

The True Impact of Employee Turnover

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Employer turnover is an unfortunate aspect of the realities faced in the workplace. While there are many causes of employee turnover, the negative effect on the workplace remains the same. The extent to which an organization is impacted varies greatly on multiple factors such as: i) the former position of the employee; ii) tenure; iii) knowledge/skills of the employee; iv) if considerations were given to succession planning; and, v) the knowledge transfer between outgoing and incoming employees. In this article, we will examine some of the hidden costs of turnover and strategies that can be used to help mitigate those costs.

Financial Repercussions

When an employee leaves an organization, it has been estimated by the Society for Human Resource Management (SHRM) that the cost to replace an employee making \$10.02/hour is conservatively \$4,385.26 CAD. Moreover, other sources have reported that the cost of replacement varies based on the level of the position within the organization - 30% and 50% of a departing worker's annual salary to replace entry-level employees, 150% to replace mid-level employees, and, up to 400% for specialized/high-level employees. This can be attributed to many of the factors listed above, along with other factors that are a direct result of employee turnover. Some of these cost factors include: i) onboarding a new employee; ii) decreased productivity due to a new employee taking over the position; and iii) substitution coverage during the recruitment process. Moreover, if an organization is experiencing high employee turnover rates, the organization's bottom line is likely to be affected by

decreased employee morale, increased absenteeism, low employee engagement, decreased quality of work, as well as reduced customer satisfaction that adversely affects revenue.

What can be done to help mitigate the cost of employee turnover?

To mitigate the cost of employee turnover, increased efforts should be placed on implementing employee retention strategies. An employee who feels valued and appreciated for their efforts is less likely to leave the organization and will be far more likely to showcase organizational citizenship behaviours that contribute to the overall profitability and efficiency of the workplace. Depending on the employer's industry, some popular retention strategies may include one or many of the following:

- Market wage adjustments
- Hiring bonus
- Retention bonus
- Competitive remuneration structure
- Promotion and career development opportunities
- Flexible work schedules and telecommuting
- Stock Option programs

In addition to the above retention strategies, emphasis should be placed on mitigating the impact of employee turnover through succession planning and knowledge transfer amongst staff. To achieve this, systems can be implemented to help ensure that when an employee leaves their organization, the knowledge of that employee does not leave with them. Moreover, organizations should look to ensure that there are capable employees or resources available to help fill the role/responsibilities of the departing employee. This could mitigate the financial impact of a voluntary departure of a valued member of the workforce.

If you require assistance in reducing the cost of employee turnover or creating succession planning/recruitment strategies please do not hesitate to contact us at info@integrityconsultation.com or call us at 705-524-0978.