

## UNDERSTANDING HOW "HEALTHY" YOUR TURNOVER IS



By having a strategy and taking action in improving the identified areas can help organisations to reduce its turnover rates.

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# Employee turnover

is a very crucial measure for organisations. An organisation's employee turnover rate is used to express the number of people who leave the company and need to be replaced as soon as possible.



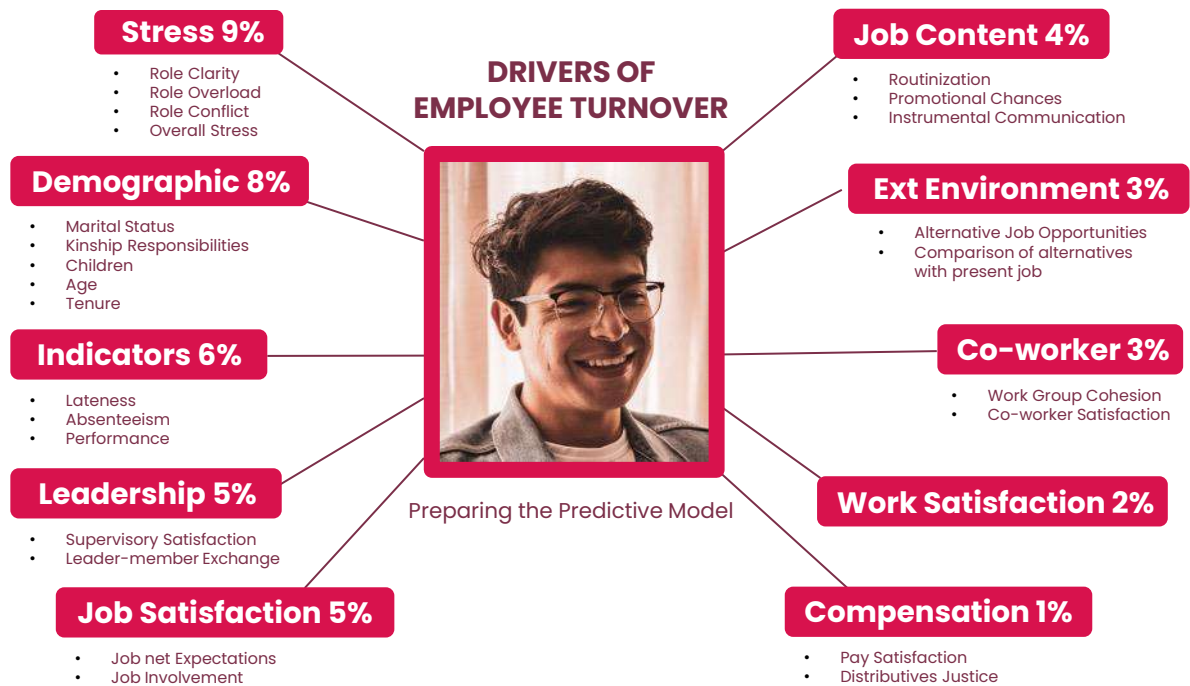
Before we continue talking about employee turnover, it is important to make a distinction between 'turnover' and 'attrition' – two terms that are often used interchangeably but in fact have a distinct meaning.

**Attrition** is the gradual voluntary reduction of the workforce with no intention of replacing them. Employee **turnover**, on the other hand, refers to people leaving a gap in the organisation that needs to be filled – therefore suggesting that a new person needs to be hired to take over that role, and for the interim period some people from the team will have to take on some, if not all, responsibilities of the now-empty position.

Turnover, therefore, becomes problematic for organisations and the aim is to reduce the employee turnover rate to as small as possible. Attrition, on the other hand, is intentional from the organisation's perspective, and therefore not necessarily a bad thing.

# Why does turnover happen?

There are multiple reasons employees choose to leave an organisation. A better-paying opportunity is the one people think of most immediately, but over the years it has been found that other factors may be more prominent in the decision a person makes to leave. The graphic below gives an indication of the multiple reasons that people may choose to leave an organisation, based on meta-analysis of data from 60,000 employees in the West (North America and Europe):



*'Adapted from AIHR Blog & Academy'*

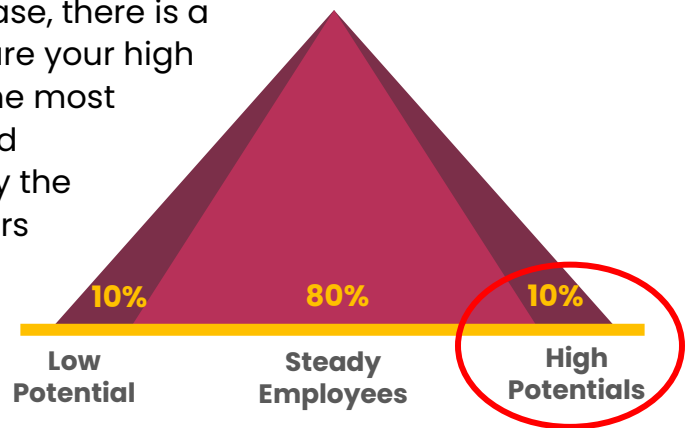
Looking at the reasons people leave, there's a wide array of items for organisations to focus on. Understanding what specifically seems to be the area of dissatisfaction for key talent may help the organisation focus on the areas that will make the most impact in the short run. Ultimately, most areas need to be tackled in the long-run to provide a healthy environment where people would want to stay for much longer.

