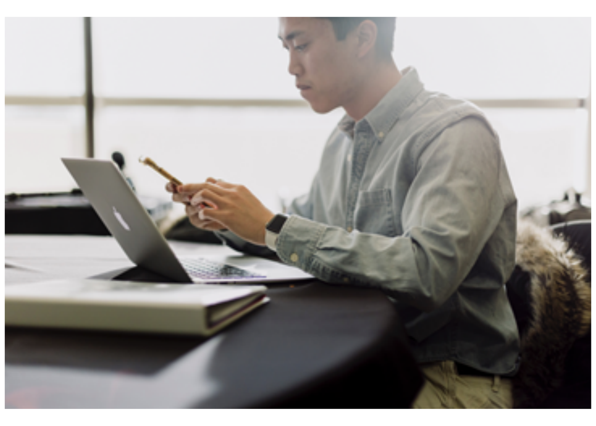
Back to Basics: What Is Employee Turnover Rate?

JUNE 23, 2021 | MIKE LOVETT



Employee turnover is a natural phenomenon in every company. No one stays at one company for their entire career. In fact, the **Bureau of Labor Statistics** estimates average employee tenure is about four years and has been since 2018.

Employee turnover is also not inherently negative. People leave companies for a number of reasons, some of which are outside of the company's control.

While turnover is a byproduct of running a business, you don't want a revolving front door. Because that can get expensive. **A 2019 Gallup poll** estimated the cost of replacing an individual employee was up to 2x their annual salary. The total cost of voluntary turnover to US businesses: one trillion dollars.

This is why it's important to understand your company's turnover rate so you can discern if it's the nature of business or a problem.

What is employee turnover rate?

Employee turnover rate is a calculation of the percentage of employees who leave your company over a certain time period, either voluntarily or involuntarily.

Involuntary separations largely consist of employee dismissals. Voluntary separations can be broken down into two camps: pull reasons and push reasons:

- Pull reasons are reasons outside of your company's control. An employee might be returning to school, taking care of a family member, or moving to a place where a commute isn't possible and remote work isn't feasible. It's a life-dictating circumstance.
- Push reasons are very much within your company's control. Push reasons include dissatisfaction with working conditions, job responsibilities, even the overall company culture.

A high turnover rate due to pull reasons? That could very likely be an outlier. The randomness of life. A high turnover rate due to push reasons? That demands your attention.

How do you calculate employee turnover rate?

Before we get too far, let's take a quick math break.

To calculate your company's employee turnover rate, you'll need two numbers: the average number of employees your company had over the time you're measuring and how many employees left during that same time.

For the average number of employees for a calendar year you'll calculate:

$$\text{Average employees} = \frac{(\text{\# of employees on Jan 1} + \text{\# of employees on Dec 31})}{2}$$

For the turnover rate itself you'll calculate:

$$\text{Turnover rate} = \frac{\text{People who left the company}}{\text{Average \# of employees}} \times 100$$

So let's say on January 1 your company had 80 employees and on December 31 it had 100. And over the course of the year 10 people left the company.

$$\text{Turnover rate} = \frac{10}{(80+100)/2} \times 100 = 11.1\%$$

Your turnover rate is 11.1%. Now let's add some context.

According to a user survey from **LinkedIn**, the global turnover rate is about 11%. So, by the worldwide average, you're right on track. But that average varies wildly by industry, region, and, more frequently within the tech industry, by occupation.

It often isn't enough to calculate one turnover rate for the entire company. Factoring in variables like industry, region, and the occupations in your company is a start. You might also want to include duration of employment. If you have a disproportionate number of employees leaving within 18 months consistently, that's something you want to know.

What contributes to employee turnover?

In short, everything contributes to employee turnover. How you hire, how you treat employees, how you develop and nurture talent, the attitude of management, even, as the kids say, the vibe.

Here are some of the most **impactful areas of employee retention** and what shapes them.

- Talent acquisition: Your research into your company's retention performance should start at the beginning. Look at how you portray your company and your values to potential applicants and evaluate whether you're living up to that portrayal.
- Hiring: An employee's first exposure to your company comes during the hiring stage –and a first impression is lasting. Ensure the application process is seamless, that communications are timely and consistent, and that the interview stages aren't overly time-consuming.
- Onboarding: Starting a new job can be overwhelming for any employee. Remove unwanted stress from the **onboarding process** by making sure new hires are promptly connected to the resources they need and the people they'll be working with. You can also make managers an active part of the process to help ingratiate new hires.
- Performance management & development: It won't take long for an employee to gauge whether they can see themselves growing personally and professionally at your company. Assess whether your company has clear avenues for promotion, opportunities for professional development, and a culture of **consistent feedback and support**.

How do you reduce employee turnover?

There is no single tactic to deploy that will reduce employee turnover. Reducing turnover rate requires a strategy that should touch every facet of your business.

By addressing impact areas of retention, you'll find that you're not "reducing turnover" so much as you're ensuring your employees are engaged and valued. And that's the real goal.

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