

Understanding Employee Retention and Turnover

Employee retention and turnover are critical concepts in HR and organizational management, as they both have profound impacts on a company's overall health and performance. Understanding why employees stay or leave can help employers implement effective strategies to foster a stable, productive workforce.

Employee Retention

Employee retention refers to an organization's ability to successfully retain its employees. Employee retention calculations provide a baseline and point of reference when determining how a company's retention rate compares to others. These calculations can also be used to see how retention rates at an organization change over time (e.g., weekly, monthly, quarterly and annually) and continually measure against the company's own performance.

$$\text{Employee Retention Rate} = \left(\frac{\text{Total number of employees} - \text{Total number of employees who left}}{\text{Total number of employees}} \right) \times 100$$

Keep in mind that retention rates vary by industry. For example, an annual employee retention rate of 80% could be considered good in one industry but poor in another. Industries with the highest retention rates often include government, finance, insurance and education, whereas lower retention rates are more common in the manufacturing, hotel, retail and food industries. Organizations that observe positive or negative trends in their retention rates are better equipped to determine

what factors contribute to their ability to retain employees.

Why Do Employees Stay?

When an organization understands why employees stay, they can alter their policies and procedures to reinforce the qualities employees like most about the workplace. Several factors play into employee retention. Satisfaction with the workplace, management and overall organization are general reasons employees may choose to stay with an employer; happy employees are less likely to quit. Success factors for employee retention include the following:

- Competitive total rewards, including compensation and benefits
- Employee engagement and motivation
- Meaningful work
- Flexible work arrangements
- Professional development opportunities
- Recognition and respect
- Trust in leadership and organization
- Workplace camaraderie
- Strong company culture
- Safe workplaces

Employee Turnover

Employee turnover is the loss of talent in the workforce over time, whether it's monthly, quarterly or annually. Also referred to as attrition, turnover occurs on an individual level when an employee is separated from the organization. Employees leave for many reasons, but there are two main types of turnover: voluntary turnover, when an employee actively chooses to leave an organization, and involuntary turnover, when an employer terminates an employee. Turnover looks different for every organization, so a healthy turnover rate depends on the organization and industry.

$$\text{Employee Turnover Rate} = \left(\frac{\text{Number of employees who left}}{\text{Average number of employees}} \right) \times 100$$

Turnover is expected and natural for any organization, and it isn't necessarily a bad thing. For example, turnover from poor performers leaving the company is often expected. Conversely, if top performers frequently leave, it can be damaging for a company. Keep in mind that it's entirely natural for employees to move or pursue a career change elsewhere. Furthermore, employees who leave on good terms can often advocate for a healthy work environment.

Understanding Employee Retention and Turnover (cont.)

Why Do Employees Leave?

Certain factors may cause employees to feel uninspired or underappreciated in the workplace, and seeking a new job may be one way to feel passionate about work again. Understanding the primary causes of employee turnover can help organizations make the necessary changes to engage and maintain their workforce.

The following factors may impact an employee's decision to quit voluntarily:

- Burnout and personal well-being
- Insufficient total rewards, including compensation and benefits
- Lack of appreciation or recognition
- Lack of professional development opportunities
- Lack of workplace flexibility
- Unhealthy or poor relationship with management
- Weak or toxic company culture
- Work-related mental health issues

Employer Takeaways

Regardless of an organization's size, active employee retention efforts can help reduce turnover and the costs that come with it. To manage employee retention and turnover effectively, employers can regularly gather employee feedback, invest in learning and development, and enhance compensation packages. Good management is also critical to employee satisfaction

and retention. As such, employers can train managers to be effective leaders who communicate well, provide support and recognize employee contributions. It comes down to cultivating a positive work environment where employees feel safe and supported. Prioritizing employee satisfaction and addressing the root causes of turnover can lead to long-term success and a strong employer reputation.

