

A “perfect turnover rate” for Costco would be marginally higher than their current rate of 5%. We recommend a turnover rate closer to 8% based off of current market statistics<sup>1</sup>. This would increase the knowledge retention in the employee base which is an important aspect of Costco’s ecosystem. However this 8% is still higher than Costco’s current rate which, as stated in the original document, “limits the fresh ideas that outsiders can bring to a company”. This lower than average turnover rate also saves Costco money in the long term because the cost of training new employees is high and new employees can lead to loss of revenue due to the lack of familiarity with their job.

Too low of a turnover rate would have substantial negative consequences that could affect a company's performance. The lack of new ideas in a workforce can be toxic to a company and can promote an echo chamber of stale employees. By repeating the same ideas and actions, companies can miss out on innovation which is important when attempting to compete with a high tech company such as Amazon. Low turnover rate can also produce employees who have lost interest in their job and are simply there because of their normative commitment<sup>2</sup> and fear of losing their pay.

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<sup>1</sup> <https://www.saba.com/blog/does-your-organization-have-healthy-employee-turnover>

<sup>2</sup> <https://www.mindtools.com/pages/article/three-component-model-commitment.htm>