome of the unfortunate experience of the 1950s and 1960s when good number of the LDCs that are also called countries of the Southern Hemisphere actually recorded the expected United Nations (UN) growth target without really reflecting on the living conditions of the masses of these countries, as the living standard of the people remained greatly unchanged.

This gave the signal that there was something very wrong with the narrow definition of development merely on the basis of GNP. This narrow definition led to the call by increasing number of economists and those involved in policy making to adopt a more wholistic or normative phenomenon in explaining and defining development. Since then, development has been conceived and explained as a multi-dimensional process involving changes in structures, attitudes and institutions as well as the acceleration of economic growth, the reduction of inequality and eradication of absolute poverty.

Essentially development must represent the entire changes by which an entire social system turns to the diverse basic needs and desires of both individuals and social groups within the system. This can also represent moves for a condition of life generally considered as unsatisfactory both mentally and materially so that sustenance and improvement occur and are abreast with the progress of the times.

Through development, political independence acquires its true meaning and significance; this is because development implies self-reliance and the ability to meet the changes of the time both individually and collectively.

Democratic institutions and popular participation in decision making are essential to genuine development. This so because it is only in a democratic environment considered to be conducive that any meaningful development can take place. Injustices of any sort be it any of political, social, economic psychological or racial and personal or group insecurity arising either from wide spread crime or government action, are incompatible with freedom which is the hallmark of democracy and development cannot thrive under such situation.

Ake (1984:143) defined development as a 'systematic and continuous increase of man's capabilities for mastering his environment satisfying basic human needs and for realizing his potentials'. In fact, development is never haphazard and cyclical, but it systematic and sustained process of change, movement and transformation usually manifested in the occurrence of desirable changes in the various aspects of life of the society.

2.1.15: Preponderance of Underdevelopment in Africa

With the arrival of the colonialists on the continent of Africa, the land was raped and plundered as most of the young people who constituted the productive forces that drive science and technology were taken into captivity of slavery. In that regard, level of development became stunted and stagnated resulting into arrested development for Africa in general and Nigeria in particular. This consequently brought about boom and development for Europe and America. The young people of Africa used the same youthful energy to work in the plantations of the new world thus tremendously developing and improving the society.

To transport the captured Africans to the Americas, Europeans loaded them onto specially constructed ships with platforms below deck designed to maximize the numbers of slaves that could be transported Africans according to Encarta (2009) 'were confined for two to three months in irons in the hold of a slave ship during the crossing of the Atlantic Ocean called the 'Middle Passage'. The meager diet of rice, yams, or beans and the filthy, conditions created by overcrowding resulted in a very high death rate. Many ships reached their destinations with barely half of their cargo of slaves still alive to sell into forced labor in the Americas.

Encarta (2009) posits that the first Africans brought to the English colonies in North America came on a Dutch privateer that landed at Jamestown, Virginia, in August 1619. The ship had started out with about 100 captives, but it had run into extremely bad whether. When the ship finally put into Jamestown, it had only 20 surviving Africans.

European settlements according to Encarta (2009) depended on the skills and labour of indentured Europeans and enslaved Africans after 1700. A few Africans arriving in the new world were free men sailing the Atlantic as part of the economic network connecting European, African and Americas. However, the vast majority were enslaved, and purchased in various parts of Africa to work on European plantations, farms etc. Most Africans came from Coastal West African and the Niger River region and small number came from elsewhere.

Furthermore, Encarta (2009) holds that about 21% of population on the eve of the American Revolution (1775-1783) was of African descent,- almost all working as slaves. Most Africans caught in the slave trade were killed farmers, weavers and metallurgists, small number were herdsmen, hunters, foragers. These involuntary migrants faced a hard life in the new world. Their labours and skills were exploited, their specific national origins forgotten and their cultural traditions suppressed either entirely or partially.

Yet Africans in America constructed flexible family networks that allowed their population to grow and expand in spite of the enslavement. The family protected its members from some of the harshest features of enslavement and preserved elements of religious belief, vocabulary, poetic tradition, family values, craft and artistic practice and other aspects of African heritage.

Indeed, African workers transplanted to the new world had experience in cultivating rice, cotton and sugar (all crops grown in West and North Africa), their skill because the basis of a flourishing plantation economy. Africans were also skilled at iron working, music and musical instruments, decorative arts and architecture. These were important from the beginning in shaping a hybrid African culture.

Portuguese traders according to Encarta (2009) bought the first African slaves from agricultural labour to the Caribbean in 1902, from then till 1860, it is estimated that more than 10 million people were transported, transplanted and dislocated from Africa to the Americans in the so called transatlantic trade of middle passage.

Most Africans taken to North America came from the various cultures of Western and West Central Africa, the territories that are now Ghana, Togo, Benin and Nigeria. These were peoples of diverse linguistic, ethnic and religious groups mostly subsistence farmers who raised livestock. Their agricultural and pastoral skills made them valuable laborers in the Americas.

2.1.16 Four major Objectives of Development

We may therefore assert that development is both a physical reality and a state of the mind of the society. Development also come through a combination of the process of political, social, economic and institutional transformation which secures the means for obtaining a better life that matches with the progress of time. From all indication, development in any society must incorporate the following four objectives.

1) To increase the availability and when the distribution of basic life sustaining necessities such as food, shelter, health care, safe/portable water, sanitation etc and make them easily accessible to all sectors of the population, and protection to all members of the society.

2) To continuously improve the living conditions of the people in addition to better income, provision of more/new jobs, better education and evolving cultures that have humanistic values. All these do not only serve to improve the material well-being and move the people and the nation beyond subsistent level, but also generate both individual and national feeling of self-esteem.

3) To expand the rang of economic and social choice to individuals and nations by freeing them from mental and physical servitude, and dependence, not only in relation to other people and nations but also in relation to the forces of ignorance and human misery.

4) To adequately prepare the nation and its people to meet further challenge of time, which may be unforeseen or seen as externalities.

2.1.17 Evolution of Development Administration

The historical evolution of this discipline can be traced to the American scholars of comparative administration who were used as technical experts in administering United States (US) economic aid programme after the second war. Following this and by the mid-1960s they came up with the idea that efficient and effective administration in developing countries would require a specific set of principles and practices that made up the new orientation or emphasis referred to as 'Development Administration'.

In other words, it is concerned with adapting Public Administration specifics to the Less or Least Developed nations such that development programmes and projects could be efficiently, effectively organized, and managed to achieve set goals and objectives.

2.1.18 Administration of New and Emergent States

Administration of New and Emergent States which are the newly independent states or those states just being liberated from colonialism is an extension of comparative administration, which in itself is an aspect of public administration. These new and emergent states have been variously referred to as developing countries and Less or Least Developed Countries (LDCs) which has rather assumed greater popularity.

To this end, administration of the developing countries otherwise LDCs requires a more practical concern than the theoretical orientation involved in comparative approach adopted by scholars for the study and understanding of the similarities and differences between patterns of public administration. It is indeed an area of comparative administration, which studies the peculiarities of developing or less developed states and their development needs and what administrative procedures or techniques are suitable to them.

In the course of administering aid to the new states, the donors developed keen interest or how the administrative system of the benefiting countries of the aid could be organized for the better management and utilization of the aid programmes. This new orientation has received a major recognition since it was evolved. In 1980, the United Nations renamed its Public Administration Division, which had existed since the early 1950s as Development Administration in recognition of the new emphasis on comparative administration.

2.1.19 Growth and Development Distinguished

The terms Growth and Development are sometimes synonymously used in economic parlance. In as much as the synonymous usage of the two terms may be occasionally acceptable, it can create some confusion to the uninformed because despite the close relationship of the terms, they have different meanings.

The term economic growth is often used to mean per capita increase-in the productive capacity of a country, i.e. the ability to produce more output (goods and services) per person as measured by the country's Gross national Product (GNP). It is therefore a process, and indeed an aspect of development. Indeed, Hanson (1972:283) holds the view that 'the rate of increase of its national income provides a measure of a country's rate of economic growth and therefore of the standard of living of its people

Essentially economic growth of a nation hinges on the organization and improvement on the skills of its labour force. It includes more power plants, factories, producing or importing more machines, other service equipment etc, and putting them to their maximum capacity utilization.

Development on the hand goes beyond the above description to include changes in the composition of both input and output. It again shows the contribution of the various inputs to productive processes and how these are sustained and the extent to which it reflects on the living of the average person. It includes progressive and positive changes in the structural, technical and institutional arrangements on which the entire system is based. As a matter of fact, Schumpeter (1934) in Jhingan (2008:4) sees development as a discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing.

On the surface and in the early stages, any economy that grows might seem to develop of has the potential to do so. But this had not been the case in the Emergent States or LDCs, including Nigeria. For instance, in the early 1960s, several countries categorized as third world and less developed states achieved the overall growth targets set by the United Nations. But there was no commensurate change in the level of the masses of the people and the people and the countries themselves were not in any way self-reliant. What went wrong anyone could have asked?

Nigeria also achieved a high level of economic growth by the Mid-1970s because of the increase in her national income and revenue, which accrued mainly from crude oil sales. Yet, there was no structural or any organizational development to sustain the growth and diversity the economy to make the country self-reliant in her general productive activities. Not even the oil wealth could liberate the masses from the 'clutches of poverty' even though it was equitably distributed. Instead, it led to the exploitation of the many by few and exploitation of the governed by the government.

The result was that from the early 1980s, Nigeria was plunged into an economic abyss and was declared the '100^{n} of the poorest nation' of the world in the early 199 by the United Nations. Similarly, Nigeria was declared the 'most corrupt Nation in the world' in the year 2000 by Transparency International and in 2002 the and most corrupt nation, trailing only behind Bangladesh these are obviously indicators of poverty albeit underdevelopment. Although this ranking has changed positively to number 156 in the corruption index as of 2009.

Be that as it may, the two terms can be distinguished without being separated one from the other. Indeed, the process of development depends on some degree of simultaneous economic growth. We may therefore conclude that the two terms are two sides of the same coin. Moreover, development follows a long-term process and planning.

2.1.20 World Classification of Countries

Emergent states is the term used in referring to the newly independent states that emerged following the struggle for the independent beginning from the First World War through the end of the Second World War in 1945. Igwe (2005:445) hold that the LDCs are generally characterized by such interrelated negative indices. The third world he further stated is hardly uniform or coherent entity as the countries are differently affected by any index.

Historically, the Third World States are different from First and Second Worlds, which 'refer to the Western and Eastern blocs respectively. The Western bloc according to Barzanti (2009:3) refer to the industrialized or advanced world and is the product of the revolution against absolute monarchies in Britain in the 17th century and other parts of Western Europe and North America in 18th century respectively. The Industrial Revolution that subsequently took place in these parts of the world put them in the fast Jane of economic development for which they ire referred to as the Advanced or Developed countries of the world.

Furthermore, Barzanit (2009) posits that on the other hand, the Second World or the Eastern Bloc emerged following the challenge and rejection of the value system of the First World. This however is based on concentration of many by the few who controlled the means of production. The Second World was firmly established following (he successful revolution in Russia, which later spread to other parts of Eastern Europe, China and South East Asia.

Third World countries are the new states that emerged from Africa, South America and the Caribbean Islands, which became colonies of the first World or Developed Western States. They subsequently gained their political independence following several years of struggles (including righting of liberation wars) for freedom and decolonization from their colonizers especially after the Second World War.

It is these de-colonized countries that are usually referred to as Third World, developing, underdeveloped, Less Developed Countries (LDCs) and Emergent States synonymously. Sometimes they are globally referred to as states of the 'South' probably because most of *them* are in the Southern Hemisphere. Coincidentally, they are the most backward socially, economically and technologically and are also politically unstable, while the industrialized and economically developed countries of Europe, U.S.A and Japan are referred to as States of the 'North' for the same reason that they are mostly of the northern hemisphere. Essentially, third world states are dependent economically, technologically and are directly tied to the more advanced countries of the west.

