

3.10 Turnover

Staff turnover is a process that monitors the movement of staff in and out of the business. The level of movement provides a good indicator of the stability of your workforce. Your aim is to reduce the level of staff turnover wherever possible by having a number of key HR strategies operating in your business.

Why does staff leave? There are many reasons why staff choose to move on, including:

- Remuneration/wages;
- Job satisfaction/engagement with the job/business;
- Treatment they receive; and
- Opportunity to advance their career

Dealing with the Gen Y's, the current low unemployment rate and other regional issues does compound the issues. Retaining staff is very difficult as what appeals to one employee may not appeal to another and this situation changes quickly.

Many managers make a common mistake to assume employees only work for money. True, in some cases, but in reality there are a number of reasons why people work. These reasons are as varied as the people themselves and include:

- Recognition for their skills
- A sense of belonging to something larger than themselves
- Sense of identify
- Status/prestige
- Authority and power

Job satisfaction has a direct influence on the employee's motivation and work performance and is one of the main reasons why they leave.

When an employee leaves the organisation, the following costs can be incurred by your business:

- Recruitment costs – advertising, time to complete culling, interviewing and selecting a replacement.
- Training costs to induct the new employee and provide any additional training
- Labour costs verses productivity – the cost and loss of production until the new employee becomes effective in his/her job.
- Loss production impact between the time the old employee left to the time it takes for the employee to become effective.
- Labour costs for additional staff to fill in during recruitment activities.
- Extra costs with additional employees or increased supervision to support the new employee
- Company losses relevant to corporate knowledge, customers and services

These are quantifiable costs – what about those qualitative factors like staff morale due to the extra work. Not so easy to measure, but the ramifications can be very difficult to manage!

How do you calculate turnover?

$$\frac{\text{Number of job leavers in a period}}{\text{Average number of employees}} \times 100$$

The “period” can be either monthly, quarterly, half yearly or annually.

For example, if there were 25 separations during a month and the average number of employees for the same month was 500, then the turnover rate would be 25 divided by 500 multiplied by 100 equals 5%.

FAQ's

Do you include labour hire or agency staff in turnover calculations? *No, these are not your employees.*

Do you include part time or casual employees in the calculation? *Yes. Turnover is a measurement of all staff, regardless of their employment status.*

What about an employee who changes his/her job title or gets a promotion and stays in the company? Does this count as a termination? *No.*

What if an employee works in two or more locations for a time, then stops the work at the other locations and returns to the one work location? *The answer depends upon how you view your total labour count. Do you separate locations or add your employee total from all locations? If you separate locations and will be monitoring turnover per location, then the answer is Yes. You would consider the employee “terminated” from the other two locations, but retained in the third.*

What if an employee reduces their hours from full time to part time or casual? Does this count as a termination? *No.*

What about an employee who goes on unpaid leave away from the workplace? *They are still employed and should be counted in.*

What if an employee leaves, then after about a month is re-hired? *This employee would be considered terminated and would count in your calculations.*

What if my business has 40 positions in the staff plan, but only 30 positions are filled, is the average number of employees 30 or 40? *30 would be the average number.*

Resource Tool – this spreadsheet will assist calculate your annual turnover:

[FS 3.10.1 – Turnover spreadsheet](#)

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File: F3.10S_Turnover_v1
Version: 1:00

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