Employee Turnover: Minimize the Costs

by Richard Ensman Jr.

In organizations of every size and stripe, people come and people go, and when they go, valuable resources, knowledge and insights go as well. Employee turnover represents a huge potential loss in productivity and continuity, and an increase in cost.

These problems can be averted with advance planning and keen management. How can you minimize the disruption caused by people departing your facility or business? Use these powerful, but simple tools for starters:

• Applicant Pools – Maintain an active file of individuals who might be candidates for positions in your organization. Better yet, encourage your best people to suggest candidates.

• Celebration – Mark comings and goings with a simple party, a lunch, a coffee hour or some other special occasion. Celebrate the arrival of employees, and you'll quickly help them become part of the team. Celebrate their departure and your employees may leave with good feelings, ready to recommend your place of business to others.

• Contact List – Contact lists contain information crucial to each employee's job: names, addresses, Web sites of customers and vendors, call reports for salespeople, product preferences, important customer correspondence. Keep this list handy and safe in case of departure.

• Cross Training – The rule of thumb: the more critical the skill or function, the better off you'll be if more than one person understands it. Cross-train your people in these skills and they'll function more effectively as a team; and they'll be better prepared for the day when someone leaves.

• Curricula – If you don't have a formal curriculum for orienting new people, now may be the time to develop it. A combination of "live" training and self-paced study can bring new people up to speed and save thousands of dollars in lost time and productivity.

• Essentials File – The essentials file, maintained for each critical employee, should contain a job description, reports completed by the employee, job tips, descriptions of resources the employee uses, and summaries of problems the employee encounters. The file will become a powerful continuity resource whenever an employee leaves.

• Exit Interviews – Exit interviews are great for identifying problems employees had while on the job and for gaining insight into the way things can be done better in the future.

• Frequently Asked Questions – In this high-tech age, maintain a file of frequently asked questions on your Web site or public e-mail. Jot a question and answer down whenever you encounter an important issue. You'll be amazed at the size and depth of the file and grateful you have it.

• Interviews – When new people start to work, let them interview their predecessors. When people reach milestones in the organization, such as annual anniversaries, let them share their knowledge in interviews with their peers. When people reach new pinnacles of achievement, let them share the background on their accomplishments with others.

• Job Analysis – Every time an employee leaves, you have an opportunity to re-engineer duties and priorities or re-allocate duties to others.

• Knowledge Base – This "warehouse" of data contains critical information about the organization: financial performance, sales histories, customer data, work processes, products and services under development. Whether it's computer-based or paper-based it's an invaluable continuity tool.

• Orientation Program – A good orientation program packages information and ideas for new employees and acquaints them with the history and culture of the organization.

• Participatory Hiring – Allow your people to interview prospective candidates for the job. In addition to pointing out the candidate's strengths and weaknesses, they will feel more committed to working with the new employee once he or she is on board.

• Process Book – This manual is a how-to-do-it reference guide to the employee's job. It contains information on all manner of tasks: how to retrieve information from the computer, team calendars, technical data, any key information the employee uses to perform the job.

• Reverse Training – Encourage your supervisors to obtain informal training from their people. It builds their own skills and helps them prepare to train others.

• Staff and Team Building – Routine meetings help to maintain continuity. They're an opportunity for you and your team to learn about each other's duties. Written minutes of these meetings can become important reference tools.

• Stories – Great organizations are filled with legends and stories. They speak of the founding, history and values of the organization and, continually repeated to new groups of employees, they transmit vital information about organizational goals and expectations.

• Transition Budget – Occasionally, employers will set aside funds to cover the cost of employee transitions, so many dollars per employee, for instance. These funds help cover the cost of temporary employees, recruitment, training and other transitional cost.

• Weekly Appraisals – These informal appraisals give managers the opportunity to get to know their new employees and to give them quick feedback on how they're doing.

Pick a few of these simple tools and try them. They could make a difference in your ability to retain valuable employees and ultimately help you maintain stability and strength in your business.

What Does Turnover Cost?

Consider the case of Joe Jones who earns $35,000 a year. He provides customer support and other customer-related services. Joe decides to leave his position with 30 days notice. He may well sock his employer with these costs:

• Separation costs (exit interview, benefit paperwork, payroll processing - $500-$1,000

• Temporary worker for additional 30 days while search goes on for replacement - $3,000-$4,000

• Strained relations with key customers who choose to hold their business when they discover Joe is gone - $1,000-$10,000

• Travel and moving expenses - $1,000-$5,000

• Cost of advertising for new position - $2,000-$3,000

• Other recruitment costs such as screening, reference check, resume processing - $1,000-$1,500

• New employee costs such as business cards, telephone hookups and payroll processing - $500-$1,000

• Benefit of training programs provided to Joe

• Valuable knowledge employee has picked up. The longer the employee's service, the more the employer loses.

• Stress other employees feel when they attempt to pick up departing employee's workload

• Loss of team camaraderie – common when an employee leaves

• Valuable supervisory time in interviewing prospective new employees and orienting the individual hired to the job

• Staff time involved in providing basic organizational orientation and training to new employee

• Lower level of productivity of new employees

Of course there's always a chance that the new employee will be able to bring more to the organization than his or her predecessor, so turnover is not always a bad thing. But given a choice, you're better off taking steps to control turnover, keeping your good people, and retaining the business stability they represent.