



# Chartered Institute of Personnel and Development

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# Measuring the cost of staff turnover and putting a value on retention

# Chartered Institute of Personnel and Development



- professional body for personnel management in UK and Ireland
- Approximately 250 employees
- Over 120 000 members
- Students → seniors

# CIPD research



## Professional knowledge and information team (PKI)

- *Knowledge into action, research into practice*
- Research reports, practical guides and tools

[www.cipd.co.uk](http://www.cipd.co.uk) (Information resources section)

# Our Publications Over the Last Year

## Research Reports (and Summaries)

- Helping People Learn
- Maximising Employee Potential and Business Performance (with EEF)
- Bringing Policies to Life
- HR's Contribution to Mergers and Acquisitions
- Understanding the People and Performance link
- Opportunity of a Lifetime: Reshaping Retirement
- Information and Consultation
- Branding and People Management

## Books

- Training in the Age of the Learner
- International HRM
- Globalising HR

## Guides

- Business Partnering
- Coaching
- Career Management
- Corporate Social Responsibility and HR's Role
- International Mergers and Acquisitions

## Journals

- Impact
- Perspectives

## Change Agendas

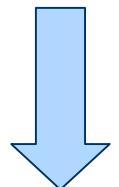
- Women in the Boardroom
- The Challenge of Change
- Union Learning Reps
- Religious discrimination
- E-learning
- Delivering public services
- People and public services
- Human capital external reporting framework
- Human capital internal reporting framework

## Executive Briefings

- Flexible benefits
- Diversity: Stacking up the evidence
- Total reward
- Globalising HR
- Diversity and the Law

## Surveys

- Conflict Management
- HR Indicators
- PKI Barometer/Survey of Surveys
- Working Time Directive
- Flexible working and Paternity Leave
- The HR function
- Career management
- Employee absence
- Personnel rewards
- Reward management
- Recruitment, retention and turnover
- Training and development
- Organising for success



## Tools on the web



A screenshot of a web browser displaying the CIPD website. The browser's address bar shows the URL "www.cipd.co.uk/research". The page itself is titled "Practical tools developed from CIPD research". On the left, there is a sidebar with a "Information resources" section containing links to "Information resources", "A-Z of information resources", "List of research and policy publications", and "Factsheets by date". Below this is a "Practical tools" section with links to "Research", "Surveys by date", and "Subject list". The main content area features a heading "Online and downloadable tools" with a sub-section about "Leading and managing people to deliver performance advantage". It also includes a list of tools such as checklists, diagnostics, and frameworks. A sidebar on the right provides options for "Printable version", "Discuss this webpage", "Enlarge text size", "Email a colleague", and "Edit 'My profile'".

**www.cipd.co.uk/research**

# **Understanding the costs of staff turnover and putting a value on retention**



## **Employee turnover in context**

- measuring and costing employee turnover
- when does turnover become problematic?
- building an effective retention strategy



Drawing on.....

