

9.17: Reducing Turnover

Learning Objectives

- Summarize the common causes of employee turnover
- Describe HR strategies for reducing employee turnover



The following is a list of the top reasons why people change jobs:

- The downsizing or the restructuring of an organization (54 percent)
- New challenges or opportunities that arise (30 percent)
- Poor or ineffective leadership (25 percent)
- Having a poor relationship with a manager (22 percent)
- For better work-life balance (21 percent)
- Contributions are not being recognized (21 percent)
- For better compensation and benefits (18 percent)
- For better alignment with personal and organizational values (17 percent)
- Personal strengths and capabilities are not a good fit with an organization (16 percent)
- The financial instability of an organization (13 percent)
- An organization relocated (12 percent)

In a human resources context, **turnover** is the rate at which employees leave an organization. Simple ways to describe it are “how long employees tend to stay” or “the rate of traffic through the revolving door.” Staff turnover can be optimal when a poorly performing employee decides to leave an organization or dysfunctional when the high turnover rate increases the costs associated with recruiting and training new employees or if good employees consistently decide to leave.

Turnover is measured for individual companies and for industries as a whole. If an employer is said to have high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. High turnover may be harmful to a company’s productivity if skilled workers are often leaving and the worker population contains a high percentage of novice workers.

Practice Question

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Preventing the turnover of employees is important in any business. Without them, the business would be unsuccessful. However, according to the Bureau of Labor Statistics, more and more employers today are finding that employees remain for approximately 23 to 24 months. The Employment Policy Foundation reports that it costs a company an average of \$15,000 per employee turnover, which includes separation costs such as paperwork and unemployment; vacancy costs, including overtime or temporary employees; and replacement costs including advertisement, interview time, relocation, training, and decreased productivity when colleagues depart.

Research on employee job turnover has attempted to understand the causes of individual decisions to leave an organization. It has been found that lower performance, lack of reward contingencies for performance, and better external job opportunities are the main causes. Other variables related to turnover are the conditions in the external job market, the availability of other job opportunities, and the length of employee tenure.

Providing a stimulating workplace environment, which fosters happy, motivated, and empowered individuals, lowers employee turnover and absentee rates. Creating a work environment that supports personal and professional growth promotes harmony and encouragement on all levels, so the effects are felt companywide.

Continual training and reinforcement also help to develop a workforce that is competent, consistent, competitive, effective, and efficient. Beginning on the first day of work, providing individuals with the necessary skills to perform their job is important. Before the first day, it is important for the interview and hiring process to expose new hires to the mission and culture of the company, so individuals know whether the job is a good fit and their best choice.

Networking and strategizing within the company provide ongoing performance management and help build relationships among coworkers. It is also important to motivate employees to focus on customer success, profitable growth, and the company well-being. Employers can keep their employees informed and involved by including them in future plans, new purchases, and policy changes, and by introducing new employees to the employees who have gone above and beyond in meetings. Engagement with employees—by sharing information with them or giving out recognition rewards—makes them feel included and shows them that they are valuable.

In addition, when organizations pay above-market wages, the worker's motivation to leave and look for a job elsewhere is reduced. This strategy makes sense because it is often expensive to train replacement workers.

? Practice Question

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When companies hire the best people, newly hired talent and veterans are positioned to reach company goals, maximizing the investment of each employee. Taking the time to listen to employees and help them feel involved will create loyalty, which, in turn, can have a big impact on employee turnover.

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