

EMPLOYEES TURNOVER

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INTRODUCTION

- ⊠ Employee turnover refers to the total number of workers who leave a company over a certain time period. It includes those who exit voluntarily as well as employees who are fired or laid off—that is, involuntary turnover.

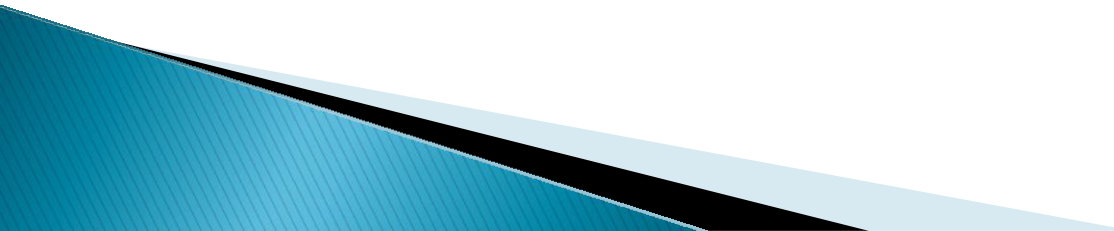
TYPES OF TURNOVER

- ☒ Turnover accounts for all separations, both people who leave the company on their own accord and those who are terminated or part of a reduction in force or round of layoffs. It also includes separations due to retirement, death and disability. Turnover is different from attrition in that it accounts for all departures from the company, where attrition considers only voluntary turnover.

TURNOVER RATES

- ✘ Turnover rates must be viewed in context, as certain industries, such as hospitality and retail, traditionally have higher than average employee churn. A company can and should benchmark its turnover rate across similar businesses in its industry to get a sense of how well it's retaining talent.
- ✘ Let's consider a restaurant. Personnel managers face challenges including employing many first-time, part-time, seasonal and student workers. Additionally, upward mobility for restaurant employees often occurs by taking positions at a new location. Yet even restaurants can develop solid "people plans" to lower turnover rates and improve team morale and cohesion, all of which lead to a better experience for guests

TURNOVER KEYS

- ❑ Turnover measures separations—employees who leave a company—within a certain time period. Separations include everyone who is no longer with the company, regardless of the reason.
 - ❑ Turnover is broken down into two types: voluntary, where people leave of their own volition, and involuntary, where people have been terminated or were part of a seasonal layoff for reduction in force.
 - ❑ Employees who voluntarily leave their jobs are often seeking more money and better benefits, career progress, a more optimal work/life balance, or to escape an ineffective or toxic manager.
 - ❑ Turnover is expensive: Gallup pegs the cost at between one-half to two times the salary of the employee
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TOP REASON OF TURNOVER

- ☒ Most studies of the causes of high voluntary turnover agree that more money and time off, better benefits, a promotion and the prospect of a more supportive boss are the Top 5 reasons good employees decamp to new positions.
- ☒ That reality shows that most turnover is preventable if a company is willing to spend on overall compensation, open up career paths, focus on flexibility and be on the lookout for ineffective managers—and take decisive action when they see higher than average attrition from one department.
- ☒ What drives intense employee loyalty? Online retailer Zappos is often cited as a case study of how to retain workers. The company issues a “Zappos Culture Book” that illustrates how it regularly achieves an 85% or better retention rate. It boils down to a culture that embraces creativity and cares about its employees’ happiness.
- ☒ Closing the loop, items that make employees happy: Good compensation and benefits and a positive culture, which is largely driven by direct managers.

COST OF TURNOVER

- ❑ The cost of replacing employees is a significant driver in business's initiatives to reduce both involuntary and voluntary turnover. Gallup estimates that the cost of replacing an employee is somewhere between one-half and two times the worker's salary.
- ❑ Doing the math, losing an employee with a salary of \$80,000 a year can cost the organization as much as \$160,000. A 100-person company that pays an average salary of \$50,000 and experiences 20% turnover could spend \$2 million per year replacing 20 workers at the cost of \$100,000 each.
- ❑ Turnover that is a result of hiring the wrong person and then being forced to quickly find a replacement is costly both financially and in lost productivity, morale and compromised quality of work.

