

## Hidden Revenue in Employee Turnover

Given the continuing news about job losses and rates of unemployment, many of us may be surprised by recent survey reports on employee turnover. Business owners and managers may be particularly surprised, since the costs of turnover (up to three times an employee's annualized pay) have been well documented.

The Job Openings and Labor Turnover Survey (JOLTS), released monthly by the U.S. Bureau of Labor Statistics (BLS), reported that 54 percent of employment separations recorded in August were voluntary quits. That was up from July and nearly 11 percent higher than the number of job quitters recorded in August 2012.

The BLS findings support those described in recent human resources benchmarking reports indicating that voluntary turnover is increasing since a 2010 high level (and subsequent dip), and employee job satisfaction is decreasing since that year.<sup>1</sup> A recent poll by Right Management found that eighty-three percent (83%) of the workers who participated in an online poll say they intend to actively seek a new position in 2014.<sup>2</sup>

Despite reports that would seem to direct attention to the issue and expense of employee turnover, results of a recent survey by AMA Enterprise<sup>3</sup> reveal:

- Only 42% of 977 organizations surveyed have a formal process for measuring employee turnover
- Twelve percent (12%) don't track turnover and
- Nearly one-third of responding managers didn't know their organization's turnover target.

What employer wants to be left watching as high-performing employees see opportunities to switch jobs and take their skills and relationships with them? What can business leaders do?

Know what's measured. There is at least one common measure of turnover:

$$[(Total \# \text{ of separations during the period}) \div (Average \# \text{ of employees during the period})] \times 100$$

Typical variations include measuring voluntary vs. involuntary turnover.

Identify and understand what's important. Knowing one overall turnover rate for your organization and how it compares with data within your industry, company size, geography, etc. may be interesting but may not be useful management information.

More informative may be to measure and understand turnover (overall, voluntary and involuntary) within your organization over time. Talk with and learn from departing employees. Identify trends, needs and opportunities.

It may also be informative to measure turnover within a key job or group of jobs – or within a location or department:

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<sup>1</sup> SHRM Human Capital Benchmarking Database (2010-2011, 2011-2012, 2012-2013). All-Industry Avg TO Rates by type – and – SHRM 2012 Employee Job Satisfaction and Engagement: How Employees are Dealing with Uncertainty.

<sup>2</sup> Right Management surveyed 871 employees in the U.S. and Canada via an online poll that ran from October 16 to November 15, 2013.

<sup>3</sup> AMA Enterprise, division of the American Management Association. Survey conducted from Dec. 18, 2012, to Jan. 6, 2013.

Is there a particular key job from which employees are leaving? Is there a particular location or department that calls for attention? How can the measurement(s), combined with employee comments, lead to savings in recruiting/hiring dollars, focus employee retention efforts and build engagement?

The value of managing turnover lies in your ability to respond to these business questions.

Consider an example:

In a geographically dispersed organization, Site Managers lead teams of approximately 20 to 30 employees working at each of six sites. Employee groups at each site include multiple Site Supervisors who report directly to a Site Manager.

Because individuals in the supervisor roles have historically been promoted into Site Manager roles, both the Site Supervisor and Site Manager jobs are identified as key roles to meet the organization's strategic goals.

Based upon routine internal measurement and reporting, organization-wide, voluntary and involuntary turnover rates are at or below industry and area market benchmarks. Yet, business leaders are frustrated and share a growing concern about whether Site Managers can meet company performance expectations.

What opportunities does the situation provide for collaboration among business leaders?

Calculation of turnover within the Site Supervisor job alone (a key job) reveals that voluntary turnover is significantly higher than organization-wide turnover. Further, supervisor turnover has been increasing in the last year at a rate higher than organization-wide turnover.

Measuring these internal trends leads the leadership team to explore further: to identify and address what is happening within the organization that impacts turnover in the Site Supervisor job:

- What are departing employees saying (in exit interviews) about their reasons for leaving?
- Is there important information to be learned from current Site Supervisors, from direct reports, from Site Managers?
- Based upon the above and to meet organizational goals, what ideas can be generated to improve selection of Site Supervisors, to better engage them on the job, to retain their skills and to lead to strong succession into available manager roles?

This approach and collaboration among leaders (executives, operations and Human Resources) will lead to improved responses to the needs of the organization. Turnover measurements will move from broad-based data in periodic reports to useful management tools that help address business needs.

As other organizational changes, this approach requires collaborative understanding of business strategy and goals, potentially introducing new ways of managing some key employment practices.

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