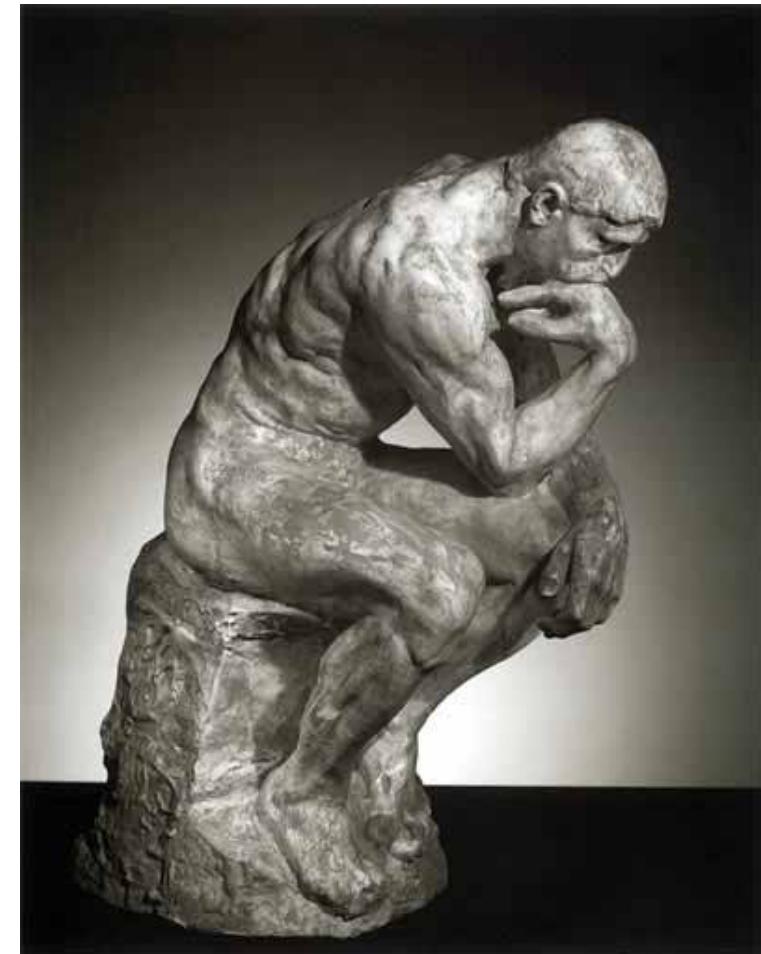
CIPD survey report,  
Recruitment, retention and turnover, 2004

CIPD book,  
The employee retention handbook, Stephen Taylor, 2002

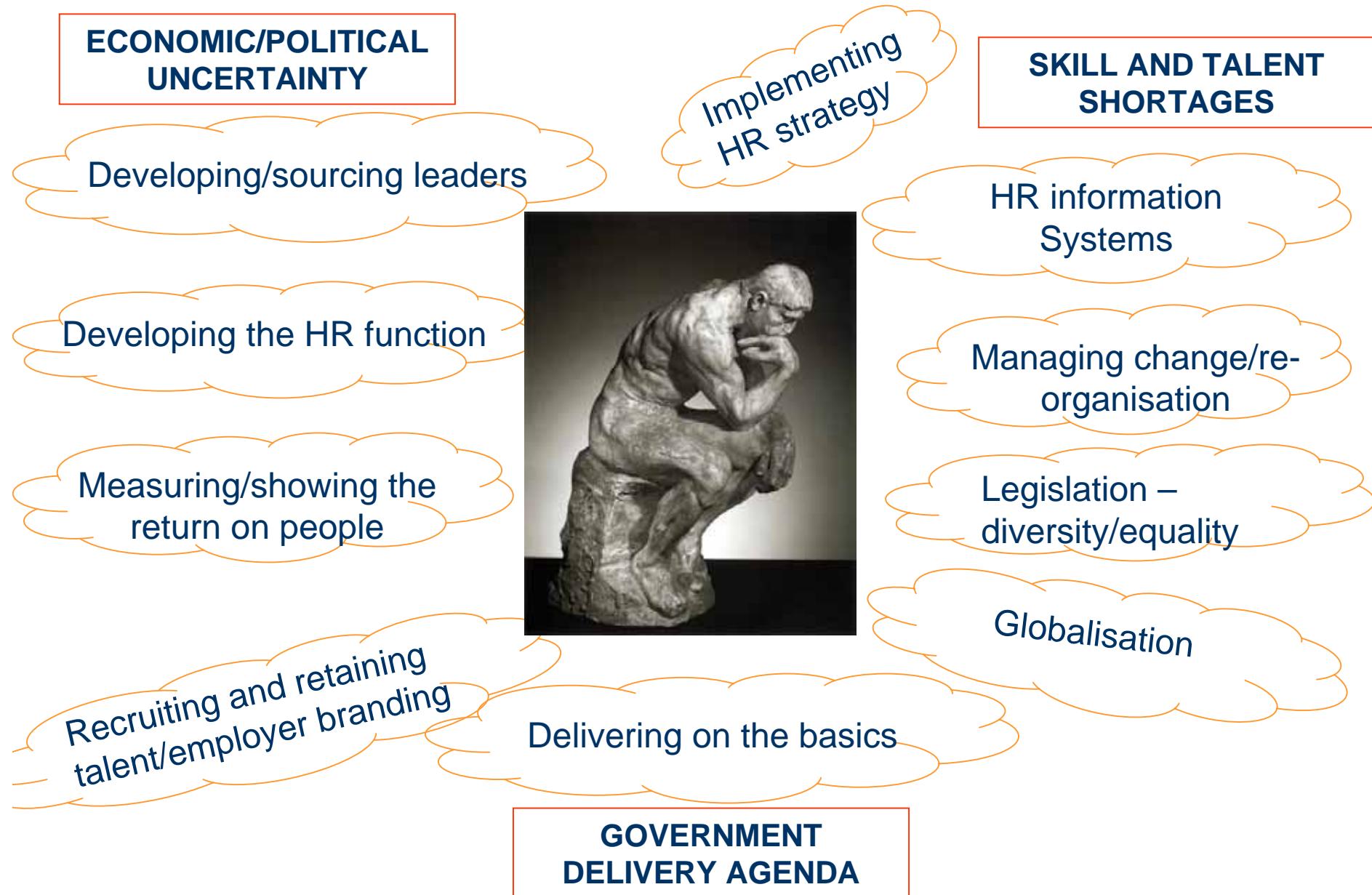
# Employee turnover: the issue in context



