18 Employee turnover: Facts and why you need to know them

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Employee turnover is in one way or another, a part of business, and usually, it is viewed in a bad light. This is mostly because trying to replace employees, especially key employees, can be an expensive and almost impossible endeavour, and more often than not, adversely affects the company's bottom line.

As highlighted in Jimmy Smith's 2009 article, “12 Reasons Employees Leave Organisations", high turnover could well cost a company a third (33%) of its complete wage bill (both salaries and benefits). In addition to this, high turnover companies can be outperformed by their lower turnover counterparts, with the latter being found to be up to four times more profitable. While all this is happening, businesses have to contend with maintaining employee morale to prevent the effects of a demoralised workforce. This shows just how important it is for every company to be aware of its *employee turnover rate*. But what is *employee turnover*?

Defining employee turnover

Employee turnover refers to the number of employees who leave the company within a specified period of time. Turnover encompasses quits, discharges, layoffs and other forms of separation. Quits typically refer to voluntary turnover which the employee initiates. It then follows that the quits/voluntary turnover rate may be used as a gauge or indicator of the inclination or tendency of the employees to end up leaving employment. Layoffs and discharges are involuntary turnovers which the employer initiates. These are the two most common forms of separations but turnover can also arise from death, retirement, impairment & disability as well as transfers to other sites of the same organisation. A high employee turnover rate indicates that many employees leave the company within a specific period. *Low employee turnover*, on the other hand, speaks of a fairly stable workforce and may indicate that employees prefer to stay within the company. It may be worth noting that *high employee turnover* is not necessarily a bad thing, whilst, *low employee turnover* is not necessarily a good thing.

Calculating Employee Turnover Rate

Calculating *employee turnover* may seem like a daunting task but it is easier than most would realise.

Monthly turnover refers to the *employee turnover* in a given month and is given by the number of employees that leave an organisation in a given month. The monthly turnover rate is the monthly turnover as a percentage of the average of employees employed by the company in the month in question. It is calculated as follows

*Monthly Turnover Rate=Number of employees that left during in the monthAverage number of employees employed in the month**100

The period in question does not need to be a month-long period. A common alternative is the annual turnover, which considers turnover during a given year. The calculation is similar to that given above as indicated below.

*Annual Turnover Rate=Number of employees that left during in the yearAverage number of employees employed in the year**100

Reasons for employee turnover

High turnover for the workforce is costly. This costs valuable time and resources, which can lead to a lack of confidence among workers. This could also tarnish your credibility, with people thinking your company is a bad place to work.

A certain turnover of the employees is inevitable. Retirement, transfer, and school leaving can not be stopped, for example. But monitoring your employee turnover is important, and understanding why employees leave if you want to avoid negative repercussions.

Fact#1: Lack of Learning and Development Opportunities Increases Turnover

Growth and development opportunities are very necessary for successful employee retention. If an employee feels stuck in a dead-end job, they are likely to turn to other companies for ways to boost their status and earnings.

Your employees would like to know they're a valued part of the team. Play an active part in their professional learning and development to show that you are involved in their success and, in effect, this will increase their loyalty to their company.

Promoting learning and development will also keep the workers developing continuously. You'll improve workforce efficiency and recruit new employees.

Fact#2: Overworking Employees Increases Turnover

It may seem natural that you ask your workers to take on extra duties during times of economic strain. You might need to let workers go and ask the remaining staff to catch the slack by working longer hours or even weekends. Yet telling staff to choose between working life and personal life is never going to sit well. Alternatively, as workers get irritated, it can lead to a higher turnover.

Fact#3: Lack of Feedback Increases Turnover

If you stop providing feedback, your workers could be driven away. Feedback is the first step in ensuring that the employees succeed, and ignoring this phase may harm their performance.

If an employee struggles, your truthful feedback will help them handle their workload and regroup.

Ignoring the feedback opportunity, or giving unhelpful feedback, would leave your employee to struggle, become disheartened, fail, and finally give up.

Fact#4: Micromanaging Employees Increases Turnover

Are you micromanaging your staff? If so, you're saying, 'I don't think without me you can do that properly.' In reality, micromanaging forces out the chance to innovate, which is not what you want. Stifled, the lack of independence, which leads to high turnover, is likely to frustrate micromanaged employees.

Alternatively, trust the employees to work well. Give them some flexibility and you're sure to see their engagement levels skyrocketing.

Fact#5: Poor Recruiting Increases Turnover

It is difficult to find the ideal employee but it will never end well to force a match with an employee who is simply not right for the culture or values of the company. Even if you are desperate to fill that role, it's bad for you, your company and the employee to choose a poorly matched employee.

When dissatisfied, nobody does their best work and an incompatible employee is unlikely to be pleased with their new job.

To make sure you get the candidates you want:

Clearly describe the role. You need to establish the skills which the successful applicant should possess, before advertising for a job. Sifting through candidates without the right qualifications is a waste of resources and time. By describing the job role clearly, you will be recruiting the right candidates and easily rejecting unqualified applicants.

Clarify whether the candidate has the skills and knowledge that are desired. Engage the applicants to assess their skill in role-playing or realistic training. Through asking questions designed to understand how they will respond in various 'on-the-job' scenarios, you can learn more about their thought process.

Ensure sure the applicant fits in with the organizational culture. Use the interview stage to examine the behaviour, values and outlook of an applicant more deeply. Use this process to evaluate how well they interact with the interviewer. Steer clear of questions requiring 'yes'

or 'no' (commonly known as 'closed questions'). Open questions help you uncover the true sentiments of the candidate.

