

Special Management Series

# The High Cost of Employee Turnover— and Ways to Avoid It

This is a series of Training for your  
Management TEAM

Presented by J.W. Owens



A Management  
Perspective 303 Series



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## The High Cost of Employee Turnover—and Ways to Avoid It

- There are plenty of studies out there debating the cost of employee turnover, voluntary or involuntary, ranging from 16% of annual salary for high turnover, low-paying jobs to 213% for highly educated executive positions. Employee Benefits News estimates it to be one-third of a worker's salary—and that expense can add up quickly.

### The Real Cost of Employee Turnover

- For most roles, these costs can range from \$4,000 per employee to upwards of \$20,000 to \$30,000 for middle-managers. Most companies don't have systems to track exit costs, so finding the exact cost is elusive. These rules of thumb though, help paint a picture of the impact turnover can have on an organization.

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**The total separation rate (including quits, layoffs, discharges, and others such as retirement, disability, etc.) for U.S. employees in 2018 was 3.7 percent according to the Bureau of Labor Statistics.**

- Using this percentage, a company with 1,000 knowledge workers on payroll would turn approximately 37 people at an average replacement cost of \$20,000. That would total well over \$700,000 in just one year! It can be a lot to bear on the bottom line, if retention of good people isn't maximized.

## **Factors that Influence a High Turnover Rate**

- While no one is irreplaceable, we shouldn't fall into the trap thinking that employees are expendable. Most likely, when someone separates from a company, they will be replaced by another person into the same role or a modified one. Figuring out why people voluntarily leave a company and subsequently how to keep others in similar roles over time will yield a net retention gain—resulting in lower turnover costs.
- There are psychological factors at work that engage and ultimately retain employees. People need to feel a sense of pride and belonging in the organization they're working for because those feelings tie to high levels of satisfaction. The higher the level of satisfaction, the more productive they are than unhappy employees.

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**This is evidenced by the stock prices of Fortune's "100 Best Companies to Work for." From 1998 to 2005, prices rose 14% per year, while companies not on the list only reported a 6% increase.**

- In a joint study conducted by Chadwick Martin Bailey (CMB) and ITA Group, it was discovered that employees are at greatest risk for disengagement and turnover in the first two years of their employment. The research explored the interrelationships of key factors rooted in social psychology on employee engagement.
- **Those key factors are functional benefits** (things a person wants to do), **identity benefits** (the way a person wants to be) and **emotional benefits** (things a person wants to feel). The research found that "organizations who are able to effectively reinforce these psychological benefits are approximately three times as likely to have engaged, loyal employee advocates."
- Based on these findings, organizations who leverage best practices of employee retention with their earliest tenured employees will begin to turnaround turnover.

**Here's how.**

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## Support Employees' Aspirations

- Understand what your employees want to do or accomplish. **Learn what interests and motivates your employees as individuals.** What type of corporate initiatives would they like to be involved in? What level of mastery do they want to achieve? Are there community volunteer efforts where they can leverage their skills and knowledge while networking with like-minded people? What support can you offer?
- **Be accessible to them and listen** to what their aspirations are.
- Look for ways to be supportive by offering external training to improve knowledge or skill sets, attendance at relevant conferences or sponsored membership in industry associations.
- Give them the **opportunity to be involved** in their own goal setting.
- **Help them become their authentic self** by giving them choices whenever it makes sense to do so.
- Provide them with **meaningful and interesting work.**
- Supporting employees' autonomy results in people embracing and achieving their goals. This helps advance their job satisfaction because they played an active part in constructing them.

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## Listen to Employees' Feedback

- **Know what your employees want to be in your organization.**  
How do they want to identify themselves in the workplace? What can you do to help them achieve that? What a person wants to accomplish is inextricably tied to what they want to be. People want to be respected, acknowledged for their contributions and know that what they think matters. So how can you best understand this?
- **Meet regularly one-on-one** with your employees.
- Practice good listening skills by asking questions, smiling, nodding and making eye contact.
- **Recognize employees' contributions** through private and public means such as a hand-written note or recognition in a team meeting.
- While these suggestions may seem like common sense (and they are), can you confidently say you are practicing them regularly?



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## Understand Employees are Human

- The way you want to feel at work, **may not be the same way your employees want to feel.**
- After all, we're not like the rational and practical Mr. Spock depicted in the TV show Star Trek. We have emotions and feelings that inform our everyday life. Your purpose for working may be to take on more responsibility for advancement opportunities. **Your employee's purpose** may be to support their family. In addition, people want and need social contact to feel like they belong in the group and can achieve a certain level of status. If you've come to understand your employees' aspirations and observations you're more than halfway to curbing a high employee turnover rate. Consider this:
- **Help your employees feel comfortable talking with you in challenging or brainstorming meetings.** Framing your conversation by providing an appropriate context will help clarify objectives, achieve results and ease any feelings of apprehension by them.
- **Engage your employees with happy people on your team.** Happiness is contagious! In her book, The How of Happiness, Sonia Lyubomirsky notes that, **"We still control roughly 40% of our happiness."**
- **Be flexible.** Be attuned to changes in your employee's circumstances without being too intrusive or coming across as uncaring. What they're dealing with may require you to be flexible regarding work schedules, assignments and deadlines.

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**Keeping top performing employees beyond the national tenure average of 4.2 years is best served by a strong, healthy organizational culture whose managers understand and can act upon the psychological benefits of engaging and satisfying their workforce.**



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## Good Selling !



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