Consequently, Barzanit (2009:5) stated that the Third World displays little homogeneity; it is divided by race, religion, culture, and geography, as well as frequently opposite interests. It generally sees world politics in terms of a global struggle between rich and poor countries the industrialized North against the backward South. Some nations, such as those of the Organization of Petroleum Exporting Countries (OPEC), have found ways to assert their economic importance as societies for energy supply. Widely advocated within the Third World is a so-called New Economic Order, which through a combination of aid and trade agreements would transfer wealth from the developed to the developing nations.

Other political thinkers on the concept of the third world have also developed some other twist. There is a new addition which Igwe (2005:445) calls the concept of the fourth world. For him the fourth world emerged as a result of the enormous diversity within the third world namely; extreme poverty and extreme wealth, levels of economic and political development and nearness or otherwise to the standards of living of the West. Hence, the poorest of the poor countries, peoples and groups who are yet to bridge the poverty gap and with little or prospects of doing so anytime soon, have achieved their independence as the fourth world. Therefore, while the less developed countries constitute the third world, the least developed countries constitute the fourth world.

2.1.21 Ecology of New/Emergent States

Jhingan (2008:31) citing several authorities such as Schumpeter (1934), Maddison (1970), Hansen (1972) and Bauer (1973) listed the following points as being the characteristics of emergent states popularly known as LDCs.

1. **Lower average income per capital:** In 1979, the world Ban classified thirty-six countries having more than one million people as low income with per capital income of less than $ (UD dollar) per day. This contrasts with the United State which has about 6 per cent of the world population, while about two-thirds of the world population in third world, or LDCs shares less than 15 percent of world income among themselves. This shows that the cash money at the disposal of individuals in developing countries is pitiably low because total output is similarly very low.

2. **Inequitable distribution of resources and per capital incomes:** In most of the LDCs, large sections of the population receive very low income per capita because of inequitable distribution of the resources of these countries. This, most of the time is attributable to corruption/embezzlement among government officials.

3. **Low labour productivity:** As a result of the low or poor resource base, poor or absence of infrastructural facilities and output of the working population are absolutely very low.

4. **Low Capital inputs output ratio:** The LDCs are generally characterized with very little capital inputs. Even where factors of production in terms of industries, factories, land, agricultural machinery, etc. for the production of goods and services are available, they are either inadequate or poorly managed, hence minimal production of industrial goods and services.

5. **Low level of social capital:** The number of productive social organization and groups are very limited. Such productive social organizations like cooperative societies, entertainment clubs,

tourist attractions, etc are highly inadequate and /or poorly managed that they do not meet the need of their countries, let alone making any meaningful contribution to the development of these countries.

6. **Low level of developed human capital:** The quantity and quality of skilled work force available in LDCs are too low to meet the developmental needs of their respective states.

7. **High mortality rate:** In the developing or less developed countries, the conditions of morbidity and mortality are always very high.

6. **Highly population growth:** Demographic report put the population growth rate of the LDCs at about 3.5% per annum. At this rate, the average population of each of the LDCs would double in a quarter of a century. Such high population growth rate in the LDCs makes planning very cumbersome and this further compounds the problem of poverty and unemployment.

9. **Low level of literacy:** A United Nations report put the literacy level of the population of the developing countries at 30%, while that of the developed countries is put at about 99.9%.

10. **Low housing standards:** As is implied here, there is lack of

houses for the population or where it is available it is grossly inadequate. In addition, where these houses exist, they are usually expensive such that it is unaffordable for those of low-income group.

11. **Portable water:** Low percentage of the population have access to clean and safe water for drinking and for improved sanitation.

12. **Energy supply:** Power supply to drive industrialization and greater productivity that will boost export and raise GDP is more often than not lacking in the LDCs.

2.1.22 Human Capital

In the closing years of the twentieth century, management has come to accept that people, not cash, buildings, or equipment, are the critical differentiators of a business enterprise. As we move into the new millennium and find ourselves in a knowledge economy, it is undeniable that people are the profit lever. All the assets of an organization, other than people, are inert. They are passive resources that require human application to generate value. The key to sustaining a profitable company or a healthy economy is the productivity of the workforce, our human capital. In the American economy, where over half of the gross national product is allocated to the information sector, it is obvious that knowledgeable people are the driving force.

The stock market has recognized the leverage of human knowledge by awarding a market value for service and technology companies that exceeds their book value by many times. Leverage is the use of certain fixed assets to enhance the return on investment or sales. Typical examples are common stock leverage and borrowed capital; Companies acquire funds through stock offerings or borrowing. The objective is to use these funds to generate greater returns than the cost incurred. Most managers and financial analysts have finally acknowledged that human capital has great leverage potential

In April 1999, investment bank Goldman Sachs launched an initial public offering (IPO) that drew a market value of $36 billion on its opening, a value four times that of its hard assets. If we subtracted the book value from the $36 billion and divided that by the number of employees at the time of the IPO, we would see a dramatic example of the market's appreciation for human capital leverage.

2.1.23 Effects on Organizational Management

Organizations are undergoing wrenching change not only due to globalization but also because of the force that makes truly global companies competitive — information exchange. Senge puts a framework on this capability:

> For the first time in history, humankind has the capacity to create far more information than anyone can absorb, to foster far greater interdependency than anyone can manage, and to accelerate change far faster than anyone's ability to keep pace.

Information has always been of great value, America's first recorded millionaire was Elias Derby of Salem, Massachusetts. Salem was our first major port and the place where fortunes were made and lost in commanding sailing ships. But the clever Derby never had to brave the dangers of the deep. He remained safe and dry on shore while accumulating his fortune. While ships were coming from and going to many destinations around the known world, Derby stayed in Salem gathering data from shipmasters, sailors, and port documents. He learned what types of cargoes were trading between which ports and the prices being paid. With this information, Derby was able to invest in cargo that promised the greatest security and profit margins.

Drucker claims that the greatest challenge for organizations today and for the next decade at least is to respond to the shift from an industrial to a knowledge economy. He reminds us that the purpose and function of every organization is the integration of specialized knowledge into a common task. This shift toward knowledge as the differentiator affects all aspects of organizational management, including operating efficiency, marketing, organizational structure, and human capital investment. Each of these directly or indirectly hinges on an understanding of the ability of people to cope with unforeseen, massive, and usually hurried change, Bontis shows us that human capital, as the employer of information technology, is the critical antecedent in effectively managing the organizational knowledge that yields higher business results. At the end of the day, it is blindingly obvious that without hard data on human capital activity and productivity, there is virtually no chance of competing effectively.

The irony underlying the need for data on human capital is that the capability that information technology puts at the disposal of organizations can be a barrier to understanding events and responding effectively. The vast majority of data resident on organizational databases is not gathered and organized in a manner that helps executives manage their human capital problems or exploit their opportunities. Since employee costs today can exceed 40 percent of corporate expense, measuring the ROI in human capital is essential. Management needs a system of metrics that describe and predict the cost and productivity curves of its workforce. Beyond that, and more important, are qualitative measures. Quantitative measures tend toward cost, capacity, and time. Qualitative measures focus on value and human reactions. The quantitative tells us what happened, whereas the qualitative gives us some idea of why it happened. Together, they offer insights into results and drivers, or causes. For example, if we see costs or deliver times increasing, we might find that quality problems are at the source. Product defects cause work to be recycled, thus slowing down delivery time. In turn, this causes customers to be dissatisfied and perhaps to look for other suppliers. Lost customers drive marketing costs up, which increases product cost, and so on.

Rummler and Brache draw on their experience in process improvement to state, "we believe that measurement is the pivotal performance management and improvement tool and as such deserves special treatment”. They go on to point out that without measurement we cannot:

* Communicate specific performance expectations.
* Know what is going on inside the organization.
* Identify performance gaps that should be analyzed and eliminated.
* Provide feedback comparing performance to a standard or a benchmark.
* Recognize performance that should be rewarded.
* Support decisions regarding resource allocation, projections, and

schedules.

In short, if we don't know how to measure our primary value-producing asset, we can't manage it.

2.1.24 Two Aspect of Human Capital

When we speak of measuring the value of people, we have to acknowledge the two aspects of that issue: the economic and the spiritual. We can accept the intrinsic spiritual value of people and focus on the economic side. In essence, all measures of value contribution are really measures of human value as economic units and as spiritual beings. Only people generate value through the application of their intrinsic humanity, motivation, learned skills, and tool manipulation.

In addition, we must deal with the myth that only standard financial information is accurate. Because we have practiced double-entry bookkeeping for 500 years, we have come to believe that the numbers on financial statements are truths. This is not the case. They are facts, but seldom truths. There is only one number on a balance sheet that is verifiable as a truth. That is die first asset: cash. All other numbers are a combination of hopes, agreements, and expectations. In effect, we have constructed a system that changes whenever the Financial Accounting Standards Board (FASB) decides to change it. We admit willingly that the system work to some extent in telling us what happened last period—so far as the agreed-upon practices show it. But the data are only as accurate as the inputs, which even businessperson knows are manipulated.

How well accounting has ignored human capita can be seen in practically any book on business ratios. A typical example is *The Vest-Pocket Guide To Business Ratios.* In over 300 pages, the only time that employee-related metrics show up is as costs, never as leverage. The- guide closer with a list of thirteen ratios that are published by the likes of Dum &: Brad-street. Standard & Poors, Moody's, Value Line, and Robert Morris Associates. Not a single one involves human capital, even as a cost element.

Standard accounting fail- to solve, today's mandate a; two levels, First, accounting looks inside the organization. Its primary role is to conserve, the assets of the enterprise. Second, it is focused on the past. If we want an internal, backward look, accounting does the job. Conversely, today we need to focus on the issues that will create wealth, the actions that will extract value from the marketplace. And we need to locus on the future. We cannot be successful by backing into the future with our eyes locked on the past. The advent of new forms of accounting—namely, economic value added and the balanced scorecard approach is a promising step in the light direction. So let us accept accounting for what it is, but not worship it to the exclusion of other useful data.

Next, we must confront those who say that invested capital greatly determines the productivity of people. In an absolute sense, that is correct. If you give me a gazillion-dollar supercomputer, I can solve large mathematical equations faster than I can use my laptop. But the question is, can I do it as fast as a mathematics professor using the same equipment? No way! This is the human leverage.

A related argument says that brand equity has much to do with the success of a given salesperson. It's true that if I am selling Coca Cola versus Joe's Cola, I will probably sell more Coke than Joe's with less effort. But if you are a better salesperson than I am, you will sell more Coke than I will. So, it is fair to claim that factors other than human knowledge, skill, and effort affect the outcome of a given situation, (I address this momentarily as part of the discussion of the intellectual capacity of an enterprise.) Nevertheless, it is also true that human knowledge, skill, and effort make the marginal difference in just about even' situation.

2.1.25 People and Information

The knowledge, skills, and attitudes of the workforce separate the winning companies from the also-rans. It is a complex combination of factors. Still, people per se are not the only force behind the inherent power of human capital. If the key to wealth creation were only a head count, then the dullest, lowest-level person would be as valuable as the brightest, highest-level person. In actuality, it is the information that the person possesses and his or her ability and willingness to share it that establish value potential Data and people are inexorably linked as never before. Either one without, the other is sub-optimized. Rather than bigger buildings or more equipment, employees need timely, relevant, and, most important, organized data. (Later cases will illustrate that equipment without operating instructions or data without the knowledge of what they mean are useless.) Management's imperative is to put useful data at the fingertips of its human capital on a timely basis and to train them how to use such data. The ability and experience of a person allow him or her to:

- Convert data into meaningful information.
- Turn information into intelligence related to a business
- Share that intelligence with others.