Fact#6: High Employee Turnover Can Be Costly

The cost of *employee turnover* can be a relatively high one to pay, especially if the company had invested in an employee and groomed them to be the best version of themselves. Consider that in such a case, the company would have lost an employee that they invested company resources into hiring, then training, as well as, paying for any certifications or educational advancements that were afforded to the employee. The company would now have to repeat the process yet again and at times the business conditions would not be as ideal as they were with the last time around with the exiting employee. This is just one example of the ways that *employee turnover* can affect a company.

Fact#7: Performance Of Business Is Affected By Turnover

According to a 2018 article by M.T. Wroblewski called Negative Effects of Employee Turnover, there is a perceived decrease in a company's profitability and customer satisfaction which can be attributed to *employee turnover*. The reasoning behind this is that as key skilled workers quit, the company is left with the less skilled. The quality of business strategies and service offered to customers declines. This can also be because most customers usually get attached to certain employees. If the consumer relationship is breached, the overall terms of business may also be put at risk.

Fact#8: Productivity Is Affected By Turnover

The productivity of individuals and teams can decline as a result of employee turnover. To begin with, new employees need to go through a period of adjusting to the new workplace, which implies that some tasks being worked on by the new recruit may take longer to complete. Consequently, there may also be disruptions in teams that rely on their new recruits to help them get things done. This point goes hand in hand with the following one.

Fact#9: Continuity Is Affected By Turnover

Moreover, a high turnover rate can also directly impact the quality of customer service, particularly for businesses in consumer-oriented industries. When the most experienced employees leave, they take their skills with them as well as some other internal processes which are important for someone to do well. It could raise a customer loyalty issue, which may be at risk if you have consumers who may find it difficult to express their typical complaints to new customer service employees. Not to mention, a new employee may not be as competent as your previous, more seasoned employees. A Gallup article by Benson Smith and Tony Rutigliano titled "The Truth About Turnover" shows that turnover emanating from key employees being reassigned to different departments or business functions can also be detrimental to productivity and continuity, particularly when the managers who are expected to supervise them are not well prepared for such a transition.

Fact#10: Task Management Is Affected By Turnover

In addition to the productivity problems, *employee turnover* also affects the number of tasks that get completed. The Encyclopedia of Business asserts that it can be a challenge for teams where the turnover of employees is high. The completion of daily tasks or functions can be slowed immensely, particularly if there is a lack of efficient communication or knowledge sharing between former and current employees.

Fact#11: Recruitment Efforts Are Affected By Turnover

A high turnover rate may give companies a poor reputation and potential employees may be dissuaded from a joining that many other people want to leave. Recruiters testify that placing eligible applicants to a company where there is a history of excessively high turnover can be a challenge to them.

Fact#12: The Team Dynamic Is Affected By Turnover

Frequent abrupt changes in a workforce can have significant implications on the ability of a team to develop relationships with each other. This can be incredibly challenging and can take a long time for teams to adapt. It becomes apparent when they have to gel with and accommodate a new employee's work habits, the same outsider that has been brought in to replace someone from their cohort.

Fact#13: There Is Such A Thing As Good Turnover?

For all the drawbacks that *employee turnover* brings to the company, you may be shocked to hear that certain forms of turnover may actually be good for business. For example, internal turnover – which is the transfer of staff from one project or function to another – can be beneficial because you can maintain your highly qualified and educated workers within your company.

The trick is to use *employee turnover* as an opportunity to refresh your workforce whilst strengthen your recruiting and management practices. Doing this allows the company to expand and develop further.

Here's how a company can make the most of the fair share of employee turnover:

Fact#14: Turnover Presents An Opportunity For Better Talent

If it helps you to get rid of unproductive employees in favour of someone who can add value to your company, a bit of turnover can be good. It's a tactic that worked well for General Electric and his former CEO, Jack Welch, who made it part of the company's annual management agenda to substitute workers at the bottom 10 per cent of the workforce. In turn, for years General Electric has been a market leader and a successful business. Paul Brown speaks more about this strategy in his 2015 Inc.com article, "Should You Fire 10% of Your Employees Every Year?".

Today, more companies are following suit, participating in the ranking of employees to better classify the top 20 % and middle % of their staff, which they use as a basis for offering compensation and training opportunities.

Fact#15: Turnover presents the Opportunity To Eliminate Complacency

It also has much to do with certain employees' attitudes, who are not working hard enough to keep up with the mission of the company to constantly seek and improve the goods or services.

These workers hesitate to step things up to a higher level because they are too happy with their current position or rank. Nevertheless, it goes without saying that a stagnant firm and employees may be a poor formula for business success.

Fact#16: Turnover Presents The Opportunity To Review Labour Costs

Without knowing it, a company can incur labour costs and thus *employee turnover* may give the company a chance to review the remuneration and retention policies. An appraisal system that measures the performance of a company's employees is specifically designed to help companies determine which of their workers need pay increases or promotions, or which ones require mentoring.

Employee appraisal and ranking can even help managers tackle performance issues among unproductive workers and come up with appropriate interventions to help somebody improve before the need for job termination arises.

Fact#17: Turnover Presents The Opportunity For Fresh Perspectives

Bringing new recruits on board gives companies the chance to explore a fresh generation of thinkers and doers that may have a different collection of innovative insights from the existing workforce.

A diverse collection of employees can provide the balance necessary to objectively determine which ideas will drive your business growth. The new recruits will also have gained valuable knowledge elsewhere that can help form the company's new directions.

Fact#18: Turnover Presents The Opportunity To Be More Competitive

In today's society, where technological advancement is the trend, companies need employees who can adjust to real-time changes. Otherwise, companies can find themselves stuck with employees who do not understand how vital it is to quickly take the opportunity to learn new ways of solving problems in the workplace. Such an approach is necessary for a company to make huge strides into being a trend-setter in an industry.

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