TURNOVER BY INDUSTRY

- ⊠ All this begs the question: What is a reasonable level of attrition?
- ⊠ Turnover, like most benchmarks, must be viewed in terms of industry. What's high for one vertical industry may be completely typical for another. Retail and wholesale have the highest annual voluntary turnover rates at 37%, per the Mercer study, where the national average is 20%. Mercer says the job functions with the highest annual voluntary turnover are contact center/customer service (17%), manufacturing and operations (15%), and sales (14%).
- ⊠ Industries often calculate their turnover monthly; HR teams should look to industry sources and analysts for trends in their verticals. The U.S. Department of Labor also tracks job opening and turnover data on an ongoing basis.

CALCULATE EMPLOYEE TURNOVER

- ✘ Calculating your turnover rate may seem straightforward, but there are a number of components that can skew results. Companies with human capital management (HCM) specialists should get those experts involved in analyzing attrition rates and causes. Others can access insights from analysts, including the Society for Human Resources Management (SHRM).
- ✘ SHRM advises calculating employee turnover rate by dividing the number of separations during a month by the average number of employees on the payroll, multiplied by 100. Thus, to figure your employee turnover rate, you need to calculate:

EMPLOYEES TURNOVER PREVENTION

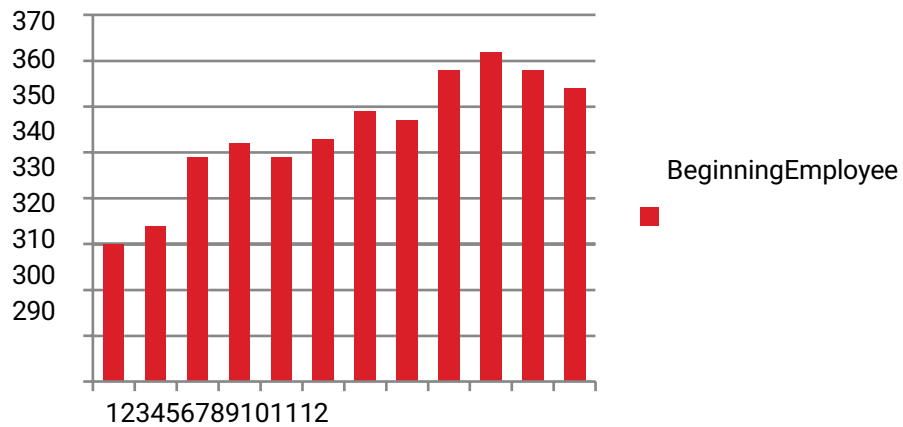
- ☒ Here's the good news: Excessive turnover is a fixable problem. And the solution, often, starts with departmental managers.
- ☒ Here are some best practices for HR teams.
- ☒ **Codify requirements for people managers:** Don't leave it to chance that front-line supervisors are checking in with their reports regularly or that they are discussing the factors that cause people to leave—including compensation, career path and better work-life balance. Remember: What's important to one high performer may not matter to another. It is absolutely crucial that managers uncover individual motivations and understand what will cause a person to not only continue to perform, but become deeply engaged with executing the company's vision.
- ☒ **Be proactive about communicating openings within the company:** When it comes to career development, people who leave are often looking for paths to grow and develop new skills that they believe are unavailable within the company. By publicizing opportunities to move to new roles—and making sure there are no adverse effects for applying—HR can both minimize recruitment costs and aid with retention.

TABLE

Month	BeginningEmployee	NewHires	Separations	EndingEmployees
Jan	320	9	5	324
Feb	324	18	3	339
Mar	339	5	2	342
Apr	342	2	5	339
May	339	10	1	348
Jun	343	3	2	349
Jul	349	5	7	347
Aug	347	20	9	358
Sep	358	9	5	362
Oct	362	3	7	358
Nov	358	1	5	354
Dec	354	6	3	357

AverageMonthlyEmployee	348.0833333
TotalSeperation	54
EmployeeTurnover	15.5135%

BeginningEmployee



EndingEmployees