The motivation to share data is the unrecognized barrier to information systems and value extraction. Once more, having data per se is no more useful than having any other resource unless we know how, why and when to share it. Experience has proved repeatedly that without the knowledge of what to distribute and the motivation to do it unselfishly, information is just another expensive, underutilized asset. The inevitable conclusion must be that long-term profitability is dependent on the creation of an information-sharing culture. It is the perquisite to any attempt to manage intellectual capital.

Dunnigan and Massterson studied the methods of twelve great generals from Alexander the Great to Norman Schwarz-kopf. In almost every case they found two characteristics that helped these men win decisive battles. First they paid great attention to detain. They gathered and analyzed as much relevant data as they could. The studied not only the size and disposition of the enemy but also the terrain, logistical challenges, and weapons technology. Second, they concentrated on communications. By relaying accurate, relevant information more rapidly than the enemy, they could move their forces faster, giving themselves a great tactical advantage.

Gengis Khan presaged the American Pony Express by 650 years He established stations at intervals of twenty-five to fifty miles. Travelers possessing, a "tablet of authority" could get fresh horses and supplies at these stations. When a messenger carrying an important letter neared a station, he blew a horn, and a fresh horse and saddle would be waiting. This way a rider could cover over 200 miles a day. For really important messages, fresh riders were ready. This doubled the daily miles traversed. This method allowed Temujin (his real name) to control and move troops over an enormous area. In those days, it took ruler weeks to assemble an army. He depended on travelers and spies to let him know if an enemy was preparing to mount a campaign. Temujin's communications system gave the ability to strike before the enemy was ready. Today, 700 years after the great Khan, the imperative is still to manage information so that people can act swiftly and decisively. Sun Tzu put it succinctly: "What enables the wise sovereign and the good general to strike and conquer, and achieve things beyond the reach of ordinary men, is fore-knowledge".

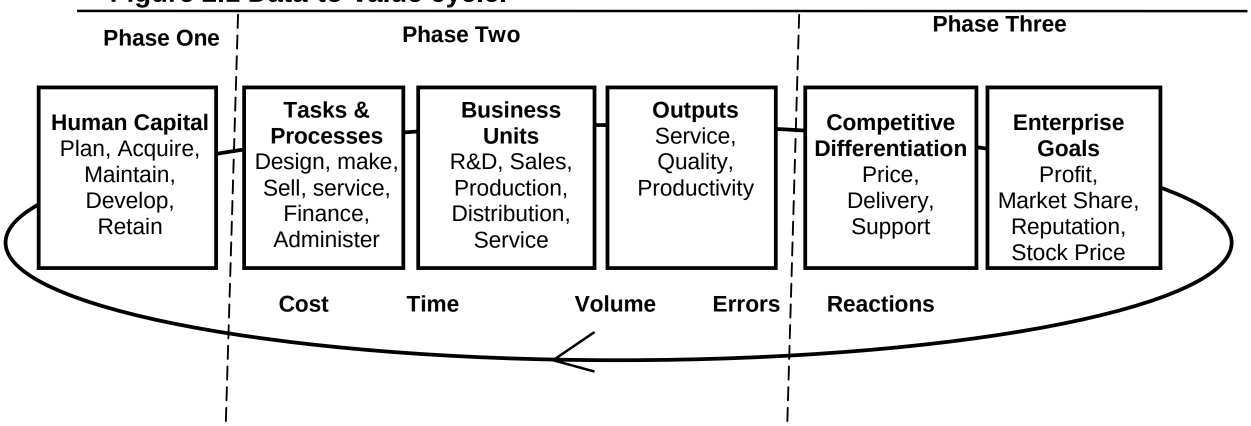
2.1.26 Data-to-Value Cycle

At the heart of the data-to-value cycle is people. It is a cycle rather than a continuum, because data from one phase can cycle back to influence the previous phase or phases. To understand how to assess the value of human capital, we have to look at it in application. To reiterate, human knowledge or skill is of no organizational value until it is applied to a business situation. Value adding always starts with the enterprise's goals. Operationally, those goals flow down through the business units to the starting point of human capital management — the activities of the human resources department. At this point, the process of connecting human capital data to demonstrate value begins.

Value can be traced from the inception of data collection through processes to economic results. The cycle starts with the processes having to do with the planning, acquisition, maintenance, development, and retention of human capital. The values are the economic effects resulting from investment in human capital. Human capital is organized in the human resources department and transferred into operating units. There it is invested, along with other resources. As improvements are realized, value ensues. Value comes through reduction in expenses as well as through revenue generation, which ultimately lead to profitability and other enterprise goals. The cycle is seen in Figure 1-1.

Schematically, it works like this: Phase one of the cycle is the point of obtaining, supporting, and retaining human capital. Internal efficiencies within the human resources department lead to expense reduction. Improvements in cycle times, incentive compensation plans, or development programs also can affect revenue generation. In phase two, human capital is applied to tasks and processes within the various business units. The outputs are differentiating improvements in customer service, product or service quality, and/or productivity as measured in unit cost terms. It is then a matter of determining whether the gains are attributable in part to human actions. Phase three focuses on the competitive advantages those improvements generated, which lead to economic goals. When this is viewed as a continuous recycling process, we can find many points at which to assess the impact of internal improvements on a corporation's profitability.

Figure 2.1 Data-to-value cycle.

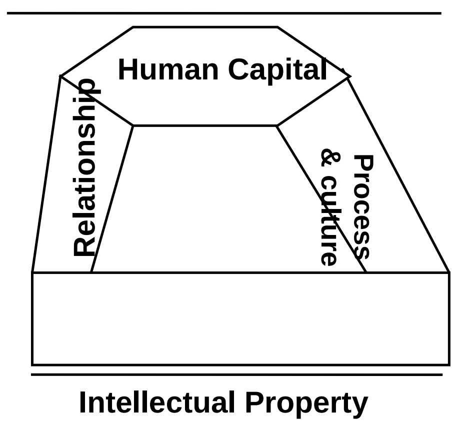


2.1.27 Intellectual Capacity

Intellectual capacity is the ability of a company to extract value from the organization's intellectual capital Intellectual capital is composed of two types of organizational capital: intellectual property and a complex intertwining of process and culture, plus relational capital and human capital. Figure 1 -2 shows the intellectual capital setup. People are the catalyst that activates the intangible, inert forms of intellectual capital and the equally passive forms of tangible capital—material and equipment—to improve operational effectiveness. To optimize and measure the ROI in human capital, we have to understand how it interacts with other forms of capital, both intangible and tangible,

Organizational capital includes intellectual property and process data. Executives often look at organizational capital from an internal ownership perspective. This is a protectionist view, which is not totally bad but is certainly limiting in terms of exploiting its potential. They want to know how to secure the intelligence contained within their documents and processes, as well as within the minds of their employees. It is relatively easy to slap a brand, trademark, copyright, or patent number on a piece of intellectual property. It is a bit more bewildering to find a method for putting one's brand on the human brain. A judicial battleground is forming, with lawsuits living in all directions as we try to establish a body of legal precedent for intellectual assets.

Fig. 2.2. Intellectual capital



The second organizational capital artifact is process management. Documenting how to do something makes it an asset. For example, superior inventor management helped Wal-Mart take the number-one position in retailing away from perennial leader Sears. Fred Smith, founder of Federal Express, created an industry by changing the process of small package deliver. Distribution systems, manufacturing methods, and administrative efficiencies represent potential value. Codifying and applying them is an attempt to build intellectual capacity.

One process capital issue that has been largely overlooked has to do with an organization's culture. This is arguably at least as important as process management. Some would say that culture is a human capital issue, but it is not. Culture is the defining aspect of even organization. It is its signature. Deal and Kennedy launched the corporate culture concept in 1982. They described how it covers the expectations, rituals, taboos, and underlying rewards and punishments of the corporate society. Trompenaars and Hampden-Turner extended the concept to global issues of corporate value systems and diversity around the world. This has caught on to the point where a currently popular cultural goal is to become an "employer of choice." *Fortune* magazine has jumped on this bandwagon with an annual issue devoted to "The 100 Best Companies to Work For." Beyond competitive remuneration, some companies are struggling to build environments wherein people want to work. Other executives roll their eyes and claim that, they have no time for changing the culture. This is like saying, "My people are dying of malaria, but I don't have time to drain the swamp that breeds the anopheles mosquitoes." Executives with this type of short-term, simplistic attitude invariably produce short-lived, weak organizations.

This brings us to the folks who are trying to corral another kind of capital or intelligence that is focused outside the organization. It is relational information. Relations include interactions not only with customers but also with suppliers, partners, competitors, media, community, government-indeed, all stakeholders or observers of the organization. Compelling arguments can be made regarding the economic value of knowledge about, and good relations with, any external force that impinges on the organizational corpus. I suspect that books will soon be written rediscovering relational capital. McKenna introduced the idea in 1986 when he argued that traditional product-focused marketing was an anachronism. He claimed that building relationships was one of the three underpinnings of marketing:

1. Understand the market,
2. Move with it.
3. Form relationships.

Whereas information may have a fleeting moment on the stage of consciousness, relationships have a permanence that can be very powerful. People might not remember what someone said yesterday, but they will remember what others did. Somewhere along the way, McKenna's third element got lost because it was not a traditional marketing activity. However, as one who spent several years in sales and then founded a company, I can state unequivocally that personal relationships are absolutely a competitive advantage. We will look at relational capital as it connects with human capital ROI.

Finally, we encounter the fourth position, which is dedicated to expanding the skills and knowledge of employees for the sake of the person as well as the company. There are two concerns here. The first is with trying to build "learning organizations"—another recent term for which there are a number of fuzzy definitions. In short, according to Senge, who popularized the term, a learning organization is "a place where people are continually discovering how they create their reality."

This construct is undergoing a great deal of experimentation in its own right. A learning organization is not a simple idea. Senior executives, first-line supervisors, employees, trainers, accountants, and lawyers all take different views. The definitive model, notwithstanding Sense's work, has yet to be proved. To compound matters, another incomplete concept, human capital, is being added to the mix. The combination of two uncertainties raises the odds against success on either one of them to a very high level. In my opinion, this interdependency has not yet been recognized.

The second and corollary human concern is the right of the individual to trade on the knowledge that he or she possesses. Humanists and lawyers argue over the rights of persons within whose brain cage and experience base lies the germ of human capital This is no less important a topic. Several well-publicized cases of appropriation of knowledge through recruitment have already arisen. Most are being settled out of court. Eventually, one or more will work itself all the way through the legal system, and a body of human capital law will begin to emerge.

Consultants and some academicians have joined the race to intellectual capital for what they see as an opportunity to sell their newfound erudition. Every major consulting firm has formed a human capital practice. The media are supporting this with clichés. spouting platitudes like "people are the most important product", they encourage the building of new management vehicles, thereby inserting more ignorance into the race by touting every new employees service fad for which there is scant evidence of effectiveness, they generate confusion and frustration. Figure 1-3 displays many of the management panaceas that have hit the market in the past fifty years. The top is left open, because tomorrow someone will come up with the latest solution to all of management's problems.

Typically, people choose just one of the lanes on the intellectual capital track (organization, relational, or human). But they drive off in every direction; each toward what he or she believes is the finish line. The irony is that they are partly correct, but only partly and therein lies the rub. So long as they never need to meet, there will be no problem. However, even in this embryonic stage, intellectual capital looks less like a racetrack and more like a maze. Having said that, there is still undoubtedly value in this frenzy, for it is by the trials and errors, the running in wrong directions and the collisions along the track, that we will one day understand what intellectual capacity involves the race will be more painful and less successful until we accept that we must survey the track and understand the vehicles. I fear that in the near future we are in for fewer Indianapolis 500s and more Demolition Derbies.

