

Ten things you need to know about labour turnover

Ian Marcousé provides a framework of concepts for your revision of the management of people (human resources)

1 Average level

Online recruitment site Monster claims that the average rate (level) of labour turnover in the UK is 15% a year.

Example: for every 200 staff, 30 leave and need to be replaced per year.

Advantage: it is helpful to know the average rate, to be able to compare an employer's labour turnover with the average level, to see whether there may be underlying problems.

Disadvantage: knowing the average may make some businesses complacent about their own labour turnover position.

2 High turnover: causes

High labour turnover is when a high percentage of staff leave (and need to be replaced) within a year. Key causes include underpaying staff, providing too few promotion possibilities, clear evidence of discrimination (perhaps in promotion possibilities) and a bullying workplace culture.

Example: at Uber's US head office the average employee stays for 1.23 years. This implies a labour turnover rate of $1/1.23 \times 100 = 81\%$ a year.

Advantage: high(ish) labour turnover may be good if it means constantly bringing in new staff with fresh ideas.

Disadvantage: high staff turnover means a constant need to recruit and train new staff, which is expensive and proves a drain on productivity, as new staff take time to become efficient.

3 High turnover: costs

The cost to a company of high labour turnover includes the direct cost (perhaps 3 months' salary to recruit a new staff member) but also many indirect ones such as the damage it can do to the corporate culture.

Example: a Manchester recruitment agency has said that hiring a new chef used to take 2 months, but now takes 6 months. That has huge cost implications — especially with the loss of cooking quality.

Advantage: the costs of high turnover can be minimised by increasing staff retention and finding ways to train new staff more cheaply, perhaps using online or automated training programmes.

Disadvantage: high labour turnover adds to fixed costs while threatening to damage productivity, product/service quality and the corporate culture.

4 High turnover: effects

The way the business is affected by too many staff opting to leave and needing to be replaced.

Example: in early 2018 a restaurant reported that half its staff had left as a result of Brexit uncertainties. The effect was that sales revenue fell by 20% as customers reacted against a batch of new, inexperienced staff.

Advantage: the effect of high labour turnover could be helpful in the short term, if a batch of older staff left and were replaced by younger, more enthusiastic staff.

Disadvantage: high labour turnover can strip experience and professionalism from a business, leading to falls in customer confidence and repeat purchases.

5 Turnover and Brexit

The UK leaving the European Union will stop new staff arriving via the free movement of labour. Issues of labour turnover may soon become issues regarding staff shortages.

Example: in UK catering, 75% of waiting staff and 25% of chefs are from overseas. Labour turnover has always been high in this sector, but with Brexit it may be difficult for new recruits to arrive from overseas.

Advantage: Brexiteers say this will force UK firms to work harder to hire and train UK staff.

Disadvantage: fewer skilled workers may affect the UK's catering, construction and IT sectors, which would have serious implications.

6 Parental leave

Maternity and paternity leave is where parents are given time off (paid or unpaid) when their baby is born.

Example: in the USA, 90% of employees get no paid maternity or paternity leave.

Advantage: when Google upped its paid maternity leave from 12 to 18 weeks in the USA, female labour turnover halved. Paid maternity and paternity leave helps ensure that staff come back after their time spent with baby — therefore reducing labour turnover.

Disadvantage: with staff in the UK able to get paid leave for up to 39 weeks, parental leave is arguably inconvenient and expensive for businesses — especially small ones.

7 Reducing labour turnover

Methods to cut the rate of labour turnover. These may start with analysis of the findings from 'exit interviews' — interviewing departing staff.

Example: a departing staff member may mention lack of respect. Managers then need to be reminded that an important part of their job is to make junior staff feel wanted and respected.

Advantage: experts say that the most important thing is to hire the right people in the first place. This avoids wasting money on induction and other training, i.e. investing in an individual who may then leave.

Disadvantage: reducing labour turnover shouldn't be achieved at too high a cost. Higher pay may satisfy hygiene factors but make the business uneconomic to run.

8 Retention

The factors that determine staff loyalty, i.e. the percentage of the workforce that stays.

Example: research in 2017 showed that the average Facebook employee stayed for 2.02 years, while those at Uber stayed for 1.23 years.

Advantage: high retention keeps knowledge of the company's expertise within the business. In the high-tech world this is especially important.

Disadvantage: excessively high retention may mean that staff are ageing together, creating future potential problems as many need replacing at the same time — meaning loss of expertise.

9 Trust

Research shows this to be a vital factor in labour turnover. Staff are much more likely to look for a new job if they don't trust the word and the goals of their bosses.

Example: research carried out in 2016 showed that 24% of respondents said they'd left a job due to issues of trust.

Advantage: in an ideal world, managers trust staff and therefore delegate meaningful tasks to them. This helps with motivation and therefore retention.

Disadvantage: at worst, staff don't believe what managers tell them, creating a climate of suspicion and insecurity. This leads to rising labour turnover.

10 Voluntary turnover

Staff leaving a job because they want to go. Total labour turnover is made up of voluntary turnover plus enforced turnover (redundancies) plus involuntary, such as retirement or relocating.

Example: in some academy school chains, teacher turnover is extraordinarily high, as many staff dislike working under excessive pressure to meet too many targets.

Advantage: in low-skilled work, high turnover may not matter much, as others can be recruited and trained quickly.

Disadvantage: professionals such as nurses, teachers and doctors may be difficult and expensive to replace.

Ian Marcousé is the director of A-Z Business Training Ltd, which runs intensive 4-day revision courses for A-level business.

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