Decreasing Employee Turnover in the U.S. Workforce

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RSCA Conference – Kellogg Honors College Engaged Learning Experience Project 2025

INTRODUCTION

Employee turnover refers to workers leaving their jobs at their organization during a given time period. Usually, organizations calculate turnover rates on an annual basis. Turnover includes both employees who voluntarily and involuntarily leave their jobs. Some reasons employees voluntarily leave are due to retirement, relocation, low pay, finding career advancement opportunities elsewhere, negative experiences working with their boss and/or colleagues, and personal reasons. Employees who involuntarily leave include those who are laid off or fired. According to the Academy to Innovate HR, monitoring turnover is important because it helps prevent unwanted turnover, save on costs, build a positive workforce, and implement employee retention strategies. When HR professionals understand why their employees are leaving, they can come up with solutions to mitigate unwanted turnover. For example, if the company's compensation isn't in line with its competitors, they can start improving their compensation packages. In addition, employee turnover leads to a loss in knowledge and productivity as well as monetary expenses to replace employees. When employees leave, existing employees likely have increased workload and stress, leading to a drop in employee engagement. Employees contribute to the success of organizations, so it's important to find strategies to retain them.

OBJECTIVES

I. Which industries have the highest and lowest turnover rates?

II. How do HR professionals calculate and analyze employee turnover rates?

III. What are factors that cause high turnover rates?

IV. What are effective retention strategies that HR professionals can utilize?

2020/2021/2022/2023 Turnover Rates
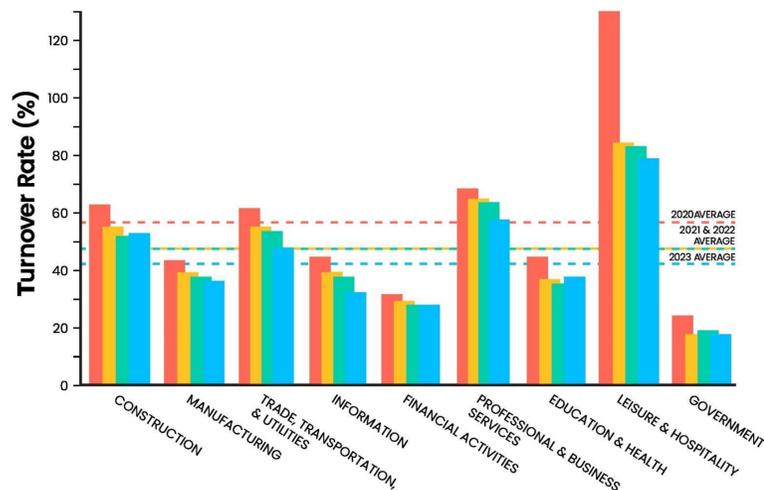
I. The leisure and hospitality industry (88.25%) typically have highest turnover rates.
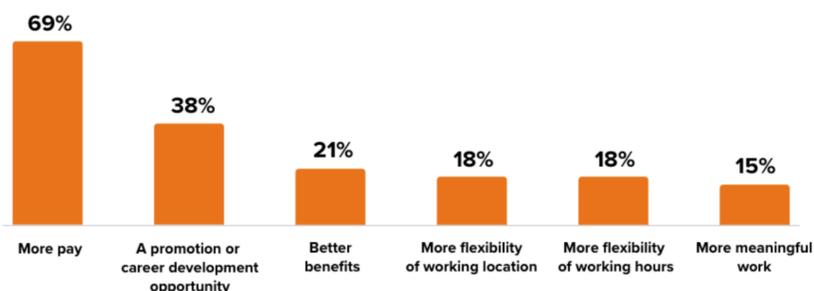
•Attributed to long work hours, little to no flexibility with work schedules, low wages, as well as job insecurity since restaurants and hotels see fluctuations in business every year. A lot of workers also tend to work part time or are seasonal workers.

