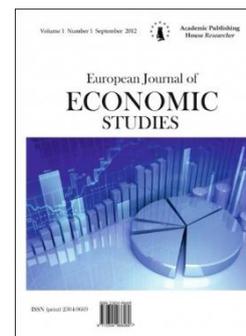


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Absenteeism as Predictor of Voluntary Turnover

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Abstract

This study examines the relationship of prior absenteeism and demographic variables on absenteeism and turnover intentions in a commercial bank in Bosnia and Herzegovina. Although there can be found a lot of research related to turnover in the literature, relatively little exists on the relationship of turnover to other behavioral outcomes, most notably absenteeism.

The article describes the results of the research done at the Faculty of Economics and Social Sciences of the International Burch University. There were two research objectives. The first objective was to find out whether absenteeism rates of employees who leave voluntarily show tendency to be higher than of those who stay with the company. The second objective was to find out will absenteeism explain statistically significant amount of variation in voluntary turnover beyond that explained by demographics, such as age and gender.

Data is collected from Human Resources Department in a commercial bank in B&H. Descriptive statistics is conducted to show detailed information about the sample. The findings show that absenteeism levels of employees who voluntarily leave is not higher than that of those who remain with the organization and that demographic variables explain voluntary turnover more than does the absenteeism.

This research identifies and systematize the main satisfaction factors that affect the work of banking employees.

In today's conditions of recession, for bank managers in Bosnia and Herzegovina and wider this research can be a guideline for better and more successful management of human resources.

Keywords: absenteeism, turnover, employees, organizational commitment components, bank.

1. Introduction

Commercial Banks have a major role in any country's economic activity and as such they control it. Although commercial banks generate employment opportunities for B&H citizens their approach also creates something known as "Employee Turnover Phenomena" Retention of key employees is a strategic issue for any organization and especially for the banks due to competitive pressures and often shortages of employees. Departure of employees means not only a human capital loss but also loss of accumulated knowledge. High priority of every organization, in order to create a competitive advantage is not only to "buy in" talented professionals with cross-functional skills but also to retain talents. Turnover is a major contributor to the shortage of employees in banking sector. Among the main reasons for turnover cited by the employees are: unproductive relationship with their supervisors and poor supervision, low salaries, no perspective for career growth, and heavy workload.

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The battle for talents in the work environment today and global changes in business world means that companies must offer more than rise of compensation packages.

In the banking industry, clients expect highly professional service. Overall image of the bank is highly dependent on its' employees and their professional and welcoming attitude and approach to clients. On the other side, banking sector has been facing high turnover and shortage of employees recently.

Speaking of absenteeism, it can be minimized through planning, supervision and application of best practice management principles. The cost of absenteeism for every company ranges from loss of productivity and wages to poor quality of goods/services demanding excess management time. Another negative effect of absenteeism is that employees who do show up at work are additionally "punished" by extra duties and responsibilities as they must fill in for their absent colleagues, feeling frustrated and unappreciated. Occasional absences from work are something that is inevitable as people get to have health problems/suffer injuries or have to take care of their family members or simply need to handle personal business during office hours. However, the most challenging absences for employers are "habitual absences" as they are considered to create the most negative impact on coworkers.

Absenteeism and turnover have important implications for companies and their performance in general. Both of these phenomena have direct impact on productivity and costs. In cases of turnover, the impact is reflected in the gap between departure of employee and recruitment of the replacement during which no one performs the job. Additionally, recruitment process of new employee generates cost. New employees with similar if not better skills and qualifications are usually more expensive in terms of salary and other benefits packages. In the case of absenteeism, the employee is still in service but valuable work-hours are lost which presents a cost for organization and increases administrative overheads (Halilbegovic et al, 2020). As a developing country, B&H has been facing both of these issues in banking business lately. Statistical reports presented by the Banking Agency of the Federation and Bosnia and Herzegovina, which is regulatory institution that conducts banking supervision, which shows that the banks have been facing reduction of overall number of employees of 0,04 % in the previous 3 years (Banking Agency of FB&H, 2016). The main reasons of this reduction are low salaries which range between 450 and 475 USD (Foreign Investment Promotion Agency of B&H, 2015) and migration to EU Countries (Dinc et al., 2017). This study examines the relationship between variables representing several explanatory models of turnover intentions and absenteeism among employees working in banking sector. The variety of the variables examined represent the complexity of the outcomes examined here, particularly absenteeism. The literature has justifiably noted that absences clearly do arise from a mix of causes; no one has discovered an absenteeism magic bullet. This research also aims to identify and systematize the main factors that affect absenteeism among employees working in banking sector. In today's conditions of recession, for bank managers in B&H and wider this research can be a guideline for better and more successful management of human resources.