As the graphic demonstrates, compensation is the least important when people make their decision. This is not to dismiss it as unimportant, but to highlight the fact that on its own, it may not be sufficient to keep employees happy and committed. Factors like work-related stress, leadership perceptions and overall job satisfaction often tend to skew the decision to leave.

# How does turnover affect your organisation?

## 1. Your best people are more likely to leave

When looking at your employee base, there is a 10% segment of your people who are your high potentials – the ones who make the most impact in terms of productivity and achievements. These are generally the high achievers, your star performers and the ones who are most likely to know their value, and thus be more in demand in other organisations as well.



To add to that, other employees with profiles in high-demand roles will also be likely to find something good out there. This poses a dilemma for organisations, as it also means that your best and brightest and most critical employees are also the ones who are more likely to leave.

## 2. Non-sustainability of the company culture

High numbers of people shifting often means that the organisation's culture may be affected in a negative way. When people come and go from a team/company in large enough numbers in short periods of time, it becomes harder for an intentional organisational culture to set in.

What this means is that new people do not see enough role models and examples of the intended culture around them, and it is therefore harder for them to form a true picture of what that culture could look like. On the contrary, they might pick up wrong perceptions of what the culture is, by observing behaviours that are either contradictory or those that have not been given enough time to be corrected from their colleagues.

### 3. Overall low employee morale and productivity

High levels of movement affects the overall morale of the remaining employees, as well as overall productivity. All of the following factors will contribute towards a loss of productivity and lower morale:

- New people coming in and taking time to adjust and learn the ropes
- Colleagues forced to fill in while the new person comes in
- People feeling demotivated seeing people come and go

In addition, the time it takes for new colleagues to reach a point of performing within the group can add to lost opportunities for high performance for the organisation.

### 4. Employer branding

High levels of turnover do not paint a great picture for the company. In terms of employer branding, this may well tarnish the perception of potential new employees as well as clients, before they even get to see the full story.

### 5. High monetary cost of turnover

It is important to consider the direct monetary implications of people leaving. Turnover not only costs recruitment and advertising fees in filling the open position, but it also involves other costs such as the temporary replacement cost, loss of productivity cost, cost to fill the vacant position, onboarding and orientation costs, as well as productivity ramp-up cost.



*"To calculate the cost of employee turnover, try our calculator here: <https://.....> \*\*\*\*\**

# Understanding how 'healthy' your turnover is

Some level of turnover is inevitable – and to a certain extent, healthy. To understand more about the state of turnover in your organisation, you will need to consider a few factors and answer the following questions:

## **1. What is the turnover rate in your organisation?**

Turnover rate equals the number of employees leaving over a period of time divided by the total # of employees during the same period. This will give you a number to keep in mind for calculations and planning.

## **2. How is your turnover distributed in the organisation?**

Understanding if there are patterns or higher numbers of turnover in specific areas can help plan how to take the appropriate actions towards improving. Consider job roles, level of seniority, divisions or teams, direct superiors, geographical locations, recruitment channels, and performance levels of those leaving.

## **3. How do you compare to the wider context?**

A bit of benchmarking will help one understand whether this is a country-wide or industry-wide issue, or a concern for your company specifically. Looking at data on unemployment rates as well as in-demand skills may also inform your understanding of what's happening in the wider context. Understanding average turnover rates and underlying reasons not only for your organisation but also in the wider environment will allow for better planning. By looking at the data in context, you will be able to implement the right solutions to rectify the situation and make a difference for the better.

## **4. What is the impact of turnover in your organisation specifically?**

It is easy to generalise here. There are many guides and average calculations out there that can help provide an estimation. However, each company and perhaps even each role is different. For example, a highly technical role may require years of experience, and therefore the cost of losing a person in such a role may be significantly higher, even if the role itself is not a highly paid one. The time it takes to find, onboard and bring to a similar level of experience a new person for that role may indeed take years in some instances. Understanding the true cost of turnover under different scenarios may help you understand the challenge you are facing more holistically.

# Who is most likely to leave?



Research consistently shows that the first to leave are people who are already thinking of leaving. These would be people who feel they are not getting what they want where they are, and are looking for something more – or different.

If you analyse further, not everyone who thinks about leaving will. They may change their mind for various reasons – perhaps because something changes in their experience or circumstances, or because they can't find anything better at this point in time.

Generally speaking, as mentioned earlier, the ones more likely to leave are those who are strong performers, simply because it would be easy to be in demand elsewhere, as well as those who have very specific, in-demand skills.

# What can you do to prevent or predict turnover?

Now that we know the challenges that high turnover brings along, what can we do to prevent, or at least predict turnover?

The key is understanding your people and the specific needs that they have. Having a process in place to consistently get feedback on how they are doing in all aspects is a start. You will need the data to analyse in order to take the right action.

Focusing on each of the various factors that influence turnover and having a plan on how to constantly innovate the experience your people have will help ensure that they feel heard, understood, and valued.

## **Focus on the following:**

- Stress and wellbeing
- Flexibility in work arrangements and benefits based on demographics
- Look out for key indicators that may signal loss of engagement
- Clarity and fairness in leadership
- Enhancing job and overall work satisfaction
- Look at job content and tasks
- Understand and compare your overall proposition with that of others in the market
- Intentionally build positive team dynamics and working relationships
- Look at compensation and benefits

By having a strategy and taking action in constantly reviewing and improving on these areas, an organisation can take an intentional step towards improving turnover rates.

To learn more, look out for our guide on hacking employee turnover.



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