Government (17.5%) tends to have the lowest turnover rates

•Attributed to the industry offering generous retirement benefits and health insurance plans, schedule flexibility and vacation policies that promote a work-life balance, and employees feeling a sense of purpose

(Turnover Data collected from U.S. Bureau of Labor Statistics)

Top factors employees would leave for

- More pay: 69%
- A promotion or career development opportunity: 38%
- Better benefits: 21%
- More flexibility of working location: 18%
- More flexibility of working hours: 18%
- More meaningful work: 15%

II. Calculating and Analyzing Employee Turnover

Step 1: Collect Necessary Information	• Number of employees at the beginning of a period (ex: year) • Number of employees at the end of the period • Total number of employees that left during that period
Step 2: Calculate The Average Number of Employees	Formula: [(Number of employees at the beginning of the period + number of employees at the end) / 2] Ex: Envision an organization that has 42 employees at the beginning of the year and 62 employees at the end. 13 employees left throughout the year. To calculate average number of employees, add 42 and 62, then divide the total by two. Avg # of Employees = (62 + 42) / 2 = 52
Step 3: Calculate The Turnover Rate Percentage	Divide the number of employees who left by the average number of employees. Then, multiply that answer by 100 to get the turnover rate percentage. Formula: [(Number of employees who left / average number of employees)*100] Following the same example in Step 2: Annual Turnover % = (13/52)*100 = 25%

III. Seeking more pay is the #1 factor that causes employee turnover.

In addition to offering competitive pay, company culture is also important to consider because employees appreciate working in an organization that values providing great employee benefits, flexibility, career growth, and meaningful work.

CONCLUSION

Overall, employee turnover fluctuates depending on the industry, location, and job type. Factors that contribute to high employee turnover include lack of pay, lack of promotions and career development opportunities, lack of benefits including physical/mental health, insurance, raises, etc., lack of flexibility with the work location and work hours, as well as feeling like their work isn't impactful. Calculating turnover rates and analyzing factors that contribute to high turnovers can help HR professionals and other leaders take action to minimize turnover. Based on those factors, some retention strategies could include offering competitive pay, offering remote work and schedule flexibility, recognizing and rewarding employees, providing wellness opportunities, and fostering professional growth. Retention strategies increase an employee's likelihood of staying at a company and therefore help a company save on costs as well as become more successful because of their employees' continued dedication and commitment to the company.

According to Society for Human Resource Management (SHRM), companies should strive for a turnover rate of 10% or less. However, turnover rates vary by industry, location, and job type. HR professionals should analyze their turnover rates and understand what contributes to their employees' departures. Some questions to begin asking include...

•**Who are the employees leaving?** Are new hires or senior ones leaving?

•**Why are the employees leaving?** If mostly new hires are leaving, could it be that there is a large gap between what they expected the job to be like and what they're actually doing? Employees may need more training or the job description needs to be reworked to ensure suitable candidates are applying. If senior employees are leaving, maybe there needs to be more career advancement opportunities in the company.

•**Is there any pattern in the departure of employees?** Ex: Employees leaving before or after an annual performance appraisal, perhaps they are not satisfied with the appraisal process or the company's standard increment rates.

IV. Retention Strategies

1. Offer Competitive Pay

•Find out the cost of living in the metro area. This should be the minimum base pay, and wages should increase from there.

•Research how much competitor companies are paying their employees to ensure salaries are at least aligned with competitors.

2. Offer Remote Work and Flexible Scheduling

•Forbes Advisor mentions Upwork's (the world's work marketplace) "Future of Workforce Pulse Report" demonstrates 36.2 million Americans will be working remotely in 2025 – an increase of nearly 90% since before the COVID-19 pandemic.

• Makes employees happier and more productive as it decreases nonessential meetings, eliminates the hassle of commuting, increased schedule flexibility, decreased distractions and burnout.

3. Recognize and Reward Employees For Their Work

•Employees are more likely to be engaged in their work when they are appreciated.

•Prioritize monetary rewards, social recognition, and time off.

•Consider asking employees what they would like in terms of rewards as well.

•Ensure employees are not only being recognized for results, but also for efforts. Sometimes, project results weren't as successful as envisioned or numbers may not have been reached, deals may not have been closed, goals may not have been achieved, but it's important to recognize an employee's efforts. It could give them encouragement and support to try harder in the future and not feel defeated at work.

4. Provide Wellness Offerings

•Clean workplace, health and safety protocols in place, and strict rules regarding employees not being allowed to come to the office when sick. This includes providing sick pay to encourage employees to stay home when feeling unwell.

•Quality health insurance with excellent coverage and numerous options is valued.

•Free mental health services 5. Foster Professional Growth

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