2. Literature Review

Absenteeism is defined as not coming to work when scheduled. The common measure of absenteeism reported was "absence frequency", which was defined as the number of days absent over a given period of time. Other measures used were total days, duration and percentage. Causes can be from a personal lack of work ethics to a job avoidance strategy due to other work commitments (Blau, Boal, 1987: 288). Empirical research warns of a negative correlation between absenteeism and level wages and salaries. Generally, with well-paid jobs there is less absenteeism, and any increase in wages also diminishes the frequency of this phenomenon. On the other hand, absenteeism is positively correlated with the safety of the workplace (Smith et al., 1969). The number and duration of absences in people of different ages, gender, family responsibilities and qualifications are studied the most. It is characteristic, for example, that young people are missing more often than the elderly, but older ones are absent for longer periods (Newman, 1974: 610). Additionally, lower wages of employees working in banks contribute to a high turnover rate and shortage of employees in developing countries. Absence has a number of negative consequences (Bycio, 1992: 193). It reduces the productivity due to the absence of employees and insufficient utilization of work capacity. Workers who are not absent from work are exposed to additional effort and stress, causing a decline in morale and motivation as they have to compensate for work missions for missing

colleagues (Meglino, 2007: 493). It carries a significant financial loss to employers because it is necessary to pay for overtime or replacement for a person who is not at work.

Apart from the payment of sick leave at the expense of the employer, consideration should also be given to the possible costs of temporary workers who are replacements, additional engagement of managers dealing with the problem of substitution rather than more constructive work, and one should not forget a missed opportunity, such as lost sales, a drop in quality of services, and all-in turn, it reduces revenue. So, it can be concluded that the consequences of high absence fall in the satisfaction and morale of employees and their productivity (Caseio, 1991). Before deciding what to do to reduce absenteeism, it is necessary to assume or investigate what are the most frequent reasons for employees to be absent from work in a particular company. Namely, useful information is whether it is extremely challenging and stressful, do mothers with small children or women who care about elderly family members predominate among employees? Or maybe they are very young employees, without family responsibilities, who in turn make their extended weekends that they use for traveling and having fun (Wolpin, 2008: 57). Or it's about a company in which the mentality of overstated rights prevails, according to which employees look to how much they take from the company and do not see how they will contribute to company's success. In such companies, employees believe that the company exists for them to have a job and receive a salary. Monitoring absenteeism costs allows organizations to identify possible savings that could be achieved by investing in appropriate programs to reduce absenteeism (Stumpf, 1981: 148). False sickness is the most common choice when people are stressed, traveling, wanting to deal with some kind of private obligations, going to an interview for another job, or in conflict with an employer. Also, there are responsibilities at college, family problems or simply saturation. All this in addition to financial losses, results in a decline in morale and productivity (Moblely, 1982: 111). What can an employer do? Frequent absenteeism is a sign of upcoming fluctuations, and fluctuation points to negative tendencies and problems in the organization. It is considered that the rate of absenteeism is inversely proportional to the competitiveness of employees, and the competitiveness of employees is obtained by researching the human capital value.

Human capital value is measured by different indicators such as knowledge and skills of employees, professional internships, age, absenteeism, fluctuations, investments in education and the like (Cohen, Golan, 2007: 416). The employee turnover is defined as the number of permanent employees leaving the company within the reported period versus the number of actual active permanent employees on the last day of the previous reported period.

