Employee Turnover

Why are employees leaving your organization? Do you *really* know? If you don't, there's no way you can effectively do anything about it. That's where a structured analysis of your employee turnover will come in handy, and help you become proactive in an area of employee relations that can be extremely beneficial, not to mention cost effective down the road.

Most developed countries and regions like Europe, Japan and the United States are facing severe labor shortages in just a few years, as large portions of their populations reach retirement age, and there aren't be enough young people coming along to fill all the vacant positions. Technology and restructuring functions will help a little, but alone, they won't come close to filling the void. Good companies are looking ahead to the coming crisis and are realizing that keeping the employees they've got is critically important to their future. Many are even evaluating and rewarding managers and supervisors on retention of employees in their areas of responsibility…and correcting or replacing those that can't improve their numbers.

But to create consistently high levels of retention, you first have to understand why people are leaving or being terminated. This is especially true if you're experiencing high leaves of employee turnover, a situation that could cripple your company in coming years. But analyzing employee turnover doesn't have to be complicated or expensive. Any company, of any size, can do an effective job of it. Simply start with a spreadsheet. Obtain data on all employees that have left your company during the last three to five years, in order to do an immediate analysis and take some action. Or at least create a spreadsheet to start capturing data as employees leave, going forward. While that won't help you now, a couple of years down the road, you'll have a good picture of your turnover situation.

Capture data on individuals, such as their name, their position, their status (salaried or hourly), their age or date of birth, race (if available), their date of hire and date of departure, how long they were with you, the department they were in when they left, their supervisor's name, their reason for termination or leaving, annual salary and an estimated cost to replace them. Set up your spreadsheet so you can sort on these various items, such as number of people leaving from a particular department and their tenure while they were there. Are a lot of people leaving a particular job or department after only six months to a year? This can give you and your management teams some interesting feedback, and a myriad of information. But let's take a closer look at some of these items.

Reason for leaving or termination: Try to "standardize" some buckets for collection purposes, such as pay, benefits, spouse moving, family responsibilities, even specific disciplinary reasons, etc. Don't make too many, but don't make them too few either. And during exit interviews (you should be doing these if you're not now), don't just automatically take the first reason they give. Dig a little deeper to see if you can find the *real* reason they're leaving. A lot of people say "more money," when the real reason is something else, or they don't want to complain about their supervisor or someone else they work with. Then analyze the "buckets" and look for trends. If a lot of employees are quitting for "family reasons," you may need to evaluate your personnel policies or family-leave provisions in order to be more family-friendly.

Date of birth: If you find a high exodus rate among one generational group, like Gen Xers, Gen Ys or Baby Boomers, you may need to look at advice or counsel on how to deal internally with these generational differences. Experts can tell you that different generations respond differently to certain things. What's acceptable or expected by one group may be a complete turn-off to another. You may have an internal cultural problem, based on generational differences.

Average age of terminated employees: Look at the average age of employees leaving and you may find a need to restructure benefits. Not only are there generational differences in attitudes and characteristics, but also differences in needs and benefits.

Departments, supervisors or specific positions: If any of these (a specific department, supervisor or position) seems to have an abnormally high turnover rated, it may call for a concentrated look by the HR department. Individual managers or supervisors may need additional training and education. If a specific position seems to exhibit high turnover rates, it may need to be restructured to make it more challenging (or less challenging), cleaner, safer, or more interesting.

Salaried versus unsalaried: High turnover in non-exempt positions may also indicate the need to restructure certain jobs. And high turnover in exempt positions can be a serious problem, since these are usually "skilled" jobs that the company needs fulfilled. While there are legal issues between exempt and non-exempt positions, everyone wants to feel important, valued and appreciated.

Ethnic or demographic groups: Turnover in certain minority groups may show policies or practices that unintentionally have a negative impact on specific groups that need to be addressed. High turnover among females may indicate an unreported harassment issue. Or the inability to retain older workers may mean the work requirements are too strenuous. Maybe they can be alleviated?

Salaries: Are you competitive with your industry and region in salaries? High turnover based on pay as a reason for leaving may indicate you need to take a look at your pay scales. This may justify taking a fresh look at industrial engineering issues and even cost accounting to see if jobs can be combined, eliminated or altered. Sometimes this can actually result in a savings to the company. For example, the functions of two $8-an-hour jobs might be combined into a single job that pays $12-an-hour?

Cost of replacement: Experts estimate it can cost from one to three times the annual salary to replace someone, and that doesn't even take into consideration the lost knowledge and productivity. If you have high turnover in higher salaried, exempt positions, it could be costing your company a lot of money to deal with continuous replacements in those jobs. This data will emphasize the need for action and provide a "cost-savings" matrix to consider when making necessary changes to retain people, even if they cost money. The savings in the "cost of replacement" may well justify the expense.

Termination dates: Do you have a trend in seasonal departures? For example, many employees leave immediately after annual bonuses are paid out, or commissioned sales people leave during annual slow periods. Is there a way to "smooth out" the impact of those periods on pay?

Tenure: Are employees only staying with you a short time and leaving in the first year? It could be a simple problem in orientation and training that is easily rectified. Or the job description or what was "promised" during the recruitment phase don't match up to reality. Sometimes new employees get assigned to work with a supervisor or another employee that has a very negative attitude, or behaves in a manner that “runs them off.” This individual is costing you a lot of money, and it’s not the new employee that only stays with you a short time.

Averages: Calculating several simple averages can give you benchmarks to measure against. Determine the average turnover for the company and the average tenure of employees. Then use these averages in evaluating and assisting specific department managers to see if they are doing better or worse then the company as a whole.

As you can see, after completing your spreadsheet the work really begins. Now you can sort on a series of variables within the spreadsheet to produce reports, which you can then start to study and analyze. Look for both short term and long-term trends that can help you plan action steps. Don’t make precipitous or “knee-jerk” decisions. Really analyze the data to determine what it is “really” telling you. This can also help in budgeting, especially the cost of replacement data.

Remember, this is not a one-time project. Continuously posting information to the spreadsheet as employees leave is necessary to keep the data up-to-date. And revisit reports periodically to look for new trends and hopefully improvements in the overall area of employee retention. Constant vigilance and study will pay off in big ways.