Tracking turnover trends

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Is your company's rate of personnel turnover increasing or decreasing? How does it compare with your competitors' turnover?

What is turnover costing your company? Employee turnover can work for you or against you. You do want to divest yourself of employees who don't understand your mission or do not have the skills and energy to make positive contributions to the company. What you don't want is to lose your strongest employees while retaining the weakest. Our analysis shows that, unless you are careful, changes occurring in today's and tomorrow's environment can put you into just such an upside-down situation.

Consider what you lose when a strong employee departs:

First, his or her experience, acquired partially at your expense.

Second, whatever you've invested in the employee's formal training or education.

Third, whatever secrets he or she may carry to your competition.

Fourth, the cost of recruiting a replacement, a cost which is especially high if you recruit nationally. Ask your human resource department what recruiting costs, but be sure to be sitting down when you read the answer.

Fifth, the loss of productivity that occurs in the first few months - while the replacement learns the company's way of doing things.

Six, the intangible costs of reorganizing the job to account for the replacement's ever-so-slightly different set of skills and attitudes - while the company learns the replacement's way of doing things.

Our analysis reveals the following trends and possibilities that will aggravate the job of finding and retaining strong employees, divesting the company of weak employees, and making effective use of all employees.

- Unions, on the defensive, will push for advanced warning of layoffs.
- As businesses invest in "smart" high technology, the number of low skill jobs will decrease. So government may force you to give up some of the productivity gains by paying for the retraining of laid-off workers. The U.S. may even follow Europe in adopting the attitude that the company owes its workers their jobs.
- Executives will be reluctant to accept jobs with a high risk of failure. (This is hardly the kind of go-get-'em attitude that business wants.) And workers will be reluctant to enter industries, such as defense contracting and aerospace, known for hire and fire cycles.
- The high cost of moving (high mortgage rates, especially) and the difficulty of relocating a working spouse may cause the best people to be "place bound," hence unavailable.

Besides the problems afflicting the great mid-range of workers and executives, there will be acute problems affecting the lowest skilled and highest skilled employees:

- Many low skilled jobs are held by 18 to 24 year olds, the most rapidly diminishing age bracket. If these low skilled jobs are filled with 65 year olds (an increasing age bracket) output may decrease and medical costs increase.

Surviving in a high-tech economy

- Pre-baby-boom executives (now 35 to 45 years old) will be in limited supply and will attract attractive offers from your competitors.

Okay. What can you do?

First, break your workforce into categories (the minimum breakdown would be unskilled, skilled, clerical/secretarial, middle management, professional, and executive) and determine whether turnover has been increasing or decreasing in the last three to five years. If turnover is increasing, watch out!

Second (and this is hard), determine if you are better or worse off than the industry average, particularly your closest competitors.

Third, identify the cost of turnover, to determine what it is worth to cut back on turnover. Figure on six months of salary for every managerial-professional employee lost, and one month's salary for every clerical, administrative, or experienced skilled worker.

Facts in hand, you know how strongly you are motivated to act. And here is how you may act:

- Screen the prospective employees more carefully. You may be stuck with them for a while, so determine if their beliefs and values match your organization, if they are flexible, and, of course, if they can do, or learn to do, the job.
- Don't be stingy. *Pay peanuts and hire monkeys* is the warning we would offer.
- Interview departing employees, and have the interview done by someone who can probe beyond the obvious answers offered by angry employees, on the one hand, and employees who want to leave a good impression, on the other hand. You may have to bring in an outsider to do this kind of interview.
- Identify the top 10 percent of your employees and make sure that they, at least, have a reason to stay in your employ.
- Remember that employees who leave for a "better opportunity," defined as more money, more responsibility, or a promotion, might have stayed if you had offered them recognition, trust and honest communication.
- Be especially careful lest your supervisors develop a lax attitude toward turnover. Let supervisors know that low turnover of high rated employees in their department will be a factor in their raises.

Your employees collectively comprise your company's memory. Lose your employees, and you lose the company's hard learned lessons.

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