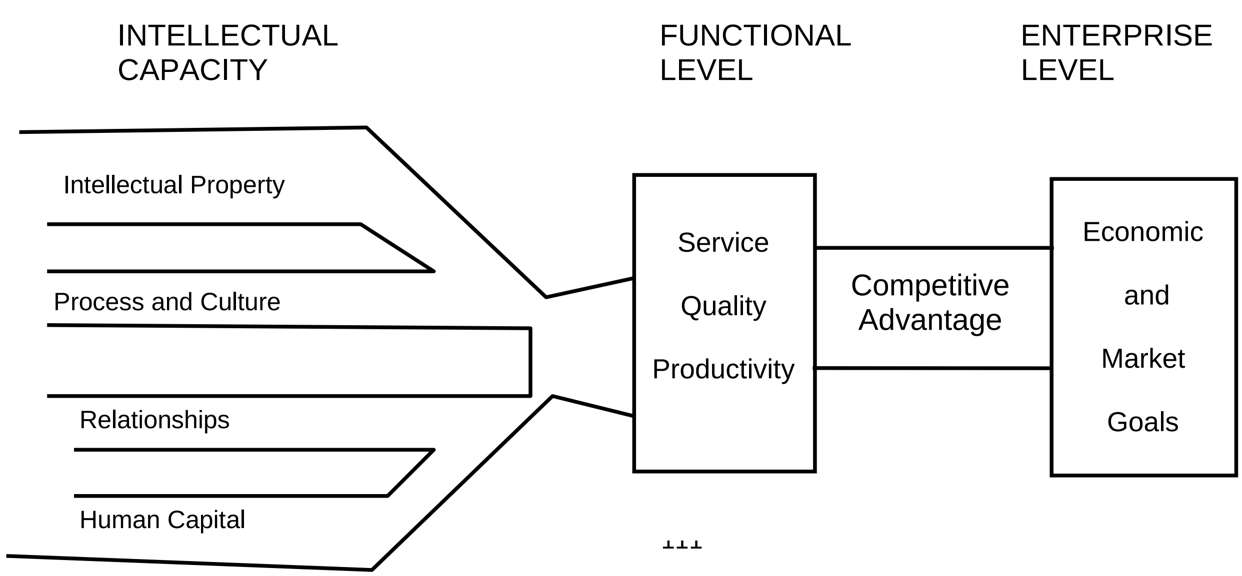
2.1.28 Surveying the Track

To build intellectual capacity and maximize the ROI in human capital, we should consider all aspects of intellectual capital simultaneously. In addition, the decisions that come out of this search must always be focused on achieving competitive advantage through improvements in service, quality, or productivity. Figure 1-4 is an example of the intellectual capacity pathway.

We need to turn the four lanes into one. When we grasp how to integrate property, process and culture, external relations, and human capital into our management thinking, we will be moving in the right directions. Strategy and tactics must fuse the four perspectives into a broad-based synergistic solution that can be economically valued. that integration represents the final step on the path to intellectual capacity.

Figure 2.3. Fifty years of management panaceas.

Figure 2.4. Intellectual capacity pathway.



2.1.29 The ROI Race:

The strategic business plan is like a race plan. The plan's goals are to reach the finish line first. Data systems are the vehicle. Information is the fuel. But the vehicle is not a self-propelled, perpetual-motion machine. It needs a driver, the human being. Measurement is the dashboard gauges. They tell us how fast we are going, the condition of the car, and how far we have gone. Only the driver knows if we are headed in the right direction. When management is the sole driver, the only one who has access to the travel plan and the odometer, we can go a long way in the wrong direction before we realize it. By having someone checking the map against the road signs while others watch the speed, fuel gauge, and temperature and pressure lights, we increase the probability that we will arrive at our destination on time, as well as enjoy the trip.

To have a successful trip to profitability, we need to know more than how to read traditional dashboard gauges. If you look inside a race car, you see a dashboard that is quite different from the one in your car. It is very utilitarian and contains detailed information beyond what we are used to seeing. So it is in business. We have to design a human capital dashboard that gives us new data and then teach everyone how to read the gauges efficiently and accurately. Everyone includes management.

Human capital data analysis has only lately come into the management education and training system. Although businesspeople have been exposed to courses on financial analysis, they have focused primarily on standard accounting instruments such as income statements and balance sheets. Human capital ROI analysis uses the same principles, but some data points are not found on corporate financial documents. Furthermore, it teaches us how one gauge affects another. If the temperature is a critical condition, we need to know if it is due to lack of water in the radiator or a broken fan belt. Recognizing that it is hot but continuing to push the accelerator to the floor is a good way to cause the pistons to overheat and seize the engine.

The starting point is to know specifically what our goal is, as well as what our competitors are doing. This information evolves into distance, direction, and time requirements. Next, we must specify the type of information that different people will need to manage the race. Finally, we have to learn how people, data systems, and information interact to impact profitability. It comes down to where, what, who, when, and how:

1. Where do we want to be?
2. What data do we need to capture and manage to get us to the finish line?

3. Who should generate what data?

4. When do we need it?

5. How do we accomplish this most efficiently and effectively?

It is also useful to know how fast and in what direction the competition is moving. Currently, we call that benchmarking.

2.1.30 False Starts

The most common reaction to the information challenge is to invest in technology. This is necessary, but by itself, it seldom yields a solution that we want. Technology is a passive asset. Computers and programs don't add value until knowledgeable human beings put their trained hands on the keyboard and begin to draw out the potential within the software programs. Informal surveys have shown that few organizations invest in the training necessary to exploit the capability of the technology. One example from within my family is typical of this shortsighted practice.

My son Peter worked at a major department store for several years as a retail clerk. At one point, a new cash register program was installed throughout the store. When the clerks asked for training, they were literally "tossed" a manual and told to read it. It is an undeniable fact that (1) software manuals are not written in a language most of us learned in school, and (2) no one reads the bloody things anyway. The result in Peter's store was that for several weeks the clerks struggled with the cash registers until they muscled their way through the program by trial and error. The problem for the store was that during this self-teaching period, after several false starts with a purchase price input, the frustrated clerk would give the product to the customer at whatever price came up. Naturally, this price was always less than the tag price, or the customer would not have accepted it. The clerk's explanation to the delighted customer was that this was a special sale or a closeout price. According to Peter, this sometimes represented a discount of 50 to 75 percent. The many thousands of dollars lost far exceeded the cost of basic training, (Note: Of course, Peter never did this.)

So, we see that technology plus training should make workers at all levels more productive. This is the first step. But there are two parallel steps that must accompany it. One is the issue of data production. All processes generate data as a by-product. Most data are not sorted, collected, and shared. Organizations lean on the signposts and never see them. Some executives realize that they have a vast pool of useful data within their organization, but they seldom make the investment or issue the mandate to turn it into productivity-enhancing intelligence. I have had countless discussions with executives who acknowledged this shortcoming yet never did anything about it. I believe the reason is that they have been trained in financial data analysis, but not in the utility of human performance or information data. They know they can't run the enterprise without financial information, but they don't appreciate the value or necessity of applying human capital data. Rather than admit their ignorance, they squeeze financial data ever tighter. The one light at the end of the proverbial tunnel is the gradual adoption of the balanced scorecard. Here, data beyond financials make up 75 percent of the information.

The first, last, and most important piece is information culture. Investing in information technology and training is necessary. But again, technology and data are passive, Even information possessed by workers is suboptimized unless it is shared. Putting up an intranet knowledge exchange does not automatically cause useful information to be shared. Millions have been spent on technology and training to create internal knowledge exchanges. In very few cases have they met expectations? Andersen Consulting invested a great deal of money in its "KX" (knowledge exchange). But it wasn't until the staff learned how useful shared data could be that they began to input their knowledge and experience. Now, consultants around the world enter project experiences and post queries. In many cases, they receive prompt replies that help them serve their customers more efficiently and effectively.

In the final analysis, it comes down to creating an information-sharing culture. Only then is it worthwhile to invest in information technology, train people in its use, and implement policies aimed at gathering useful by-product data. The fundamental question remains, what information do we need?

2.1.31 Points of Measurement

There are three levels at which the leverage of human capital investment can be measured. The principal focus must always start at the enterprise level. Here we are looking at the relationship between human capital and certain enterprise goals. These goals include strategic financial, customer, and human issues. The second level of measurement is the business unit. At this stage, we are watching for changes in intermediate-level service, quality, and productivity outcomes. Measurement is fundamentally about assessing degrees or amounts of change. All business objectives can be reduced to service, quality, or productivity categories. All changes can be measured through some combination of cost, time, volume, errors or defects, and human reactions. The third, but in a sense the primary, stage is human capital management peruse. Now we can see the effects of the human resources department's work on planning, hiring, compensating, developing, and retaining the enterprise's human capital. When we break down the subject of human capital measurement like this, the mystery should disappear.

However, this is where the barrier seems to be for many people. They can't seem to get past a mythology that claims that the economic value or effectiveness of people in business cannot be calculated. I grant that it is not easy to measure the economic effectiveness of people in service work or professional-level activities. The problem has been that measurement initiatives often applied manufacturing methods. Except for clerical jobs, measures of efficiency or productivity are not appropriate in a nonmanufacturing situation. The input to white-collar work is data. The applicable skill is judgment. The output is information and, if we're lucky, intelligence. There is no single metric for professional-level staff work. As I will demonstrate later, there are five basic paths to measuring the value of this type of output. The greatest value is found in staffs' effects on line function objectives and ultimately the corporate goals. The bottom line is that although it is not easy to evaluate staff work in quantitative terms, it can be and is being done.

I have spent twenty years explaining and demonstrating this by showing the linking methodology and publishing company, industry, national, and international benchmark data, but some people still won't let go of the myth and deal with the reality. Either I am a lousy communicator or I'm talking to a bunch of zombies. Fortunately for all of us, the zombies are being left behind in greater numbers every day as people with open minds, new values, and different perspectives come into business, especially into staff functions. The following chapters show how to measure the ROI in human capital and process management, which leads to competitive advantage and economic value at the enterprise level.

2.1.32 Management Responsibilities

Management's responsibility today is to combine people with information on a timely basis for several purposes. First, information on employee-based activities is necessary to partner with financial data. Second, financial data tell us what happened. Human capital data tell us why it happened that way. Third, if we are going to manage for the future rather than the past, we need leading as well as lagging indicators. They cannot be found in traditional profit and loss statements.

Information is the key to performance management and improvement. Without it, we have only opinions with no supporting facts and no directional signals. Information does not move by itself. There has to be an information-sharing culture that promotes and rewards data distribution. Improvements in one area need to be published centrally, where people can access the information and save themselves from reinventing effective practices.

The three types of data—organizational, relational, and human—must be integrated. Organizational data tell us what we have. Relational data tell us what outsiders—customers, competitors, and other stakeholders—need or want from the enterprise. Human data show us how the only active assets, people, are doing in their quest to drive the organization toward its goals. When we begin to understand how the three relate to one another, support and drive one another, we have started down the track to intellectual capacity. The costs to the enterprise of not doing this are often hidden but potentially devastating. At the very least, the failure to manage all types of data separates the winners from the also-rans.

Not only is it possible to measure the effect of human performance; it is necessary for maintaining a viable position in the market. Since white-collar, information-focused judgment is fundamentally dissimilar from blue-collar, product-focused labor, a different measurement methodology is required. A spectrum of metrics can be developed that, in total, show the value added of professional-level work. The value is not found in the initial output per se, but rather in the effect it has on enhancing the outputs of its operating-unit customers, AS staff groups utilize human capital more effectively, they increase their contribution to the goals of the enterprise.

