

Employee turnover and retention essay sample



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Employee turnover

Employee turnover refers to the proportion of employees who leave an organisation over a set period (often on a year-on-year basis), expressed as a percentage of total workforce numbers. At its broadest, the term is used to encompass all leavers, both voluntary and involuntary, including those who resign, retire or are made redundant, in which case it may be described as 'overall' or 'crude' employee turnover. It is also possible to calculate more specific breakdowns of turnover data, such as redundancy-related turnover or resignation levels, with the latter particularly useful for employers in assessing the effectiveness of people management in their organisations.

Retention

Retention relates to the extent to which an employer retains its employees and may be measured as the proportion of employees with a specified length of service (typically one year or more) expressed as a percentage of overall workforce numbers.

- Measuring turnover and retention

Measuring employee turnover

Organisations may track their 'crude' or 'overall' turnover rates on a month by month or year by year basis, expressed as a percentage of employees overall. The formula is simply: Total number of leavers over period x 100

Average total number employed over period

The total figure encompasses all leavers including those who leave

involuntarily due to dismissal or redundancy (and as a result of retirement). It also makes no distinction between functional (that is, beneficial) turnover and that which is dysfunctional. Crude turnover figures are often used in published surveys of labour turnover as they tend to be more readily available and can be useful as a basis for benchmarking against other organisations. However, it is also useful to calculate a separate figure for voluntary turnover – specifically, resignations – as such departures are unplanned and often unpredictable (unlike, say, planned retirements or redundancies) and hence can have a particularly adverse impact on the business. It may also be helpful to consider some of the more complex employee turnover indices which take account of characteristics such as seniority and experience.

Measuring employee retention

A stability index indicates the retention rate of experienced employees. Like turnover rates, this can be used across an organisation as a whole or for a particular part of it. The usual calculation for the stability index is:

Number of staff with service of one year or more x 100

Total number of staff in post one year ago

Costing employee turnover

The costs associated with employee turnover (related to resignations rather than, say, redundancy) may be estimated by calculating the average cost of replacing each leaver with a new starter in each major employment category. This figure can then be multiplied by the relevant turnover rate for

that staff group to calculate the total annual cost of turnover. The major categories of costs are:

- administration of the resignation
- recruitment and selection costs, including administration
- covering the post during the period in which there is a vacancy
- induction training for the new employee.

Many of these costs consist of indirect management or administrative staff time (opportunity costs), but direct costs can also be substantial where advertisements, agencies or assessment centres are used in the recruitment process. More complex approaches to turnover costing give a more accurate and invariably higher estimate of total costs. These could include measures estimating, say, the relative productivity of new employees during their first weeks or months in a role and that of resignees during the period of their notice (both likely to be lower than the productivity levels of established employees). In practice, however, the vast majority of employers do not calculate the specific costs of employee turnover.

- Why do people leave organisations?

Employees resign for many different reasons. Sometimes it is the attraction of a new job or the prospect of a period outside the workforce that ‘pulls’ them. On other occasions they are ‘pushed’ (as a result of dissatisfaction in their present jobs, possibly because of a lack of training, development and career opportunities) to seek alternative employment. The move might also be prompted by a combination of both ‘pull’ and ‘push’ factors. A poor

relationship with a line manager, leading to disengagement, can often be a 'push' factor behind an individual's decision to leave the organisation.

Premature departure

In high-turnover industries in particular, a great deal of employee turnover consists of people resigning or being dismissed in the first few months of employment. Even when people stay for a year or more, it is often the case that their decision to leave sooner rather than later is taken in the first weeks of employment. Poor recruitment and selection decisions, both on the part of the employee and employer, are usually to blame, along with poorly designed or non-existent induction programmes. Expectations are also often raised too high during the recruitment process, leading people to compete for and subsequently to accept jobs for which they are in reality unsuited.

Investigating why people leave

Obtaining accurate information on reasons for leaving can be difficult. It is important to appreciate that the reasons people give for their resignations are frequently untrue or only partially true. Individuals are likely to be reluctant to voice criticism of their managers, colleagues or the organisation generally, preferring to give some less contentious reason for their departure. Where 'exit interviews' are used to enquire about the reasons for leaving, the interviewer should not be a manager who has responsibility for the individual or who will be involved in future reference writing.

Confidentiality should be assured and the purpose of the interview explained. Using an external provider to conduct exit interviews will help employers capture more accurate data about why people are leaving, as <https://assignbuster.com/employee-turnover-and-retention-essay-sample/>

individuals are more willing to be truthful when there is reassurance of anonymity. Alternative approaches to collecting exit data involve the use of confidential attitude surveys including questions on employees' intentions to leave and confidential questionnaires sent to former employees around six months after their departure.

- Improving employee retention

The first steps when developing an employee retention strategy are to

establish:

- Why employees are leaving

- The impact that employee turnover has on the organisation, including the associated costs. The data obtained can be used to develop a costed

retention strategy that focuses on the particular issues and causes of

turnover specific to the organisation. It is worth considering the following

elements, all of which have been shown to play a positive role in improving

retention:

- Job previews – give prospective employees a 'realistic job

preview' at the recruitment stage. Take care not to raise expectations only

to dash them later.

- Make line managers accountable – for staff turnover in

their teams. Reward managers with a good record for keeping people by

including the subject in appraisals. Train line managers prior to their

appointment and offer re-training opportunities to existing managers who

have a high level of turnover in their teams.

- Career development and

progression – maximise opportunities for employees to develop skills and

move on in their careers. Where promotions are not feasible, look for

sideways moves that vary experience and make the work more interesting.

- Consult employees – ensure wherever possible that employees have a 'voice' through consultative bodies, regular appraisals, attitude surveys and

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grievance systems. Where there is no opportunity to voice dissatisfaction, resigning may be the only option.

- Be flexible – wherever possible accommodate individual preferences on working hours and times. Where people are forced to work hours that do not suit their domestic responsibilities they will invariably consider looking for another job that can offer such hours.
- Avoid the development of a culture of ‘presenteeism’ – where people feel obliged to work longer hours than are necessary simply to impress management.
- Job security – provide as much job security as possible. Employees who are made to feel that their jobs are precarious may put a great deal of effort in to impress, but they are also likely to be looking for more secure employment at the same time.
- Treat people fairly – a perception of unfairness, whatever the management view of the issue, is a major cause of voluntary resignations. For example, perceived unfairness in the distribution of rewards is very likely to lead to resignations.
- Defend your organisation – against penetration by headhunters and others seeking to attract your staff, for example by refusing to do business with agents who have poached the organisation’s staff.