

BBSI™

Make Employee Turnover a Problem of the Past



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In August 2021, a PwC survey of executives and employees across six sectors revealed that **65% of employees were looking for a new job.**

For business owners, talent loss is inevitable. Employees resign, take job transfers, get terminated, or retire, and those losses impact team productivity, customer service, and employee morale.

This guide provides practical tips and proven methodologies for limiting employee turnover rates in any business.

Is Employee Turnover a Problem?

According to the U.S. Bureau of Labor Statistics, March 2020 saw a staggering **16.3 million separations** — or employees that were fired, laid off, or quit — driven by the COVID-19 pandemic. Various studies indicate that employee turnover rates are steadily increasing year over year.

In August 2021, **4.3 million employees** — **2.9% of the workforce** — voluntarily quit. The mounting number of resignations resulted in a record-breaking **10.9 million open positions** at the end of July 2021.

If your company saw an increase in employee separations, have you taken the time to understand why some of your employees resigned and why other employees decided to stay? Assessing the situation can help you make informed decisions regarding employee retention.

How Do You Track Employee Turnover Over Time?

Increasing employee turnover rates can indicate a thriving job market where skilled employees have numerous job opportunities and leverage to move around. In the post-pandemic job market, employees are less willing to endure unfavorable conditions at their existing workplace and will likely make the jump to a new opportunity. For employers, this phenomenon underscores the need to gauge their turnover rates and make a concerted effort to ensure the satisfaction of their employees.

Calculating Your Monthly Turnover Rate

If you want to calculate your employee turnover for a specific month, divide the total number of your employees who left during the month by the average number of employees working in your organization during the same month. Multiply the resulting number by 100.

$$\left(\frac{6}{300}\right) \times 100 = 2\%$$

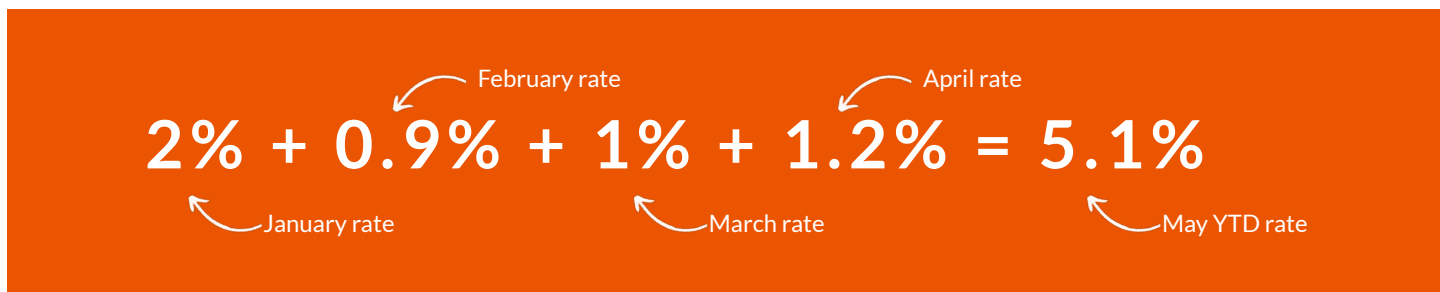
Calculating Your Annual Turnover Rate

You can calculate your annual employee turnover rate by dividing the total number of employees who left your organization during the year by the average number of employees in your organization that year, and multiplying the result by 100. Consider the following example:



Calculating Your Year-to-Date Turnover Rate

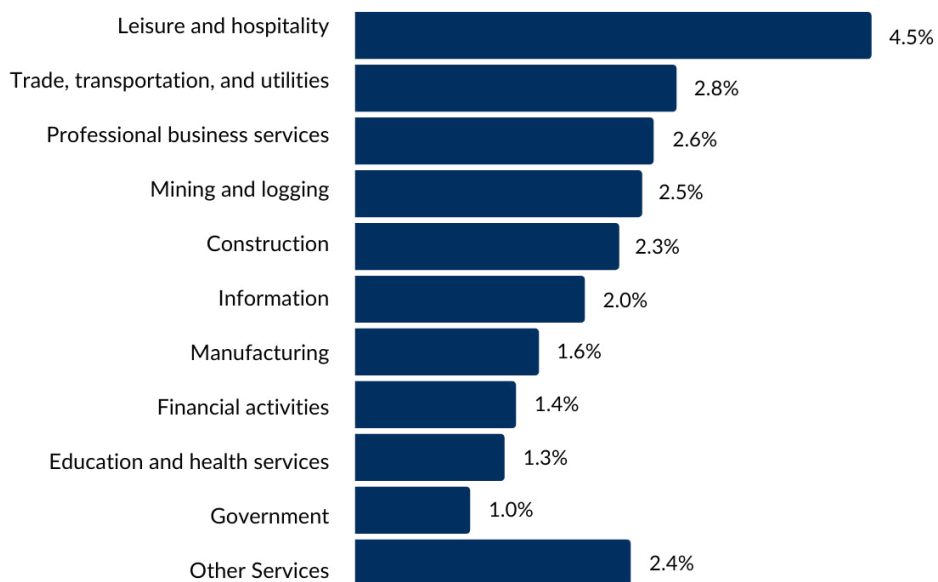
Once you have your monthly employee turnover rates, it's easy to calculate your year-to-date (YTD) employee turnover rate. Just add your monthly employee turnover for all earlier months that year. For example, your YTD employee turnover rate in May will be the sum of monthly employee turnover rates from January to April.



How Do You Know If Your Employee Turnover Rate Is High?

The best way to assess whether or not you have a high turnover rate is by comparing it to the average for your industry. If your turnover rate is significantly higher than the average, you should consider investing more time and effort into improving employee satisfaction.

Here is the U.S. Bureau of Labor Statistics 2019 average employee turnover rate by industry:





Why Do People Leave Organizations?

Quite a few business owners understand what employee turnover is and are aware of their turnover rates, but they often don't know how to improve the situation.

Leaders may think they do all they can to keep their employees happy and address their turnover challenges. Even if they offer plenty of employee benefits, it's easy to miss a critical aspect — understanding what their employees want and expect from their employer.

Many business owners believe that higher pay is the primary motive of resignations. But, according to a 2021 analysis published by Gallup, employees with an engaged manager reported **needing more than a 20% raise** to leave their job, whereas employees with a disengaged manager will leave for almost nothing.

Learning why employees actually search for new jobs is the first step business owners should take to address turnover challenges.

Your employees may quit for reasons you aren't aware of, including:

- They aren't happy with their manager.
- They don't see opportunities for career growth.
- The organization doesn't provide adequate career guidance and mentorship.
- They find the organizational culture to be toxic.
- They want a workplace that's more aligned with their values.
- Their work isn't valued.
- They want a more flexible work-life balance that's not encouraged or allowed by management.

While most people take pride in their work profile, they may decide to leave a company when faced with one or more of the above. If you've noticed a trend amongst the employees leaving your organization, it may be time to reassess your leadership style and organizational culture.

What Are the Costs of Employee Turnover?

When experienced, salaried employees leave, it can cost your organization dearly. Factoring in the cost of recruiting, training, and onboarding new hires, losing one employee can cost you **1.5 to 2 times the annual salary of the departing employee**. For a technical role, you could lose 100-150% of the person's salary. If someone from your C-suite leaves, you'll shell out 213% of the executive's salary on average.

Companies also bear intangible costs associated with resignations, such as:

- Institutional knowledge that doesn't get passed on as effectively as it should have.
- Productivity loss while you try to fill the open position — a process that can take several months. This can also lead to team burnout, delayed project completions, more resignations, and revenue losses.
- A change in team dynamic that can impact employee morale.

The Top 5 Measures You Can Take to Limit Employee Turnover

Business owners can adopt multiple methods to retain their employees and optimize employee turnover rates.

1. Conducting Climate Surveys

When projects don't move as planned and you receive several employee grievances, consider conducting a climate survey to gauge employee expectations. You'll be able to gather honest feedback without making your employees worry about disapproval or backlash. Ask them what they think the business can improve upon and what they'd like to see changed.

Climate surveys may also help you discover if your employees love their job, are eager to take on more responsibility, are in need of an employee assistance program, or want to pursue higher studies or certifications related to their work.

Should You Conduct a Climate Survey Individually or in a Group?