2.1.33 Process Performance Matrix

Every function should have an ongoing set of operational metrics. Production, sales, and service units normally do. But when we move to staff groups, we often find a lack of metrics that tell us how efficient or effective the unit is. There is a solution to this deficiency. Just as there is an accounting system to tell us what is happening on the P&L, there is a basic methodology for process management. It is called the performance matrix.

Figure 3-3 illustrates the performance matrix. You'll see it again in Chapter 4. It is the fundamental template to lay over any function or process. Down the left-hand column, you see cost, time, quantity, errors, and reaction. These are the five ways to evaluate things in organizations and in life.

1. How much does it cost?
2. How long does it take?
3. How much was accomplished?
4. How many errors or defects occurred in the process?
5. How did someone react to it?

This is as applicable to shopping for groceries, taking your child to the movies, having your car serviced, or working in an organization. It even applies to making love. You figure it out. Granted, each of the five measures is not equally important in a given situation. In some cases, you may use only one or two of the measures. Nevertheless, these are the five possibilities.

The matrix gives us the three basic criteria for judging intermediate value added: service, quality, and productivity. These are the three essential elements of business. Researchers call them dependent variables. We call them change objectives. They are the steps along the way to competitive advantage and, eventually, profitability—one of the entertainment.

Figure 2.5 Performance Matrix.

	SERVICE	QUALITY	PRODUCTIVITY
COST		**Warranty Cost**	**Unit Cost**
TIME	Mean Time to Respond Mean Time to Repair	Delivery	Time to Market
QUANTITY	Number Served		Number of Orders Filled
ERRORS		Scrap, Rate; Programming Bugs	
REACTION	Customer Satisfaction		

In the same way, if we want to take a quantum leap past our competition, we have to examine the drivers of our business, one of which is our human capital. The difference is that in the quantum-leap process, a strategic plan is not the deliverable. In fact, in this approach, we won't develop a strategic plan at all, even though we go through much of the same research and analysis. The purpose in looking at drivers is twofold. First, we need to stop operations for a minute and think profoundly about all aspects of our enterprise and its position within the marketplace. Second, we need that background data in order to plan the quantum leap, which is itself the deliverable.

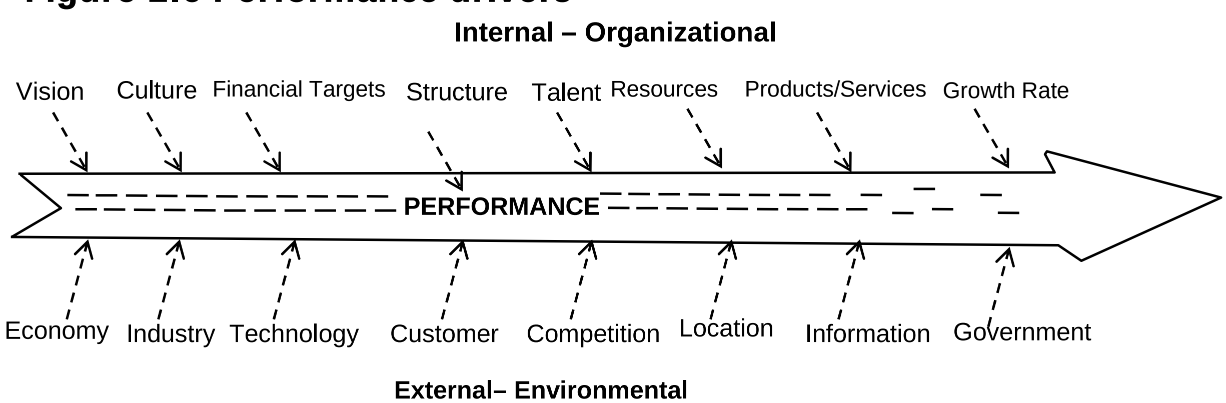
2.1.34 Performance Drivers

Every organization is driven by a combination of internal and external factors and forces. They are the causal forces within an organization that make it unique. They are fundamental to every business enterprise. Collectively, they describe why and how an organization's processes work as they do. Any negative drivers are constraints on our ability to act freely. If we ignore or misinterpret the driver of our enterprise, we will certainly not be a market leader and might not even survive as a significant player within the industry Figure 9-1 shows the interaction of the drivers with an organization's performance.

Internal

An organization is driven first by its vision, articulated or not by the CEO. When there is no clear vision, there is no basis for decision making. Hewlett Packard's "The H-P Way” IBM's "Think," and Motorola's "6 Sigma" gave their people.

Figure 2.6 Performance drivers



2.2. Review of Empirical studies:

2.2.1. Introduction

In this section the researcher will review various studies that have been carried out by scholars in the problem under investigation.

2.2.2. The Effects of the Economy on Employee Turnover:

The grocery industry in the United States spends more than 40 percent more in turnover costs than the industry aggregates in net profit, according to a report on causes of turnover published in the Fall 2005 edition of "Human Resource Management." The economy affects turnover in multiple ways, and employers must address economic factors if they wish to contain turnover expenses and retain critical employees. What does it mean with a High Turnover in an Organization? Ways to Measure Employee Turnover Ways to Measure Employee Turnover.

2.2.3. Employee Turnover Defined

Turnover comes in two primary forms: voluntary and involuntary, when an employee resigns or quits, this constitutes voluntary turnover. An employee who is fired represents involuntary turnover. Turnover costs the organization a significant amount of money in recruitment and training expenses, in addition to productivity costs while the new employee learns the ropes. Although turnover is generally seen as negative, some involuntary turnover - such as discharging a poor performer - helps the employer.

2.2.4. Economic Factors Resulting in Decreased Turnover

April 2011 data from the Bureau of Labor Statistics indicates that the average number of employees per month who voluntarily quit their jobs in 2011 is almost a million less than the number who were voluntarily quitting at the end of 2007 when the recession began. The BLS reports that these figures indicate a lack of available alternative work options in general, because of the economy. In a 2009 article titled "Prepare Now Or Lose Your Best Employees Soon," "Forbes" reports that research by Deloitte indicated a positive correlation "between consumer confidence and voluntary turnover" and a negative correlation "between unemployment rates and voluntary turnover rates."

The UC Berkeley Center for labor Research and Education in an October 2009 report titled "The High Cost of Furloughs," notes that turnover increases if wage reductions are implemented, particularly among highly skilled and productive workers, Sigma Association, in an overview of employee turnover research, reports that one of the most common reasons for leaving a job was the availability of a higher-paying position. In fields that paid minimum wage, leaving a job for one that paid 50 cents more an hour was observed. In a depressed economy, when every cent counts, employers who pay less than the market average may experience increased turnover.

2.2.4b. Primary Causes of Turnover Impacted by the Economy

Job dissatisfaction, and "shocks[11] to the employment relationship — such as another job offer, a spousal relocation, disagreements with co-workers and superiors or dissatisfaction with actions taken at the company - are the main causes of turnover, according to research published in the journal "Human Resource Management" in 2005. The economy exacerbates these types of shocks — for example in a booming economy, unexpected job offers to high performers may be abundant, while in a recession, workers may be dissatisfied with the company's approach to layoffs, which in and of themselves are a form of involuntary turnover.

2.2.5. Executive Brief: Differences in Employee Turnover Across Key Industries

2.2.5.1 Introduction

Employee turnover is an important issue that poses a significant challenge for organizations. Since human capital is central to an organization's performance, workforce attrition can have a profound impact on an organization's performance, growth and general business outcomes.

To explore this topic in greater detail, this article examines differences in turnover rates across seven industries, as well as the factors that may influence employees' decisions to leave their jobs.

Areas of comparison include productivity measures such as revenue per full-time equivalent (FTE), the cost of hiring new employees and the number of positions filled in 2010.

2.2.5.2 Why Is Employee Turnover an Important Metric?

Employee turnover is defined as "the rate at which employees enter and leave a company in a given fiscal year." HR professionals and organization executives focus on turnover for three main reasons; it has significant cost implications; it affects overall business performance; and has the potential to become difficult to control, resulting in a talent crunch, where it is hard to find quality candidates with the skill sets required to fill open positions.

Employee departures affect organizations in terms of measurable financial costs as well as intangible knowledge-based and productivity costs. According to a 2008 SHRM study, the cost to replace and hire new staff may be as high as 60% of an employee's annual salary, whereas total costs of replacement, including training and loss of productivity, can range from 90% to 200% of an employee's annual salary. Those expenditures can be difficult to absorb, whether an organization is a small company or a large global firm.

Loss of employee talent hinders the development of new products, disrupts client relationships and delays customer deliverables. These production delays, along with replacement costs of employee turnover, negatively affect overall business performance and success.

Vacant positions also cause a decline in overall productivity. Employees who remain with the organization are less productive and efficient while they assume the responsibilities of the vacant position in addition to their own job duties. Once a vacant position is filled with a new employee, those individuals are still contributing less to their primary job responsibilities—and, subsequently, to the organization overall—as a result of having to train the new hire.

Organizations that do not develop strategies for addressing employee turnover may find themselves with pervasive skill shortages to fill the positions in the future. According to Manpower, Inc., the workforce is changing dramatically; with demographic shifts, increased outsourcing and entrepreneurship on the rise, specific skill sets and competencies may be moving rapidly out of various industries. The impact is already being felt in today's economy. In a SHRM survey of HR professionals, 75% of respondents reported difficulties hiring workers with skill sets essential to the job, with skilled professionals making up the bulk of desired staff. SHRM has noted annual increases in recruiting difficulty since December 2009.

2.2.6. What Factors Influence Employee Turnover?

Employee turnover is a naturally occurring event at any organization. Some employees leave by choice (known as voluntary turnover), and some staff changes are initiated by the organization itself (known as involuntary turnover). Employees voluntarily leave organizations for a variety of reasons, including low satisfaction with their jobs, low satisfaction with their employer, limited promotion and growth opportunities, a better opportunity elsewhere, or disapproval of organizational changes or restructuring, On the other hand, not all separations are voluntary. And as a result of a deep and extended recession over the past few years, many organizations have had to undertake headcount actions such as downsizing in order to stabilize their budgets. In reaction to concerns about the struggling economy, employees have rated job security as the most important aspect of their job satisfaction for two years in a row.

The following sections examine annual overall turnover rates from SHRM's 2011-2012 Human Capital Benchmarking database. An analysis of several workforce analytics metrics offers insight into the implications of high and low turnover rates on an organization's productivity and overall business performance.

2.2.7 Turnover Rates Within Key Industries:

In order to get a better sense of how turnover affects organizations in key industries in the United States, data from the 2011-2012 SHRM Human Capital Benchmarking Database were analyzed by industry. Industries with the highest turnover rates were services—accommodation, food and drinking places (35%); arts, entertainment and recreation (27%); and retail/wholesale trade (22%). Industries with the lowest turnover rates were high-tech (11%), state/local government (9%), and association-professional trade (8%) and utilities (8%), which were tied for third. Across all industries, the average turnover was 15%.

2.2.8. Explanations for Turnover Rates: A Closer Look at the Industries:

When considering why turnover rates are high in some industries and lower in others, first take into account the characteristics of each industry. The three industries with the highest turnover rates—accommodation, food and drinking places; arts, entertainment and recreation; and retail/wholesale trade—are often typified by nonexempt seasonal workers whose jobs may be temporary and have little room for upward mobility. Since hiring costs for these industries are low (see Table 1), hiring can be cyclical as the need grows and subsides. For example, retailers often recruit more staff to meet the holiday shopping crunch and, in turn, let them go once customer needs retreat to normal levels. In addition, because compensation for these jobs is often low, employees in the service industries may readily leave their employer when enticed by another organization for small increases in pay, Finally, as the economy remained weakened, consumer spending decreased 2% in 2010, on top of a decrease of 2,8% in 2009. As a result, expenditures on nonessential services such as hotels, entertainment, retail and restaurants also decreased, resulting in revenue declines in these industries.