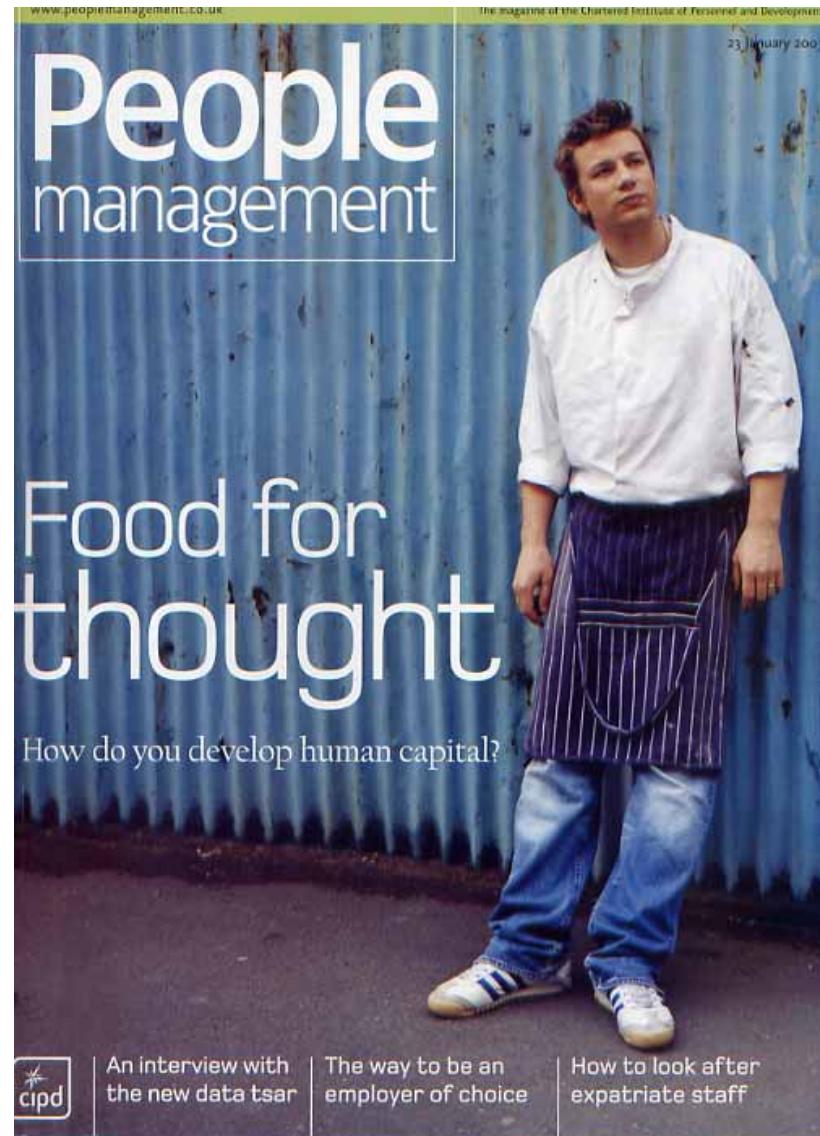
What's worrying  
HR executives?