Two main kinds of turnover are voluntary and involuntary turnover (Williams, Livingstone, 1994: 269). It is very important to distinguish between these two basic forms of fluctuation: a deliberate and inevitable fluctuation. Inevitable fluctuations are those departures from an organization that cannot be influenced by either individuals or organizations (for example, due to retirement, death). Intentional fluctuation involves leaving the organization based on a personal decision and the desire of the one who leaves (voluntary) or based on organizational needs. This fluctuation can be controlled, and therefore can be avoided (Cotton, Tuttle, 1986). It is certainly quite important because it points to some negative trends and problems in the organization. It is a regular cause of dissatisfaction and an indicator of an unsatisfactory situation in the organization. It can disrupt the reputation of the organization as an employer and reduce the chances of successfully recruiting new employees, as well as further development of the organization (Johnston, Futrell, 1997: 141).

There are few theories about the correlation between turnover and absenteeism. According to Blau and Boal (Blau, Boal, 1987) the correlation between absenteeism and turnover depends on the employee type. Some employees would use absences for medical reasons only and in their case, decision to leave the company is not in correlation in any way with absenteeism. On the other hand, there are employees who exercise a different form of withdrawal in which absenteeism and turnover are directly correlated. In such cases, the withdrawal starts with absenteeism which further leads towards the decision to resign from the company (Halilbegovic, Ertem, 2020: 469). One of the explanations by Blau and Boal (Blau, Boal, 1987) is that in such cases absenteeism is used for different purposes which have a goal in career advancement such as trainings and education which then continue with unexcused absences for job seeking purposes which as a final consequence have resigning form the company after a new job is secured. According to Bycio (Bycio, 1992), there is an alternate explanation that supervisors tend to label employees who are frequently absent as trouble makers, attributing them

with deviant behavior and laziness. They give them low performance evaluation marks which pushes employees to even higher levels of absenteeism.

What can be concluded in majority of literature, although not all, through theoretical and empirical research favor the theory of close correlation between absenteeism and turnover.

3. Methodology

The study targeted employees working in targeted commercial bank in B&H (hereinafter the Bank) in two years' period (2017–2018), as well as voluntary leavers in same period of time. The Bank is liquid, solvent and profitable with positive growth tendencies in all segments of business. The capital adequacy is above legally prescribed minimum. All mentioned indicates higher profitability in comparison to other banks operating in B&H market. A large number of activities have been launched in order to define and strengthen corporate identity as well as social responsibility management. Implementation of corporate governance standards is ongoing.

Data was collected from Human Resources Department, and was analyzed by using Excel software package conducting descriptive statistics. It is important to note that collected data is unique to this research and, until it is published, no one else had access to it. Both primary and secondary data collection procedures were used, with primary data collected directly through field interviews, while secondary data was collected by accessing and reading research material and staff records within HR department of the Bank.

Two methods of data analysis were used: qualitative and quantitative. Main method used was questionnaire i.e., exit interviews. Besides being used to collect a large amount of data from the participants, questionnaire was also used for descriptive and explanatory research. Exit interviews were completed by respondents. The interview method has been used in order to obtain information and to increase the quality of gathered information.

Documentary review is a technique to obtain various information from various literature including books, journals, research papers and other documentary source relating to a certain field of study. Normally, it helps to gather both quantitative and qualitative data, and measure the consistency of information obtained through other techniques (Kothari, 2004). Various documents were used such as termination letters, HR files and different department reports

Targeted population of this study are employees of the Bank who voluntary left and those who were on the sick leave in the targeted period. Final sample consisted of 213 (number) employees.

Ethical conduct implies ethical values, confidentiality and anonymity of an individual, group or an organization. In this research the participants were notified about the nature of the research as well as the reasons for which it had been carried out, while informed about the confidentiality of their responses and were guaranteed anonymity.

All the ethical codes are followed while completing the research. The answers given by the respondents were kept confidential during the process of analysis and they were not required to give their name.

4. Discussion

This part of the study discusses the absenteeism level within the Bank and demographics of variables influencing turnover. It presents the profiles of the employees who left the Bank during 2017 and 2018. The findings are presented in form of graphs. Out of total average number of employees within the Bank during 2017, 27 % were absent in that year, while in 2018 that ratio slightly increased to 34 %.