Table 2.1: Productivity Metrics

Industry	Average Annual Turnover	Revenue Per FTE	Cost-Per-Hire
Services-accommodation, food and drinking places	35%	$188,173	$1,062
Arts, entertainment and recreation	27%	$188,817	$1,394
Retail/wholesale trade	22%	$523,529	$2,549
All industries	**15%**	**$339,785**	**$3,196**
High-Tech	11%	$207,763	$3,357
Government/public-state/local	9%	$204,594	$2,293
Association–professional/ trade	8%	$294,582	$5,582
Utilities	8%	$13,086	$3,936

Source: SHRM Human Capital Benchmarking Database (2011)

Contrary to the service-based industries noted above, industries such as high-tech, government, professional trade associations, and utilities reported lower turnover and fewer vacancies in 2010, Since these industries typically require more specific skill sets than found in service industries, organizations must invest more dollars to recruit, train and onboard their staff. In fact, cost-per-hire for high-tech industry was $3,357, compared with $1,062 for service industries, With such financial investments, organizations not only are hesitant to let go of staff, but also provide more inducements, such as benefits, to retain employees. For example, associations incentivize their employees to remain at their organizations by offering a comprehensive benefits package, In 2010, associations spent an average of $7,791 on health care costs per covered employee and paid 86% of premium costs for employee-only coverage.

Another industry with low turnover rates in 2010 was local and state government, which reported single-digit turnover rates. Many government agencies use staffing strategies that rely on contractors to fulfill certain responsibilities. Thus, when reductions in staff do occur, government agencies focus on retaining their core workforce and shed the contractors first, particularly given the fact that this is a highly unionized workforce.

Organizations that reported higher overall turnover in 2010 also had more positions to fill. Table 2 indicates that, in general, organizations with higher turnover filled an average of 209 positions in 2010, as opposed to 83 positions for organizations with lower turnover rates. The implication is that these organizations are in a constant cycle of having to fill vacancies and spend money to train new employees. Correlation analyses revealed significant relationships between turnover and the number of positions filled for all industries and retail/wholesale trade.

Table 2.2: SHRM Human Capital Benchmarking Database

Industry	**Average Annual Turnover**	**Number of Positions Filled in 2010**
Services-accommodation, food and drinking places	35%	316
Arts, entertainment and recreation	27%	184
Retail/wholesale trade	22%	127
All industries	**15**%	**109**
High-tech	11%	79
Government/public-state/local	9%	131
Association-professional/trade	8%	10
Utilities	8%	110

Source: SHRM Human Capital Benchmarking Database (2011)

The metric revenue per FTE is a measure of employee productivity. This ratio conceptually links the time and effort associated with the firm's human capital to its revenue output. If the revenue per FTE ratio increases, it indicates that there is greater productivity because more output is being produced. Industries reporting lower turnover rates, such as utilities and professional trade associations, report higher productivity levels than found in services—accommodation, food and drinking places, an$ arts, entertainment and recreation industries, which have the two highest turnover rates (Table 1). This differential may suggest that industries with higher revenue per FTE are more likely to hold on to their staff, compared with industries with low revenue per FTE, which are profiting less from their staff.

2.2.9. Conclusion Of Empirical Studies

Employee turnover rates vary across industries, and the reasons behind high and low turnover are not always clear. Organizations with higher turnover rates can find themselves in a vicious cycle of trying to address vacancies through frequently filling many positions, which increases pressure on existing staff and affects the overall success of an organization. This is most critical for those industries where the cost to replace staff is high and jobs are hard to fill,

Workforce attrition can be a disadvantage, particularly in a competitive job market where the skills gap is increasing. For organizations with high employee turnover rates, it is important to look at the possible root causes of turnover and undertake retention efforts. An examination of key indicators, such as the types of employees leaving, their tenure at an organization, and the positions they occupied, may reveal trends that organizations can proactively address. Strategies for succession planning, workforce retention, new staff recruitment and job satisfaction can help reduce vacancy rates and subsequently reduce costs and loss of knowledge capital, and improve the overall organization,

2.2.10. Methodology Of Empirical Studies

The 2011 SHRM Human Capital Benchmarking Study was conducted in order to collect metrics about human capital across various industries. The study collected data on human capital metrics, such as succession planning, turnover, cost-per-hire, time-to-fill and salary increases. In addition, organizational data, such as employee size and geographic region, were obtained. Data were collected for 2010, along with expectations for hiring and revenue change in 2011.The survey was created by SHRM's Strategic Research Program and was reviewed by the SHRM Human Capital Measurement/HR Metrics Special Expertise Panel. The panel is made up of U.S. and international SHRM members who are experts in the field of human capital measurement.

SHRM members who were HR managers, assistant or associate directors, directors, assistant or associate vice presidents, vice presidents; or presidents were included in the sample. The members had to meet the following criteria; have a valid e-mail address and business phone number, have not been selected to participate in a survey with SHRM in the past three months, and be residents of the United State.

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Correlation is significant at the 0.01 level (r = 271).

Correlation is significant at the 0.01 level (r = 273)

Revenue per FTE is the total amount of revenue received during an organization's fiscal year divided by the number of FTEs.

CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction:

This chapter presents the procedure which was used in carrying out the study.

3.2. Research Design

The research design methods used in the collection of data in this research are as follows:

(i) Historical Design method

(ii) Descriptive Design method

(i) **Historical Design Method**

The historical design method produced secondary data that are abundantly available and at very affordable cost. It also saved time as it can be obtained at the click of the computer mouse.

(ii) **Descriptive Design Method**

This is obtained through primary data that are particular to chosen organization and will be used as the yardstick of generalization for others. This type of data is obtained from close interaction with the organization of the study.

3.3 Population of the study

The population of the study was ascertained to be three hundred (N300). It is drawn from seven industries of different sectors name

1. Services – Accommodation, food and drinking places.
2. Arts, Entertainment and recreation.
3. Retail/wholesale trade
4. High Tech
5. Government/Public-State/Local
6. Association-Professional/Trade
7. Utilities. The population distribution is tabulated in table 3.1.below

Table 3.1.

S/N	ITEM	TOTAL NO	NO RETURNED	PERCENTAGE OF NO RETURNED
1	Services–Accommodation, Food & Drinking places	43	35	81
2	Arts, Entertainment and Recreation	43	35	81
3	Retail/Wholesale Trade	43	34	79
4	High Tech	43	35	81
5	Govt. /Public-State/Local	43	34	79
6	Association-Professional/ Trade	43	34	79
7	Utilities	42	33	78
	Total	**300**	**240**	**80**

Source – Field Survey 2012.

3.4 Sources of Data

In the course of carrying out this research, two major source of data collection were used. They are:-

(a) Primary Data

(b) Secondary Data

(a) Primary Data: These are made up of information that were generated specifically for this research work so as to gain an insight into the research topic original data were obtained from two sets of questionnaires administered to seven industries.

(b) Secondary Date: These are data that are already in existence before the need to conduct this research was conceived, but which are related to the assignments fro the researchers, because the knowledge acquired from already existing materials. The following constitutes the sources of my secondary Data.

1. **Library:**
   (a) Imo State University, Owerri
   (b) Anambra State Library, Awka
   (c) Anambra State Library, Onitsha
2. **Business Journals:**
   (a) Nigeria Journals of Human Resources
   (b) The Quarterly Review of labour market
3. **Websites and Unpublished materials**

4. **Business Publications:**

(a) Business Times

3.5. Sampling Method/Procedure

The study adopted stratified random sampling procedure. This made it possible for all the targeted population to be fairly represented. Most importantly, sampling involves the use of questionnaires which is designed and distributed to the organizations of the study. These data were analysed and tested and their relevance to the issues at stake were ascertained.

3.6. Sample size Determination

According to Orji N. (2009:12) Sampling is the taking of a portion population so that the sample information/data may be used to estimate the population characteristic or parameters. To determine the sample for the study, 240 respondents who benefited from the investigation were sampled. Thus, since the sample is large we use the yaro yamen's formula to determine a workable sample for our study. Thus, we have:

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

Where N = total population

e = level of significance

n = sample size

I = Unitary (constant)

Substituting we have

e – 5% of level of significance N = 240

Therefore $N = \dfrac{240}{1 + 240(0.05)^2}$

$N \quad = \quad 240$

$\quad\quad\quad 1+0.6$

$n \quad = \quad \dfrac{240}{1.06} = 226.42$

:. n = 226 - sample size

3.7. Methodology of Survey

The collection of the primary data was achieved through distribution of questionnaires and oral interviews while the secondary data were obtained from published and unpublished works. The reviews of these works helped to give clear and supportive bases to most of the issues under investigation.

3.8 Instrumentation

The major instrument used in this investigation is questionnaire and oral interview.

The questionnaire was divided into two sections. Section A and B. Section A dealt on personal data of the respondents while section B dwelt on general questions meant to elicit responses from the respondents on the crux of the matter under investigation.

3.9. Validity of the Instrument

To ensure validity of the instrument used the researcher consulted highly honoured authorities who are well versed on the subject matter, their responses were implemented in the modification of the questionnaire to ensure **content** and **construct** validity of the instrument.

3.10. Reliability of the Instrument

The instrument is reliable in the sense that the measure used yield similar results from the same subject at different times or under different condition, a consistent, dependable, stable, predictable and accurate way. To this end the instrument is reliable as it was structured in a simple and direct manner in order to enable the researcher to obtain quick and accurate information.

3.11. Method of Data Analysis

In any study which involves field data collection. The data collected must be analysed. The question however, is what method of data analysis will be used? In this study the research will utilize.

The chi-square statistical method,

The distribution (student distribution table).

Pie chart, tables and percentages.

The chi-square is represented thus:

$$X^2 = \frac{(fo - fe)^2}{fe}$$

Where	X^2	=	chi-square
	Σ	=	summation sign
	fo	=	observed frequency
	fe	=	expected frequency in the distribution

3.12. Decision Rule

The test of significance according to Nwabuoke is approximately normal with zero mean and standard error given as: $\frac{R - 1,}{N - 1}$

Thus, the decision rule is to accept null hypothesis (Ho) if the calculated chi-square (X^2) is less than the critical chi-square (X^2) (Table value) and vice verse.

3.123. Chapter Summary

The historical and survey research design was adopted in this study. The population of the study comprise of 300 drawn from seven (7) industries which a sample of 240 was drawn using stratified random sampling.

Primary and secondary data were used and such data were analyzed using tables, percentages and chi-square test.

The decision rule is to accept Ho (Null Hypothesis) if the calculated chi-square is less than the critical chi-square (Table value) and vice versa.

CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1 Introduction

This chapter is focused on the findings made through the aforementioned techniques for data collection. The data collected shall as well be tested as they relate to the hypotheses previously stated with a view to ascertaining the authenticity.

4.2. Presentation of Data

The researcher hereby presents the data collected in the course of this research work.

Section A (Personal Data)

Table 4.1.1. Sex Distribution of respondents

Opinion	Frequency	Percentage
Male	186	82
Female	40	18
Total	**226**	**100%**

Source: Field Survey 2012

From the table above 186 (82) respondents representing 82% are males while 40(18) respondents representing 18% are females.