# The Top 10 Worries/Issues for HR executives



# Human Capital: Improving the Measurement



# Measuring employee turnover



## Crude wastage

$$\frac{\text{Total no. of leavers over period}}{\text{Average total number employed over period}} \times 100$$

*Takes into account all leavers: inc.  
involuntary (dismissal, redundancy,  
retirement)*



Can also break down:

- Voluntary turnover/involuntary
- According to seniority/experience, department, performance....



# Costing employee turnover

Combination of

**opportunity costs**

management time:  
associated with  
recruitment,  
selection, induction  
and administration

**direct costs**

advertisements  
agencies  
running  
assessment  
centre



## Also costs of overtime/temporary cover

*CIPD survey, Recruitment, retention and turnover 2004*

Average time to fill a vacancy is 8.9 weeks

Almost 30% of organisations always or usually always make use of temporary staff for non-management roles



*CIPD survey, recruitment, retention and turnover 2004*

Only 7% of UK organisations currently calculate the cost  
of employee turnover

Average of cost of replacing an employee  
: £4800

Average cost of replacing a manager/professional  
: £7000



More complex approaches give a more accurate and invariably higher estimate of total costs

Eg.

- estimating the productivity of new employees/those who have resigned
- value of loss of contacts with customers/relationships
- Fair ('92) – up to six months salary
- Phillips ('90) – up to 1.5 times annual starting salary



## Employee stability index

- discounts high turnover in the first months if employment by focussing on people employed for a prolonged period
- focus on proportion of human capital retained

$$\frac{\text{No. of employees with } X \text{ years' service at a given date}}{\text{No. employed } X \text{ years ago}} \times 100$$

Eg. if org. employs 1,000 people at the start of 2004, and calculates at the end of the year that 800 remain in their jobs = stability rate of 80 per cent.



# Examples

- The Co-operative Group
- Genesis Housing Group
- Halcrow Group Limited

# When does turnover become problematic?

- CIPD Recruitment, retention and turnover survey



*CIPD survey, recruitment, retention and turnover 2004*

71% of firms surveyed agree ‘turnover has a negative effect on organisation performance’

More likely to agree, the higher the level of turnover experienced

# When does turnover become problematic?



- Some labour markets are tighter than others
- Some groups of employee take longer to become fully effective when they start
- Some individuals are a greater loss than others – because of the nature of the work they do



# Key areas to consider

- industry norms (value of benchmarking data)
- business cycle
- why people are leaving the business?
- who is leaving the business?

# Building an effective retention strategy



- What are the reasons people are leaving?  
(particularly hard to recruit groups...)
- What employee turnover is costing your organisation?

*CIPD survey, Recruitment, retention and turnover 2004*  
Only 7% of organisations currently calculate the cost of  
labour turnover

# Main reasons for labour turnover



34% of HR staff felt line managers are not competent in recruitment, and 31% felt they are not sufficiently trained-supported in recruitment.



- Reliability of your exit data?
- Centrality of line managers:

*CIPD Executive Briefing*

*Bringing policies to life: the role of front line  
managers in people management'*

# Steps taken specifically to address staff retention in 2003



	UK
Improved employee communication/involvement	47
Improved induction process	43
Increased learning and development opportunities	41
Improved selection techniques	41
Made changes to improve work-life balance	33
Increased pay	33
Improved line management HR skills	33
Improved benefits	25
Revised way staff are rewarded so their efforts are better recognised	20
Offered coaching/mentoring/buddy systems	20
Made changes to the way the organisation approaches career management	16
Improved physical working conditions	16