Your key objective for a climate survey should be to gather feedback from your employees, and use it to improve and reduce employee turnover.

- If you feel a group environment will breed group-think or become very negative, conduct the survey at the individual level.
- If you want to gather feedback from your managers about your employees, a focus group may work better. Ask them for feedback, both good and bad. Check in with them about employee strengths and areas of opportunity. Next, share this feedback with the employee in a constructive manner. Give them space to express their thoughts about ways to address the concerns or build on strengths.
- If you're not confident your employees will open up for fear of being fired, it may help to bring in a third party to conduct the interviews instead. An external interviewer will likely receive more accurate and transparent feedback. They can use the results to identify trends and communicate them to you, or down to your management team(s).





Who Should You Talk to?

Speaking to employees in diverse roles and positions will help you gain more visibility into different employee challenges. Try selecting employees randomly from varied departments and initiating a relaxed conversation. You should come from a place of genuine interest and desire to improve the organization. The more authentic and transparent you can be about the reason for the conversation, the more likely they are to be honest with you.

What Questions Should You Ask?

When talking to employees, you must let them share their honest opinions without your influence. It can be tempting to ask leading or biased questions, but they won't produce quality insights in the end.

Instead, ask open-ended, neutral questions. What do they like or dislike about the company? What programs or tools would help them perform better or make their job easier? How would they describe the company's leadership style and culture? If you've been thinking of upgrading or changing your benefit offerings, you may even want to ask for their opinion of the proposed changes.

Want help with your employee interviews and climate survey? BBSI can help you analyze what influences turnover at your organization and recommend ways to improve.

2. Improving Your Organizational Culture

You may host a barbecue for your employees every month or keep the office kitchen stocked with snacks, and that's great, but good company culture requires more substantial

changes. To drive improvement across the organization and reduce employee turnover, you need to be aware of your staff's impressions of your leadership team and vice versa.

This is where your climate survey insights will come in handy. Did your employees bring anything to your attention in the realm of culture and leadership? If so, you can adopt practical measures to improve your organizational culture and reduce employee attrition.

Eliminate Employee Favoritism

Do all of your employees face the same consequences if they're late to work? If you reprimand employees who come in late infrequently but ignore others who come in late consistently, your workforce will notice the difference in treatment. Defining and implementing strict policies can help you send the right message to all employees about work ethic and the values your company represents.

Publicly Recognize Employee Wins — Both Big and Small

Timely recognition of even the smallest employee achievements can make them feel appreciated and let them know you value their work. Publicly recognizing a job well done can build a high-performance culture and motivate other employees.

Have an Open-Door Policy and be Receptive to New Ideas

Open communication between leaders and employees in the organization can boost employee morale and increase transparency. Leaving the door open to your employees so they can come to you with work issues and discuss new ideas can drive a culture of trust, transparency, and openness.

Develop an Employee Handbook and Share it With Employees

Carefully planning new organizational policies, implementing them, and sharing the employee handbook with your company will let them know what is expected of them. No matter your company size, it sends a consistent message across the organization.

With an employee handbook, your employees should have clarity about:

- The rules and expectations to follow
- The employee benefits available to them
- Your organization's stance on harassment in the workplace and how you will address issues
- How the organization can help employees complete job- or skills-related certifications or programs
- What payment structure and schedule you follow

3. Tweaking Perk and Benefit Offerings

Business owners need to understand what motivates the loyalty and performance of their employees. Do you know if your employees are motivated by money, certain perks and benefits, a flexible work schedule, the possibility of future growth with specific training and certification programs, or work-life balance? Taking time to understand employee expectations and duly tweaking your current perk and benefit offerings can be a valuable retention tactic.

There are several ways to modify employee perks and benefits:

- If employees are time-motivated, give them the option of a flexible work schedule.
- If monetary benefits motivate them, create bonus structures to reward employees for their performance.
- If they find long-term growth benefits interesting, you can facilitate training, education, or mentorship programs.