Table 4.1.2. Industry of Respondent

Opinion	Frequency	Percentage
Services: Accommodation, food & drinking places	33	15
Arts entertainment and recreation	33	15
Retail/wholesale trade	32	14
All Industries	-	-
High Tech	32	14
Govt/Public-State/Local	32	14
Association-Professional/ Trade	32	14
Utilities	32	14
Total	**226**	**100**

Source – Field Survey 2012

Table 2 above reveals that 33 respondents or 13% are from service industry, 33 respondents or 15% are from Arts & Entertainment while 160 respondents or 70% are from Retail/wholesale trade, High tech, Govt/public-State/Local, Associations – Professional/Trade and Utilities.

Table 4.1.3. Years of Experience of Respondents

Opinion	Frequency	Percentage
1 – 3 years	5	2
4 – 6 years	80	35
7 – 11 years	141	63
Total	**226**	**100%**

Source: Field Survey 2012

Table 3 revealed that 5 respondents or 2% have 1-3 years experience, 80 or 35% has about 4-6 years experience while 141b or 63% have 7-11 years experience.

Table 4.1.4 Qualification of Respondents

Opinion	**Frequency**	**Percentage**
OND	50	22
HND/Degree	130	58
Master	36	16
Ph.D	10	4
Total	**226**	**100**

Source: Field Survey 2012

Table 4 above reveals that 50 or 22% are OND holders, 130 or 58% are HND/Degree holders 36 or 16% are Masters Degree holders while 10 or 48 are Ph.D holders. It shows that majority of the respondents are HND/Degree holders.

Table 4.1.5 Rank of Respondents

Opinion	**Frequency**	**Percentage**
CEO/MD	133	59
General Manager	55	24
Head of Dept.	18	8
Senior Officer	20	9
Total	**226**	**100**

Source: Field Survey 2012

Table 5 shows that 133 or 59% are CEO/MDs 55 or 24% are General Managers, 18% or 8% are head of Department while 20 or 9% are senior officers.

SECTION B (GENERAL QUESTIONS)

Section B of the questionnaire is designed to get answers to the research questions and the hypotheses formulated in chapter one. The questions will be used to answer the research questions and later for testing questions and later for testing of the hypotheses stated in chapter one. It is meant to elicit comments from the respondents on the crux of the matter under investigation.

Question 6.

High labour turnover has no effect on an organization. Do you agree?

Table 4.2.6 – whether High labour Turnover has an effect on organization

Opinion	Frequency	Percentage
Agree	213	94
Disagree	8	4
I don't know	5	2
Total	**226**	**100**

Source: Field Survey – 2012

Table 6 reveals that 213 or 94% agree that high labour turnover has no effect on an organization, 8 or 94% disagreed while 5 or 2% said they don't know.

Question 7.

What are the immediate and remote causes of high labour turnover?

Table 4.2.7. – Immediate and remote causes of high labour turnover

Opinion	Frequency	Percentage
(i) Wages Reduction	-	-
(ii) Greener Pasture	-	-
(iii) Job Dissatisfaction	-	-
(iv) Disagreement with Employees	-	-
(v) Dissatisfaction with company's approach to layoffs	-	-
(vi) All of the above	226	100
	226	100

Source: Field Survey – 2012.

In table 7 above all the respondents identified the following as the causes of high labour turnover:-

Wages reduction, Greener pasture, job dissatisfaction, disagreement with employees, dissatisfaction with company's approach to layoffs.

Question No. 8

Has government done just enough on their part with regards to provision of infrastructural facilities?

Table 4.2.8. – whether government has done enough as regards provision of infrastructural facilities.

Opinion	**Frequency**	**Percentage**
Yes	12	5
No	206	91
I don't know	8	4
Total	**226**	**100**

In table 4.2.8, 12 or 5% agreed that Government has provided enough infrastructural facilities, 206 or 91% disagreed while 8 or 4% of the respondents said they don't know.

Question No. 9

What effect will high labour turnover syndrome have on the employees and employers?

Table 4.2.9. The effect of high labour turnover on employees and employers

Opinion	**Frequency**	**Percentage**
Positive effect	10	4
Negative effect	210	93
I don't know	6	3
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.9, 10 or 4% of the respondents opined that high labour turnover will have positive effect, 210 or 93% said it will have negative effect while 6 or 3% said that they don't know. From the data above, we can rightly conclude that high labour turnover has a negative effect in an organization.

Question 10

Are there remedies for high labour turnover?

Table 4.2.10. Remedies for high labour turnover

Opinion	**Frequency**	**Percentage**
Yes	216	95
No	6	3
I don't know	4	2
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.10 above 216 or 95% respondents agreed that there is remedies for high labour turnover, 6 or 3% said No while 4 or 2% said they don't know. From the data above, we can infer that there are remedies for high labour turnover.

Question 11

All industries do not experience the same degree of labour turnover. Do you agree?

Table 4.2.11, Whether all industries experience the same degree of labour turnover.

Opinion	**Frequency**	**Percentage**
Agree	210	93
Disagree	13	6
I don't know	3	1
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.11, 210 or 93% of the respondents agreed that all industries do not experience the same degree of labour turnover, 13 or 6% disagreed while 3 or 1% said they don't know. From the data above, we can rightly believe that all industries do not experience the same degree of labour turnover.

Question 12.

Does promotions and incentives decrease labour turnover?

Table 4.2.12, Whether promotions and incentives decrease labour turnover

Opinion	**Frequency**	**Percentage**
Yes	212	94
No	9	4
I don't know	5	2
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.12, 212 or 94% of the respondents agreed that promotions and incentives decrease labour turnover, 9 or 4% said No while 5 or 2% said they don't know. From the above data, we can rightly believe that promotions and incentives decrease labour turnover in an organization.

Question No 13

Does increase in pay packet (salary) increase workers productivity and reduce labour turnover?

Table 4.2.13- whether increase in pay packet increase workers productivity and reduce labour turnover

Opinion	**Frequency**	**Percentage**
Yes	210	93
No	13	6
I don't know	3	1
Total	**226**	**100**

Source: Field Survey – 2012

Table 4.2.13 above reveals that 210 or 93% of respondents pooled agreed that increase in pay packet increase workers productivity and reduce labour turnover, 13 or 6% said it does not while 3 or 1% said they don't know. From the above data, we can rightly conclude that increase in pay packet increase workers productivity and reduce labour turnover.

Question No. 14

Does hiring and firing increase labour turnover in an organization?

Table 4.2.14 – Whether hiring and firing increase labour turnover.

Opinion	**Frequency**	**Percentage**
Yes	210	93
No	10	4
I don't know	6	3
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.14, 210 or 93% of the respondents agreed that hiring and firing increase labour turnover, 10 or 4% disagreed while 6 or 3% said they don't know. From the above data, we can rightly conclude that hiring and firing increase labour turnover.

Question No 15

Does your organization find it easy to fill up vacancies in highly skilled/technical positions?

Table 4.2.15- Whether an organization find it easy to fill up vacancies in highly skilled/technical positions.

Opinion	**Frequency**	**Percentage**
Yes	9	4
No	212	94
I don't know	5	2
Total	**226**	**100**

Source: Field Survey – 2012

From table 4.2.15, 9 or 4% of the respondents agreed that an organization can easily fill up vacancies in highly skilled/technical positions, 212 or 94% disagreed while 5 or 2% said they don't know. From the data above, we can rightly conclude that organizations do not easily fill up vacancies in highly skilled/technical positions.

Question No 16

Are there situations in which involuntary high labour turnover will be blessing to an organization?

Table 4.2.16, whether an involuntary high labour turnover could sometimes become a blessing to an organization.

Opinion	**Frequency**	**Percentage**
Yes	213	94
No	5	2
I don't know	8	4
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.16, 213 or 94% of the respondents opined that involuntary high labour turnover could sometimes become a blessing to an organization, 5 or 2% said No while 8 or 4% said they don't know. From the above data, we can rightly conclude that involuntary high labour turnover perhaps due to sacks and layoffs could sometimes turn out to be a blessing to an organization.

Question No 17

Do you think that the future of the Nigerian worker is bright in a deregulated/depressed economy?

Table 4.2.17, The fate of the Nigerian worker in a deregulated/depressed economy?

Opinion	**Frequency**	**Percentage**
Yes	111	49
No	111	49
I don't know	4	2
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.17, 111 or 49% of the respondents opined that the fate of the Nigerian worker in a deregulated/depressed economy is bright, 111 or 49% disagreed while 4 or 2% said they don't know. From the data above, it is difficult to say whether the fate of the Nigerian worker in a deregulated/depressed economy.

Question No 18

Do you think that not making room for training and growth by organizations contributes to high labour turnover?

Table 4.2.18- Whether lack of training and growth contribute to high labour turnover.

Opinion	**Frequency**	**Percentage**
Yes	216	95
No	6	3
I don't know	4	2
Total	**226**	**100**

Source: Field Survey – 2012

In table 4.2.18, 216 or 95% of the respondents agreed that lack of training and room for growth contribute to high labour turnover, 6 or 3% disagreed while 4 or 2% said they don't know. From the table above, we can rightly conclude that lack of training and growth contributes to high labour turnover.

4.3 Testing and Interpretation of Hypotheses

The hypotheses formulated in chapter one will be tested in this chapter using chi-square (X^2) test.

Hypothesis No. 1

H0: High labour turnover has no effect on an organization.

Hi: High labour turnover has an effect on an organization.

In testing this hypothesis we shall rely on table 4.6 whether high labour turnover has an effect on an organization.

Opinion	Frequency	Percentage
Agree	213	94
Disagree	8	4
I don't know	5	2
Total	**226**	**100**

Source: responses to question 6

Computation of chi-square table of values

Opinion	o	e	(o-e)	$(o-e)^2$	$\frac{(o-e)^2}{e}$
Agree	213	75.33	137.67	18953	252
Disagree	8	75.33	67.33	-135	-1.8
I don't know	5	75.33	70.33	-141	-1.9
					X^2 c = **248.3**

Source: Computation

Degree of freedom = N-1 = 3-1 = 2 x 1 = 2

Level of significance = 0.05 or 5%

Computed X^2 = 248.3

Critical X^2 = 5.991

Decision Rule

If computed X^2 is greater than critical X^2 (table value) we reject Null hypothesis (Ho) and accept alternative hypothesis (Hi) and vice versa.

Decision

Since the computed X^2 (248.3) is greater than the critical X^2 (table value) (5.991) we reject Null hypothesis (Ho) and accept the alternative hypothesis (Hi) which states that high labour turnover has an effect on an organization.

Hypothesis No. 2

Ho: High labour turnover has no negative effect on employees and employers

Hi: High labour turnover has negative effects on employees and employers.

In testing the hypothesis we shall rely on table 4.9 whether high labour turnover has negative effect on employees and employers.

Opinion	Frequency	Percentage
Negative effect	210	93
Positive effect	10	4
I don't know	6	3
Total	**226**	**100**

Source: responses to question 9.

Calculation of chi-square table values

Opinion	o	e	(o-e)	$(o-e)^2$	$\frac{(o-e)^2}{e}$
Negative effect	210	75.33	134.67	18,136	240.8
Positive effect	10	75.33	65.33	4,268	56.7
I don't know	6	75.33	69.33	4807	63.8
					X^2 c = 120.3

Source: Computation

Degree of freedom = N-1 = 3-1 = 2 x 1 = 2

Level of significance = 0.05 or 5%

Computed X^2 = 120.3

Critical X^2 (table value) = 5.991

Decision Rule

If computed X^2 is greater than critical X^2 we reject Null hypothesis (Ho) and accept alternative hypothesis (Hi) and vice versa.

Decision

Since the computed X^2 (120.3) is greater than the critical X^2 (table value) (5.991) we reject Null hypothesis (Ho) and accept the alternative hypothesis (Hi) which states that high labour turnover has negative effect on employees and employers.