# **Steps taken specifically to address staff retention in 2003**



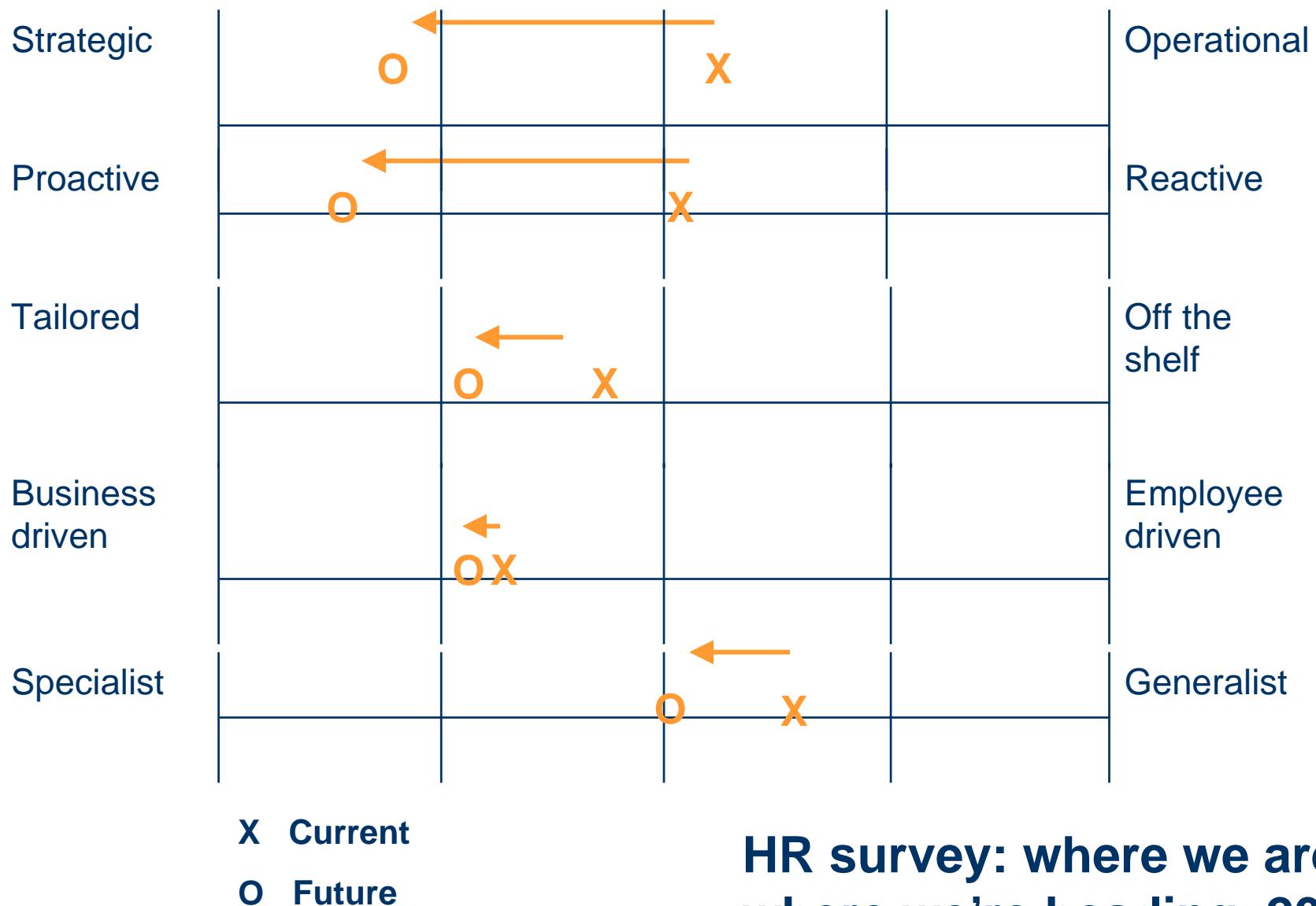
**(cont.)**

Levels of pay and conditions better publicised	14
Redesigned jobs to make them more satisfying	10
Increased diversity of staff	8
Used recruitment/induction bonuses	8
Removed age-related policies and practices	6
Other	3
My organisation has not undertaken any specific initiatives	14
None needed	-

# Conclusions



# We're heading strongly in a strategic direction





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There's a better way to keep your organisation's talent

Our chartered members know how  
Go to [www.cipd.co.uk/chartered](http://www.cipd.co.uk/chartered)



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