4. Improving the Frequency of Performance and Compensation Reviews

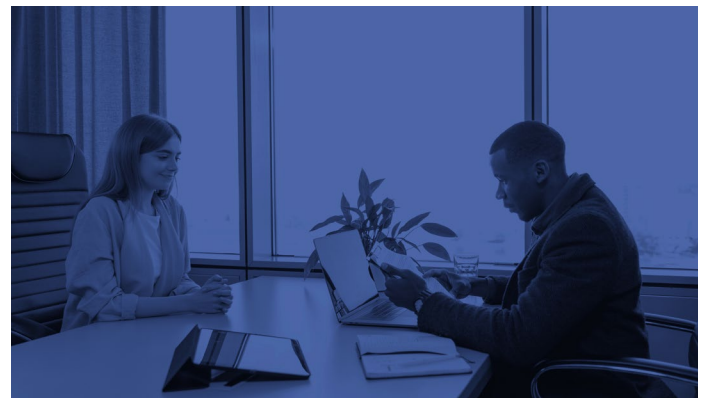
Traditionally, performance reviews were often tied to compensation increases. This shouldn't always be the case. Consistent and scheduled reviews should be used to give employees feedback on their performance — where they stand and where there's room for growth..

Why You Should Conduct Performance and Compensation Reviews Frequently

When you hold reviews consistently, employees will know what they need to work on to perform better. They'll likely appreciate the tangible feedback and goals they can work toward.

If you have an employee who isn't performing well, it's important to communicate that as soon as possible. This will give them the opportunity to improve their performance, or at the very least, give you a reference point if the issues persist.

As an employer, it's important to have open communication with your employees, understand what's hindering or helping their work quality and productivity, and provide tools to empower their performance. Such communication will enable smoother year-end performance and compensation reviews. If you review performance frequently, you may be able to skip it and focus on the compensation review at the end of the year.



The Ideal Frequency of Performance and Compensation Reviews

As previously mentioned, you should conduct performance reviews more frequently than compensation reviews. During the first year of employment, companies may want to conduct 90-day, six-month, nine-month, and one-year performance reviews. Every following year, they can drop this down to every six months.

For compensation reviews, most employers have an annual pay raise for both salaried and hourly employees. This is a good time to reward good performance and adjust for any minimum wage or cost of living increases.



5. Optimizing the Hiring Process

Hiring the right candidates plays a crucial role in balancing your employee turnover rate. If you haven't had hiring success, try modifying the way you search for candidates. Don't always look for hard competencies alone. Having only the requisite technical and hard skills to perform a job isn't enough anymore. Thinking about the role you want the person you hire to grow into will help you determine what soft skills they need.

The Importance of Soft Skills

A well-balanced organization needs people with different soft skills – creatives who can think outside of the box, critical thinkers who can speak and write well, and future managers with leadership qualities and confidence. Present-day youth with diverse soft skills are waiting to be hired and make a difference.

Real-World Experience Matters

While hiring talent, you may want to prioritize real-world work experience over formal education. Their skills will likely transfer over and make the knowledge transfer with the outgoing employee smoother.

Rethink Interviews

Ask behavioral and situational interview questions. You'll not only get an idea of the soft skills the candidates possess, but you'll also know how they'll leverage their experience and expertise to respond to future work situations. A situational interview is especially important because the right candidate will be confident enough to share their thoughts based on real-world experience. If

they've already faced a similar situation, you can gauge their problem-solving potential. You'll know if they're a good fit for your organization based on the steps they took to address the situation, how they measured outcomes, and how they fared.

Keep Potential Candidates Warm

While you can take various measures to reduce employee separations, employee turnover is inevitable. Keeping people in your talent pool can be beneficial even if you've already hired for your open positions. While you may not have an opportunity for potential candidates right away, it's good to keep them consistently engaged. Reaching out to understand their current job status doesn't require as much effort as repeating the whole interview process from scratch. So when there's a new opening at your organization, you'll have already vetted candidates in your talent pool. It'll be quicker to get them in.

Don't Wait to Reduce Your Employee Turnover Rate

BBSI focuses on your organization's people and processes to help you prosper. Your organizational culture, payroll, staff compensation, benefits programs, and performance reviews each play a key role in your employee turnover rate. **BBSI's Business Unit Team** can help you analyze these factors and provide you with an appropriate business strategy that'll work for you.

Get started today to turn your managers into leaders, optimize staffing and recruiting, and improve employee turnover.

**Contact your local branch today to
schedule an exploratory session.**

Visit www.bbsi.com

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