

Voluntary Employee Turnover: Costly and Largely Preventable

Even in times when they thought more qualified employees would be available and replacing departing employees would be relatively painless, HR departments are seeing that employee turnover continues to be even more costly than it may appear on the surface. Losing good performers is not only a "brain drain" of a company or organization's human capital, it also has direct and indirect costs associated with both the separation and replacement of the very employees they would rather keep.

Approximate direct costs associated with voluntary departures of employees:

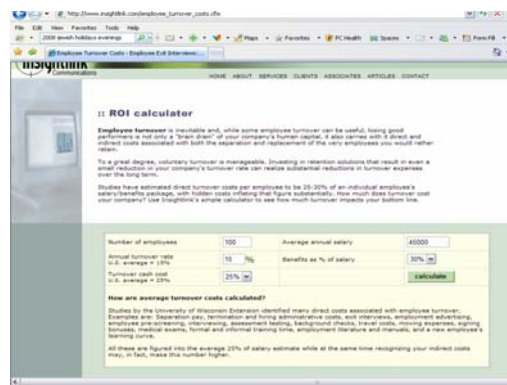
Average annual salary	# of employees		
	50	100	150
\$35,000	\$75,000	\$150,000	\$225,000
\$50,000	\$108,000	\$216,000	\$324,000

Indeed, if an organization has an annual turnover rate typical of the U.S. average (15%) and offers benefits (medical and otherwise) valued at as little as 15% of an employee's salary (most companies' benefits may of even greater value), the approximate annual losses to turnover for that organization are in the tens of thousands annually. Of course, the greater the number of employees and the higher the salaries of those departing employees, the more costly the turnover is to an organization.

If these results seem shockingly high, consider what they include. The **direct costs** associated with employee turnover include:

- Termination and hiring administrative costs
- Employment advertising
- Employee pre-screening
- Interviewing
- Assessment testing
- Background checks
- Formal and informal training time
- A new employee's learning curve

Taking all these costs into consideration means that it generally costs at least 25% of a departing employee's annual salary to replace that employee.



There are also **indirect costs** like lost institutional memory, the impact on morale and risks of other top employees to follow suit are not easily measured, but their toll on an organization is palpable and make employee retention a high priority for pro-active HR departments.

Luckily for organizations willing to examine themselves and take actions accordingly, to a great degree, voluntary turnover is preventable. Investing in retention solutions that result in **even a small reduction** in an organization's **turnover** rate can realize substantial reductions in turnover expenses over the long term. Only by conducting regular employee satisfaction survey to measure the pulse and climate of the organization and by augmenting those surveys with a systematic method of conducting effective exit interviews can HR managers understand the key motivators of loyalty and commitment among their employees and implement strategies to decrease voluntary turnover.

