7 Steps to Reducing Voluntary Employee Turnover
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Human capital can be defined as the skills, knowledge and experience possessed by an individual or population viewed in terms of their value or cost to an organization or country. In each and every area of business, organizations rely on their employee’s experience, know-how and skill sets for smooth functioning operations. One of the greatest values an employee provides to a business is that of their accumulated knowledge, or human capital. The actual cost of replacing an employee is far more expensive than the price of recruitment. A long-term employee that leaves a business takes with them familiarity and skills which cannot be replicated without the investment of time and money in additional staff. In turn, a new employee will have a big learning curve, with so much to learn before it will be possible for them to become fully productive. These realities cause most companies to think twice before letting competent staff members leave and to endeavor to reduce their rate of employee turnover.

Employee turnover is the ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees in the same time period. Factors that contribute to employee turnover include:

- Wages
- Company benefits
- Working environment

*Companies incur direct and indirect expenses each time they have to replace an employee.*

**Chart 1**

- Advertisement cost
- Headhunting fees
- New hire training
- Human resource cost
- Customer Retention
These direct and indirect expenses can range from 30 to 200 percent of a single employee’s annual wages/salary. While lower paying jobs experience an overall higher average of employee turnover, they tend to cost a company less per replacement than higher paying jobs; however, lower paying jobs incur turnover costs more often due to the frequency of exits. For these reasons, most companies focus on employee retention strategies regardless of pay levels.

Potential negative consequences of employee turnover include:

- Operational disruption
- Demoralization
- Negative public relations
- Personnel cost
- Strategic opportunity cost
- Decreased social integration

In order to manage the rate of employee turnover, it is very important that businesses understand the most common reasons employees leave.

**Why do employees leave?**

Employees leave for the following reasons:

- Salary
- Lack of benefits
- Lack of opportunities for advancement/growth
- Unfavorable working conditions
- Lack of challenging projects/tasks

**Salary**

Typically, employees are in search of jobs that pay well. Individuals desperate for a job may accept lower paying jobs to sustain them during their ongoing search for better paying employment; however, they are likely to settle somewhere which does not offer a fair salary for their experience and expertise. Unequal or substantial wage structures also fall under this category, e.g. when two employees perform similar work and have similar responsibilities, a difference in wages may drive the lower paid employee to quit. Also, if an employer pays less than other players in the same industry, employees are likely to be drawn to the higher paying companies.
Lack of Benefits
Lack of benefits to employees may lead to high turnover in an organization. Employees prefer companies which provide attractive compensation packages and perks.

Lack of Opportunity for Advancement/Growth
Employees generally look for a workplace that can provide them with a clear career path and/or offer various opportunities for advancement. Without attention to this important detail, employees will naturally migrate towards job opportunities where advancement and/or growth is encouraged and offered.

Unfavorable Working Conditions
If working conditions are substandard or the workplace lacks important facilities such as proper lighting, furniture, clean restrooms and other health and safety provisions, employees will likely not stay for longer than they have to. Individuals spend the majority of their life (i.e. hours in a week) at work; if an employee finds an appropriate work environment which is suitable for them in a specific company, they may work in that organization for a long time.

Lack of Challenging Projects/Tasks
A bad match between employee’s skills and the job can be another reason an employee may leave to pursue another job. Employees who are placed in jobs that are a mismatch with their skills and/or experience or who feel that their skills are underutilized may become discouraged and quit.

Employees want jobs that maximize their use of skills, knowledge and experience.

Reducing Employee Turnover
Once a business understands the factors which contribute to losing employees, they can adjust their practices to reduce employee turnover. When the following steps are followed, these same businesses can begin to improve employee retention.

1. **Hiring employees with the right skill set** increases the chance of strong compatibility, which is critical to employee retention. Behavioral-based interviews and competency screenings go a long way in determining personality, work style and one’s potential success within any organization.

2. **Describe a job as accurately as possible** because misconceptions regarding job responsibilities and work environments are one of the major causes of employee turnover.
3. **Develop competitive compensation and benefit packages** to offer benefits and bonuses that encourage employee retention by understanding and researching market pay ranges in an industry.

4. **Create challenges with attainable assignments that award employees** the opportunity to grow personally and professionally.

5. **Recognize employee success.** Employees are more willing to stay with a company if they feel a sense of pride in their work and affirmation from their employer. When employees meet or exceed expectations, it is important to acknowledge them.

6. **Provide an employee-friendly work environment.** Providing employees with flexible schedules makes for a productive, satisfied workforce. Also, providing them a platform to achieve a proper work-life balance is a sure way to retain employees.

7. **Provide career advancement opportunities.** It is very important for an organization to provide a platform for both external and internal training for its employees. Employees are constantly seeking to develop themselves; offering opportunities to advance their career will provide the satisfaction and stability they are seeking.

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