Figure 1 shows the distribution of absenteeism of employees per those who stayed in the Bank and those who voluntary left. The results clearly show that the level of absenteeism is higher for employees who stayed in the Bank compared to the level of absenteeism of those who voluntary left the Bank. Based on this, it can be concluded that there is no positive correlation between absenteeism and voluntary turnover, considering that we see higher amount of absenteeism in the case of stayers. This finding differs from Cohen and Golan's findings, discussed in literature part, where frequent absenteeism is a sign of upcoming fluctuations, and fluctuation points to negative tendencies and problems in the organization, as well as findings of Wolpin and Burke (Wolpin, Burke, 1985: 57), Newman (Newman, 1974: 610) and Stumpf and Dawley (Stumpf, Dawley, 1981: 148), which indicate higher use of sick leave period prior to termination.

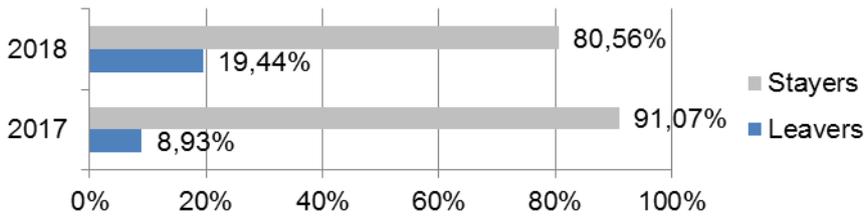


Fig. 1. Distribution of absenteeism per employees that stayed and those who left the Bank

The rise of turnover in banking sector calls for better understanding of critical issues. Table 1 shows trend of employee turnover in 2017 and 2018, as well as the reasons for leaving from the Bank, by the gender. The most significant reason for employee turnover is Mutual termination agreement which takes 66 % of total employee turnover during two years 2017-2018 in targeted bank. In one year, the employee turnover based on Mutual agreement increased by 44 %, from 16 to 23, and is almost equally distributed between male and female.

Table 1. Trend of Employee Turnover

Gender		Year		Total
		2017	2018	
Retirement	Male	1	5	6
	Female	1	3	4
Termination of the contract	Male	0	1	1
	Female	0	0	0
Mutual agreement	Male	6	12	18
	Female	10	11	21
End of contract	Male	1	3	4
	Female	1	4	5
Total		20	39	59

Age is one of the most studied demographic factors for both absenteeism and turnover. In general, older employees have lower rates of avoidable absence than do younger employees. On the other hand, older employees have higher rates of unavoidable absence, probably due to poorer health associated with aging and longer recovery when injured. Older employees have more investment in the organization (e.g., pension plans) and more to lose from voluntary turnover. Therefore, they are expected to remain in their employing organization (Becker, 1960: 32). 49, 15 % male and 50, 85 % female left the bank during two years' period, and their age group is shown in Figure 2.

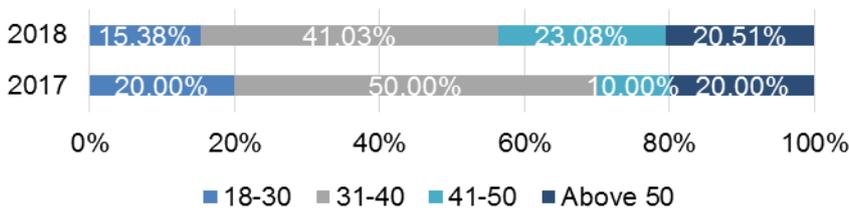


Fig. 2. Distribution of Leavers by Age

The next factor of the research is gender where 46,92 % respondents were male and 53,08 % were female respondents, in average for 2017 and 2018, which does not indicate significant difference of employee turnover per male and female.

The results of gender analysis are shown in Figure 3 below.

