

Add to Your Bottom Line: Reduce Turnover

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Turnover is lost profit. Knowing the approximate cost of turnover in your business is the first step in developing a process to minimize your turnover. Breaking down turnover in terms of cost helps facilitate efficient, cost-saving solutions to reduce turnover.

When analyzing your company's turnover, be sure to include costs from these four main categories: Separation processing costs, replacement hiring costs, training new hire costs and lost productivity and business costs. Some of these items are easy to place a "price tag" on, while others may be a little more difficult to analyze.

Separation Processing Costs	Training New Hire Costs
- Exit interviewer's time	- Informational literature
- Departing employee's time for exit interview	- General orientation
- Paperwork processing	- Job orientation
- Separation pay	
- Unemployment tax related to the departure	Replacement Hiring Costs
	- Attracting applicants
Lost Productivity and Lost Business Costs	- Pre-employment administrative expenses
- Overtime to cover vacancy	- Entrance candidate interviews
- Additional temporary help	- Aptitude, skill or drug testing
- Performance differential while new employee gets up to speed	- Hiring decision meetings
- Low morale-related time wasted	- Post-employment information gathering
- Lost customers, sales and profits due to the departure	- Signing bonus
- Additional employee departures related to this departure	- Recruiting fees
	- Employee referral bonus

After analyzing your turnover costs, determine your plan of action will be to reduce the turnover rate, thereby reducing this cost to your company.

Many employers have two major qualms when it comes to turnover. The first is that it is inevitable, or a given. The second is that their employees are leaving for better pay. In numerous surveys and exit interviews conducted, it has been found that employees actually leave companies because of dissatisfaction with their jobs or the company. What can employers do about this to significantly decrease their turnover rates?

Ask yourself, "Are my employees treated with respect? Do I ask their opinions and use their ideas?" Consider anonymously surveying your current employee base to determine what benefits they value, how they feel the company is doing in the area of human resources, and what suggestions they have for improvement. You may find some valuable information, such as a fairly inexpensive benefit that would improve employee morale.

Do your employees find they have the ability to grow and develop within your company? Are employees promoted from within? Do you invest in training employees

beyond direct job responsibilities? Investing in your employees' education and training pays off for the entire company in the long run. There are plenty of educational and training programs that do not even take the employee away from their desks.

There are many ways employers can improve employee morale, creating a happy and productive working environment. These action steps will begin to lower your turnover rate and convert the turnover cost into profit.

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