



THE MORE THINGS CHANGE... THE WORSE IT GETS THE HARMFUL EFFECTS OF TURNOVER

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Whether a job is too arduous or too monotonous, employees are always checking to see if the grass is greener on the other side. Thus, employers must be vigilant and monitor their workforce in order to prevent an exodus from ever taking place.

Turnover is a variable that can be controlled, and should be, because it could wreak havoc with the bottom line if not properly attended to. Turnover is a subject matter that causes considerable consternation but does not elicit much discussion in terms of how it can be addressed, solved and weakened as a threat. Certain industries and types of jobs will always have a higher churn rate than others but there is no reason for any employer to think that turnover is an inevitable adversary that calls all the shots. This article will examine potential causes for high turnover as well as practical solutions that may not be cure-alls but could certainly go a long way in raising retention. The best way to retain employees is not to devise ways to keep them after they are hired but to come up with policies before they ever walk through the door.

THE OBVIOUS AND HIDDEN COSTS OF TURNOVER

Professors Steven and Barbara Hillmer of the University of Kansas devised a model to determine the tangible and intangible costs of turnover at call centers. While not all businesses impacted or worried about turnover utilize call centers, the Hillmers' model is a useful tool for any industry.

*"If you would be wealthy, think of saving
as well as getting"*
-Benjamin Franklin

The tangible costs consist of: screening applicants, interviewing replacements, testing candidates, paying wages during training, developing new hire orientation and updating technology for the new employees. These tangible costs are

quantifiable. They are easily identified and monitored.

The intangible costs, according to the Hillmers, are those which impact the performance of a call center. A successful call center is one which is both effective and efficient. The lower turnover a call center has, the fewer barriers it has to achieving goals in delivering the proper service to clients.

The intangible costs of turnover consist of six factors; Less productivity by new worker compared to predecessor, fixing errors, increased supervision, overtime paid to other workers during vacancy, increased stress level among staffers due to increased workload and reduced performance once employee decides to leave call center. It is hard for a call center to maintain a level of service if turnover creates higher hurdles to achieve standards of effectiveness and efficiency.

EXPECTATIONS, TRAINING AND RE-RECRUITMENT

Every employee begins a job with high hopes for their new venture. No worker accepts an offer of employment with the goal of being unhappy in the new position. Therefore, employers who experience high levels of turnover must be

clear in identifying the expectations that a new hire has for the position for which they will perform. The employer must do a good job of determining whether an applicant is “fully aware” of the kind of work they will be doing. However, the employer owes a duty to the new worker by properly training them in the task at hand. A worker who is not properly trained at a position becomes confused, disenchanted and suffers from poor morale.

Australia’s Recruitment Solutions suggests “re-recruiting” as a useful tool in minimizing the risks of turnover. Acclimating a new employee to the company may seem like a costly investment but it can be a wise investment in the long run. Re-recruiting takes place during the first 90 days and is described as an “onboarding” process that includes a:

- 1) Session on corporate history and values of the organization
- 2) Overview of the CEO’s strategy and financial goals
- 3) Meet-and-greet with senior-level executives
- 4) A sample of typical performance reviews
- 5) Tailored coaching and mentoring
- 6) Skills development and training
- 7) Two-way feedback to assess employee’s concerns

Recruitment Solutions found that a new employee’s first 3 to 6 months are “the highest period of risk in terms of potential turnover.” By showing the employee where they fit in the big picture and displaying how important they and their role is to the company, re-recruiting can be the difference between an employee who makes a commitment to the company and one who decides to leave several months after the hire date.

CAUSES OF TURNOVER

Professors Timothy Hinkin and Bruce Tracey of Cornell University examine the causes of turnover in the hospitality industry in their article, “The Cost of Turnover.” They cite another study which concluded that turnover resulted

“primarily from dissatisfaction with the current job rather than attraction to other job opportunities.” The causes are:

- 1) Poor supervision
- 2) Poor work environment
- 3) Inadequate compensation

Innovative human resources methods can be difference. Up-to-date practices are a high correlation with financial performance. Their study found that performance appraisals and profit sharing were “strongly related to return on equity.” Hinkin and Tracey argue that employees stay when a supportive environment creates avenues for growth and development. In addition, they found that employees enjoy autonomy and embrace challenges when encouraged to be innovative. Workers will be bored and view their job as routine if they are treated as unskilled, replaceable commodities instead of assets.

A single-minded focus on minimizing labor costs could be counter productive if it drives out employees in droves. The “death spiral” in cutting costs produces continuous turnover and harms service quality.

Hinkin and Tracey highlight 5 turnover-cost categories:

- 1) Separation Costs (exit interview, severance pay)
- 2) Recruiting and Attracting (advertising, agency fees, referral fees)
- 3) Selection Costs (HR interview, medical exam)
- 4) Hiring Costs (relocation costs, signing bonus, orientation, training)
- 5) Lost-Productivity Costs (vacancy cost, errors, waste)

They note that “turnover, perhaps more than any other factor, seems to contribute to a reduction in service quality and a sense of burnout, particularly for front-line supervisors who are constantly involved in firefighting when their departments are staffed with inexperienced employees.”

TURNOVER IS A SYMPTOM, NOT A CAUSE, OF PROBLEMS

Employers may treat turnover as a necessary evil but investments can be made to reduce costs over the long haul. The consulting group Bliss & Associates found that replacing an employee costs 150% of a worker's base salary. The hiring, training and lost productivity costs are too great to ignore but not too daunting to tackle. Employers do not necessarily have to increase labor costs. Via creative management and work environment changes employees can view dismal jobs more positively. Hinkin and Tracey sum it up best when they admonish, pay now or pay later.

ABOUT THE AUTHOR:

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Prior to joining CBRE, Thomas was an associate with the redeveloper RockWater Partners. Thomas worked directly with the president, analyzed potential transactions and played a key role in business development. Prior to RockWater, Thomas was development manager for Foursite Development. His responsibilities involved the construction management of a state-of-the-art storage facility, C3 Modern Storage.

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