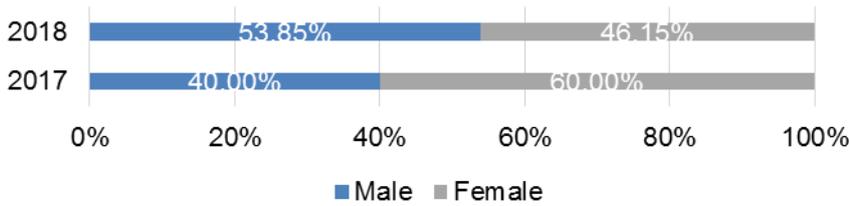


Fig. 3. Distribution of Leavers by Gender

Indications are that married employees have fewer absences, undergo fewer turnovers, and are more satisfied with their jobs than are their unmarried co-workers (Robbins, 2003). According to this, it is considered that due to increased responsibilities that marriage brings, employees would opt for a steady job perspective and thus there would be a positive correlation between marital status and employee’s length of service within the company.

The results of employee marital status are shown in Figure 4 below.

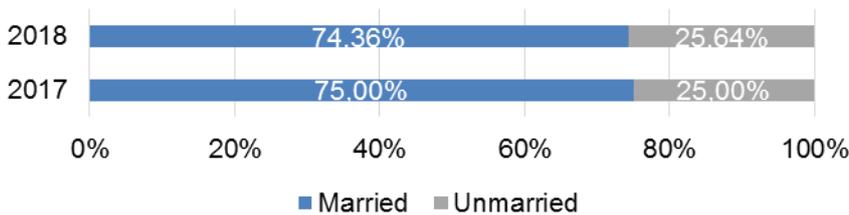


Fig. 4. Distribution of Leavers by Marital Status

Marital status shows an influence on absenteeism. The results show that in average 74, 68 % respondents are married and 25, 32 % are not married. Considering that targeted population reflect voluntary leavers the results show considerable difference between married and unmarried employees.

The relationship between age and absenteeism is considered in terms of whether absence is avoidable or not. Generally, older employees tend to have a lower avoidable absenteeism rate than the younger ones as oppose to unavoidable absenteeism that shows a higher tendency when it comes to elderly employees which can be explained by the fact that older people have more health problems and need longer recovery periods. This seems to be the case at Johnson and Johnson and Mercedes Benz, where age and health were highlighted as the main reasons for absenteeism among older workers (Robbins, 2003). However, the above is not supported by this study, where the results of age group of absent employees are shown in Figure 5.

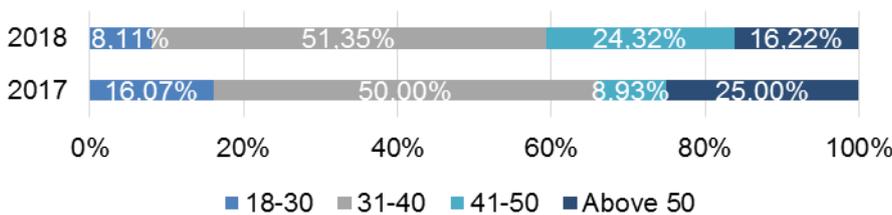


Fig. 5. Distribution of Absenteeism by Age

The next factor that has impact on absenteeism is gender. (Robbins, 2003) reported that research on absence consistently indicates that women have higher rates of absenteeism than men. This can be explained by the fact that in traditional cultures women are the ones who bear the burden of family responsibilities, for example, but not only, tending to sick children when it is traditionally expected from woman to take time off. Markussen (Markussen, 2009: 959) and Laaksonen (Laaksonen, 2008: 325) made a conclusion that regardless of marital status and whether they have children or not women tend to have higher rate of absenteeism.

The results of gender absenteeism of employees are shown in Figure 6.

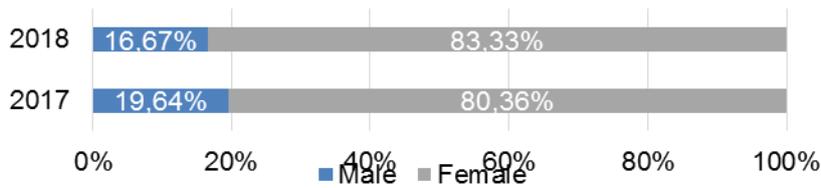


Fig. 6. Distribution of Absenteeism by Gender

Due to family obligations, women between 30-41 years of age tend to have a higher absenteeism rate.

