How to Better Understand and Manage Employee Turnover

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Employee retention defined as the organizational goal of keeping talented employees and reducing turnover. Employee retention is normally measured as a percentage. For example, an annual retention rate represented at 70% indicates that the organisation kept 70% of its employees in that period and had a 30% attrition. Employees that were lost could have been from natural means like retirement or it could have been through resignation, termination of contract and other similar reasons. Regardless, turnover costs and employee disengagement are costly to an organisation and an effective employee retention strategy is encouraged for organisations.

It is estimated by the research organisation Centre for American Progress that it costs businesses about one-fifth of a worker’s salary to replace that worker and this is just the conservative financial costs. Included in these costs are the advertising, interviewing, screening, and hiring processes. There are also non-financial costs that are linked to employee turnover the most obvious being the time it takes for a new recruit to fully acclimatise to the workplace.

It can take months for a new employee to get up to the productivity of an existing employee meaning an increased risk of errors made by overburdened co-workers. High employee turnover can also affect the remaining employees by way of low morale, which translates into low employee engagement and consequently muted business performance. The impact of high employee turnover employee can also result in a negative reputation for companies as potential employees may find it alarming that people are choosing to leave the organisation.

What then must be done to foster an environment that keeps employee turnover at a manageable and reasonable level? It is worthwhile to know that the optimal turnover rate differs from industry to industry. The food services industry is prone to one of the highest turnover rates in any industry. The combination of seasonal employees, a young workforce that is still in school, and historically low wages create a basis for consistent employee turnover. On the other hand, fields such as academia have some of the lowest staff attrition rates.

But what are the common causes of employee turnover? There are a few common causes for turnover, namely lack of professional advancement, bad management, tedious job duties, and unsatisfactory remuneration.

Horrible bosses are a major source of turnover. Voluntary turnover is more likely to occur in employees who do not feel valued or respected by their superiors than those who have more positive relationships with their supervisors. Bosses who do not provide employees with sufficient support or recognition for good performance can demoralise employees and ultimately attrition. Additionally, if managers show partiality or lack the basic leadership qualities, they may fail to gain their subordinates' confidence and fail to garner loyalty from them.

Employees who wish to work for the foreseeable future usually require a platform within the organisation which encourages career growth and advancement. A new hire, for example, may have the aspiration of acquiring greater responsibility and rising through the managerial ranks throughout their career. When after many years of work the employee fails to receive a promotion, they can become demoralised and feel trapped. Employees who feel they have stagnated in their career and see no hope of advancement with the current employer are likely to leave and pursue opportunities for advancement with other companies

New hires do not always realise the actual responsibilities and duties that they will be expected to perform when they initially accept a new job. Even tenured employees do not always know what will be expected of them in the future as work duties assigned to them sometimes change over time based on the employers' needs. If the work that is expected of the employee is adversely different from the anticipated and leads to the employee failing to derive much satisfaction from their job, they may begin searching for other opportunities. Furthermore, if job activities are physically challenging or risky, or are mentally taxing, employees may leave searching for safer, less strenuous or stressful jobs.

Organisations must thus aim to perfect the onboarding and orientation process. Employees should be set up for success from the start. Forbes magazine puts the percentage of new hires that leave within 45 days at 20%. To prevent this revolving door of hires, organisations should aim to develop an onboarding process where new staff members not only learn about the job but also the company culture and how they can contribute and thrive, with ongoing discussions, goals and opportunities to address questions and issues as they arrive.

Employees agree to perform certain tasks and provide services in return for a certain level of pay and benefits. Employers who underpay employees or neglect to provide desirable benefits are likely to experience higher turnover rates than employers providing appropriate wages and benefits. Large organisations will usually have an advantage over small startups in terms of compensation, because they usually have superior negotiating power, allowing them to reduce the expense of offering services such as health insurance coverage.

In a competitive labour market, it is very essential to offer attractive wages as this is one of the biggest reasons why employees jump ship. Whilst benchmarking remuneration to the market is a fair way of retaining employees, other factors should also not be neglected. These include but are not limited to recognition and rewards systems, Work-life balance which can lead to burnout if ignored, training and development, and the communication culture within the organisation.

A stable workforce is an asset to an organisation. This can be achieved by reducing undesirable turnover through better benefits and workplace policies that make good business sense, as it can result in significant cost savings.

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