Hypothesis No. 3

Ho: Promotions and incentives do not decrease labour turnover

Hi: Promotions and incentives decrease labour turnover

In testing this hypothesis we shall rely on table 4.12 whether promotions and incentives decrease high labour turnover.

Opinion	**Frequency**	**Percentage**
Yes	212	94
No	9	4
I don't know	5	2
Total	**226**	**100**

Source: Table 4.12 reproduced

Computation of chi-square table of values

Opinion	**o**	**e**	**(o-e)**	**$(o-e)^2$**	**$\frac{(o-e)^2}{e}$**
Agree	212	75.33	136.67	18,679	248
Disagree	9	75.33	66.33	4,399.7	58.4
I don't know	5	75.33	70.33	4946	65.7
					X^2 c = 123.9

Source: Computation

Degree of freedom = N-1 = 3-1 = 2 x 1 = 2

Level of significance = 0.05 or 5%

Computed X^2 = 123.9

Critical X^2 = 5.991

Decision Rule

If calculated X^2 is greater than critical chi-square (table value) we reject Null hypothesis (Ho) and accept alternative hypothesis (Hi) and vice versa.

Decision

Since the computed X^2 (123.9) is greater than the critical X^2 (table value) (5.991) we reject Null hypothesis (Ho) and accept the alternative hypothesis (Hi) which states that promotions and incentives decrease high labour turnover.

Hypothesis No. 4

Ho: All industries experience the same degree of labour turnover.

Hi: All industries do not experience the same degree of labour turnover.

In testing this hypothesis we shall rely on table 4.11 whether all industries experience the same degree of labour turnover.

Opinion	**Frequency**	**Percentage**
Agree	210	93
Disagree	13	6
I don't know	3	1
Total	**226**	**100**

Source: Table 4.11 reproduced

Computation of chi-square table of values

Opinion	o	e	(o-e)	$(o-e)^2$	$\frac{(o-e)^2}{e}$
Agree	210	75.33	134.67	18,136	241
Disagree	13	75.33	62.33	3885	51.6
I don't know	3	75.33	72.33	7233	9.44
					X^2 c = 179.96

Source: Computation

Degree of freedom = N-1 = 3-1 = 2 x 1 = 2

Level of significance = 0.05 or 5%

Computed X^2 = 179.96

Critical X^2 = 5.991

Decision Rule

If computed X^2 is greater than critical X^2 (table value) we reject Null hypothesis (Ho) and accept alternative hypothesis (Hi) and vice versa.

Decision

Since the computed X^2 (179.96) is greater than the critical X^2 (table value) (5.991) we reject Null hypothesis (Ho) and accept the alternative hypothesis (Hi) which states that All industries do not experience the same degree of labour turnover.

4.4 RESEARCH QUESTIONS ANSWERED

The research questions postulated in 1.4. in chapter one and analysed in 4.2 in chapter four will now be answered here in the light of the results.

Research Question No.1

High labour turnover has no effect on an organization. Do you agree?

Table 4.3.19 answered this question. The null hypothesis on that table states that High labour turnover has no effect on an organization.

The null hypothesis was rejected because the calculated X^2 (248.3) is greater than the critical X2(table value) of (5.991) thereby proving the alternative hypothesis rights, which states that high labour turnover has in effect on an organization.

Research Question No. 2

Has the Government done enough on their part with regards to provision of infractural facilities like good roads, power and water?

Table 4.2.8. answered research question no 7. In the said table under reference 12 (5%) of the respondents said Yes, 206 (91%) said No while 8 (4%) said they don’t know.

From the above data, we can rightly conclude that the government has not done enough as regards provision of amenities such as good roads, power and water.

Research Question No. 3

What effect. Will high labour turnover syndrome have on the employees and the employers?

Table 4.2.9. answered this question. In the said table – 210 (93%) of the respondents opined that it has negative effect. 10(4%) said it has positive effect while 6 (3%) said they don't know. Hypothesis No 2 also proves that high labour turnover has negative effect on employers and employees. We therefore conclude that high labour turnover has negative effect on employers and employees.

Research Question No. 4

Are there remedies for high labour turnover? Table 4.2.10 answered research question no 4 very well. In the said table – 216 (95%) of the respondents said Yes, 6(3%) said No while 4(2%) said they don't know. From the above data it is right to believe that there are remedies for high labour turnover in an organization.

Research Question No. 5

Do you think high labour turnover affects an organization.

Table 4.2.6. answered research question no 5. In the table under reference -213 (94%) of the respondents said Yes, 8 (4%) said No while 5(2%) said they don't know. From the data above, we can rightly conclude that high labour turnover affects an organization.

Research Question No. 6

All industries do not have the same degree of labour turnover?

Table 4.2.11. answered research question no 6. Table 4.2.11 -210 (93%) of the respondents said Yes, 13(6%) said No while 3 or (1%) said they don't know. From the data above, we can reasonably conclude that all industries do not have the same degree of labour turnover.

Research Question No. 7

Does promotions and incentives decrease labour turnover?

Table 4.2.12. answered research question no 7. In the said table under reference – 212(94%) said Yes, 9(4%) said No wile 5(2%) said they don't know. From the above data it is right to believe that promotions and incentives decrease labour turnover.

Research Question No.8

Do you think that not making room for training and growth by organizations contribute to high labour turnover?

Table 4.2.18. answered research question no 8. In the said table -216 (95%) of the respondents said Yes, 6(3%) said No while 4(2%) said they don't know. From the above findings, we can rightly conclude that not making room for training and growth contribute to high labour turnover in an organization.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction:

This section of the study will take care of the fin dings so far made, conclusion drawn and recommendations that will suit the findings. The concluding part of it however will dwell on the summary of the entire work to bring easily to mind what has been labored for without losing any fact. Facts will be made simply feasible and identifiable to easy appreciation of the entire dissertation. Having said much, it is important to also mention that the concluding part of the study will throw open the highlights in the research for an endearing labour employer's relationship including the way not to deal with labour.

5.2. Summary of Findings

From the research carried out on the causes and effects of high labour turnover in a depressed economy the researcher discovered the following:

1. That high labour turnover has an adverse effect on an organization.
2. That the remote and immediate causes of high labour turnover are
    - wages reduction

- employees seeking for greener pastures
- job dissatisfaction
- disagreement with fellow employees
- dissatisfied with company approach to lay offs

3. That government on her part has not done just enough in the provision of infrastructural facilities such as good roads, good drinking water, constant energy supply, tax holidays for infant industries etc.
4. That all industries do not experience the same degree of labour turnover.
5. That promotions and incentives decrease labour turnover.
6. That money is a great motivator. That increase in the pay packet of employees will automatically enhance productivity and reduce labour turnover.
7. That hiring and firing increases labour turnover of an organization as it makes present and future potential employees loose confidence in an organization.
8. That most organizations do not find it easy to fill up vacancies in highly skilled/technical positions.
9. That some organizations sometimes intentionally layoff some unproductive workers and this tends to be a blessing at times.
10. It was difficult to decide the future fate of the Nigerian worker in

the deregulated/depressed economy.

11. That many organizations do not make room for training, development and growth and these leave the workers with no sense of belonging and these subsequently lead to frequent labour turnover.

5.3. Conclusion

In the light of the above findings, the researcher concludes as follows:-

1. That high labour turnover has a negative and adverse effect in an organization.
2. That high labour turnover decrease productivity of an organization.
3. That high labour turnover decreases the economic rating index of an organization.
4. That based on the above implications that organizations should endeavour to eliminate factors that leads to high labour turnover.

5.4. Recommendations

Following the findings made and the conclusions drawn, recommendations are now made by the researcher as follows:

1. That organizations should endeavour to avoid the immediate and remote causes of high labour turnover such as- wages reduction, things that cause frictions in the employee's relationship develop a

good policy on staff recruitment and dismissal and introduce incentives that encourage workers to stay instead of leaving.

2. That government should endeavour two provide infrastructural facilities to encourage industries.
3. That promotions and incentives should be used as a tool to decrease labour turnover.
4. That money or increase in pay packet should be used as a great motivator to boost productivity.
5. That organizations should stop hiring and firing as these make workers to loose confidence in many organizations.
6. That organizations should make room for training and development of staff. This will pave way for staff growth and full confidence and a sense of belonging.

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of separations during month ÷ average # of employees during the month x 100. the annual turnover rate is then calculated by adding the 12 months of turnover percentages together.

Revenue per FTE is the total amount of revenue received during an organization's fiscal year divided by the number of FTEs.

Appendix 1

Department of Business Management,
Faculty of Business Administration,
School of Post Graduate Studies,
St. Clements University,
United Kingdom
10th September, 2012

Dear Respondents,

Questionnaire

I am a Ph.D student of the above Department and Institution carrying out a research on the causes and effects on High Labour Turnover, in a Depressed Economy.

I would be grateful if you can complete the questionnaire attached to this letter.

All the information that will be gathered from you will be used strictly for academic purpose and therefore will remain confidential.

Thanks for your anticipated Co-operation.

Yours Faithfully,

Eluu Vincent Ogbonnia
Researcher

Appendix 2

QUESTIONNAIRE

Instruction: Tick (X) in the box provided to indicate your choice of answer or write in the space provided

SECTION A

Personal Data

1. Sex

   Male ( )

   Female ( )

2. **Industry of Respondent Services**

   Accommodation, food and drinking places ( )

   Arts, entertainment and recreation ( )

   Retail/Wholesale Trade ( )

   All industries ( )

   High Tech ( )

   Government/Public-State/Local ( )

   Association- Professional/Trade ( )

   Utilities ( )

4. **Educational Qualification**

   OND ( )

   HND/Degree ( )

   Masters ( )

   Ph.D ( )

5. **Rank of Respondent**

CEO/MD ( )

General Manager ( )

Head of Department ( )

Senior Officer ( )

6. **High labour turnover has no effect on an organization.**

Agree ( )

Disagree ( )

I don't know ( )

7. **What are the immediate and remote causes of high labour turnover?**

i. Wages Reduction ( )

ii. Greener Pasture ( )

iii. Job dissatisfaction ( )

iv. Disagreement with Employees ( )

v. Dissatisfied with company's approach to layoffs ( )

vi. All of the above ( )

8. **Has the Government done just enough on their part with regards to provision of infrastructural facilities – like good road, power and water?**

Yes ( )

No ( )

I don't know ( )

9. **What effect will high labour turnover syndrome have on the employees and the employers?**

Positive effect ( )

Negative effect ( )

I don't know ( )

10. Are there remedies for high labour turnover?

Yes ( )

No ( )

I don't know ( )

11. All industries do not experience the same degree of labour turnover.

Agree ( )

Disagree ( )

I don't know ( )

12. Does promotions and incentives decrease labour turnover?

Agree ( )

Disagree ( )

I don't know ( )

13. Does increase in pay packet (salary) increase workers productivity and reduce labour turnover?

Agree ( )

Disagree ( )

I don't know ( )

14. Does hiring and firing increase labour turnover in an organization?

Agree ( )

Disagree ( )

I don’t know ( )

15. Does your organization find it easy to fill up vacancies in highly skilled/technical positions?

 Agree ( )

 Disagree ( )

 I don’t know ( )

16. Are there situations in which involuntary high labour turnover will be a blessing to an organization?

 Agree ( )

 Disagree ( )

 I don’t know ( )

17. Do you think that the future of the Nigerian worker is bright in a deregulated/depressed economy?

 Agree ( )

 Disagree ( )

 I don’t know ( )

18. Do you think that not making room for training and growths by organizations contribute to high labour turnover?

 Agree ( )

 Disagree ( )

 I don’t know ( )