As marriage brings a higher level of responsibility it leads to conclusion that job security is an important and valuable factor. It is related to studies of Westhuizen (2006) and Adebayo (2008) where they have shown a significant effect of marital status and the number of dependents on the frequency of absenteeism.

The results are shown in Figure 7.

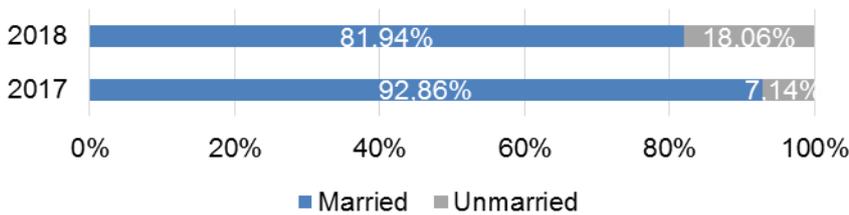


Fig. 7. Distribution of Absenteeism by Marital Status

Findings point to the conclusion that a certain critical group in terms of turnover can be identified. This group contains of married female employees between 31-40 years. This clearly indicates that gender, marital status and age of employees have significantly important implication both on turnover and absenteeism.

Figure 8 shows the distribution of voluntary turnover per employees who were absent and those who were not absent prior to leaving the Bank. For observed period the results show that the not absent ratio is higher in both years which indicate that absenteeism is not statistically significant variable for determining the voluntary turnover.

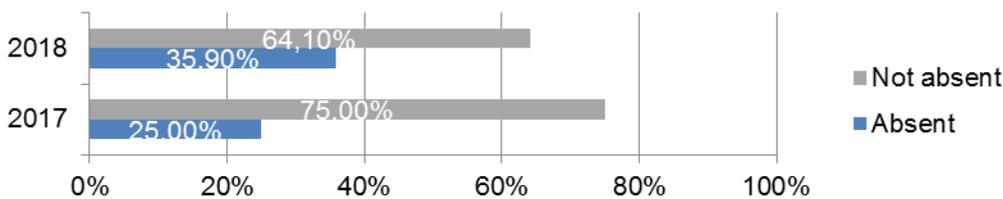


Fig. 8. Voluntary Turnover Explained by Absenteeism

5. Conclusion

From the findings and results of the study given above, it is possible to formulate conclusions:

- Absenteeism levels of employees who voluntarily leave is not higher than that of those who remain with the organization.

- Demographic variables, such as age and gender, explain voluntary turnover more than does the absenteeism.

There were 50,00 % in 2017 and 41.03 % in 2018 of age group 31-41 voluntary leavers that were absent, and it clearly shows that the age has higher effect on voluntary leavers compared to absenteeism. There were 60.00 % in 2017 and 46.15 % in 2018 of female voluntary leavers, and it clearly shows that the gender has higher effect on voluntary leavers compared to the absenteeism. Results also show that marital status has effect on the absenteeism of voluntary leavers as well.

There were 75.00 % in 2017 and 74.36 % in 2018 of married voluntary leavers that were absent, and it clearly shows that the marital status has higher effect voluntary leavers compared to absenteeism.

Managers need to better understand the importance and nature of turnover rate by better understanding a voluntary turnover as this type of turnover is at discretion of the employee. This study brings practical and theoretical benefit by offering suggestions to banking sector in order for them to be able to retain good employees and decrease the turnover rate by pointing to variables that most significantly impact the turnover rate in B&H. There is a constant interest both of managers and researchers if there is a connection between absenteeism and turnover which in the case of this research (sample) proved to have less importance compared to the demographic variables.

One of the goals of this study was to provide help to bank managers and especially HR managers to have a better understanding what causes turnover in the banks and to help them create strategies which will reduce the employee turnover. Additionally, it should also help to understand which are the factors that increase employee turnover trends in order to mitigate their effects by endorsing policies and regulations which will enable more effective retention process in banking sector.

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