The HRS Retention Series: Staff Turnover Costs & Retention

According to recent data businesses in the hospitality industry in Australia typically lose over half (55.00%) of their employees every year. Benchmarking studies of turnover of general industries usually indicate an average staff turnover rate of around 15-18% per year, the hospitality industry result is about three times higher (and three times more costly) against other industries. In some cases staff turnover of some properties is as high as 110% per annum.

What is the cost of turnover? The cost of the advert to recruit? The recruitment line on a P&L?
Depending on the role studies have it somewhere between 50%-100% or more of the departing employees annual salary. Don't believe it? Whilst the internal recruitment costs can be seen in the table below it is the hidden costs that contribute to bulk of the cost and often these are overlooked as they don't stand out on a P&L. They include:

Coverage. When an employee has left a vacancy, be it a chef, manager or admin person the work that they would have been doing needs to be covered. Do you have to say no to bookings or business or stop generating business altogether? Are you paying overtime for someone to cover? Or are staff just doing more unpaid hours or working back to backs with no breaks?

Ripple effect. Staff turnover has an impact on the team, including management, which makes everyone less effective. Managers have to spend time recruiting, whilst at the same time trying to keep the team on track and the team has to work more hours or days to pick up the shortfall. At what point of increased workload/pressure does this result in more staff resigning?

Customer Loss. What happens to the level of customer experience when a business is short staffed or in a constant process of training new recruits? Gone are the days of 1 unhappy customer tells 10 others. With customer review sites and social networking the negative customer experience is shared with a much larger audience. Like the above what effect does having to deal with increased customer complaints have on the existing team and management?

Employment Brand. Everyone in the industry could finger point at least 3 businesses that have the reputation as poor employers. Excessive turnover reduces your ability to attract the best talent and having your brand continually advertising will do nothing to generate interest from candidate's long term. Negative outgoing employees are also now able to air their grievances to the wider public through increased exposure on social networking sites on top of word of mouth.
What effect does this have on your existing employees? Demoralised or disengaged staff consistently underperform which further increases staff turnover as your high flyers can lose confidence in their managers and leave.

What does it cost to recruit internally?

Finding good people in our industry is no easy task. The table below assumes an internal management cost of $50 per hour (conservative figure). The following costs could be applied as a minimum to most recruitment scenarios although executive recruitment could equate to at least double:

Position Profile	Time to assess and determine the particular job specifications and profile	2 hours	$100.00
Advertising	Usually requires at least one local newspaper advert and one online advert as a minimum		$1000.00
Advert Creation	Creating adverts and reviewing proofs and lodging	2 hours	$100.00
Initial Screening of Applications	Assessment of 10-15 applications and initial phone screening (30 mins each application)	5 hours minimum	$250.00
Interviews	1 hour with 8 potential candidates	8 hours	$400.00
Reference Checking	Top 3 Candidates	2 Hours	$100.00
Final Interviews	Top 2 candidates re-interviewed by management/second person	2 hours	$100.00
Letters of Rejection	Typed and emailed out	2 hours	$100.00
Replacement Costs	Statistically 1 in 3 employees resign or are not suitable inside the first 8 weeks, involving all costs again without any guarantee	Sum of Above	$2150.00
		Total	$4300.00

Why do employees leave?

General trends highlight the following key points as to why employees leave:

- Low pay
- Poor working conditions (communication/expectations/hours/inflexibility)
- To seek better career opportunities elsewhere - suggesting a lack of career paths with the current employer

What can you do?

First of all you need to know the why! Unless you know this it is difficult to address the factors contributing to turnover and build retention. A confidential exit interview should be conducted and wherever possible this is best done by someone other than the direct manager. The reason for this is that if it's poor management or leadership that has prompted the move, it's unlikely that you're going to learn the truth if the line manager is asking the question. The saying goes people don't quit jobs they quit bosses.

But even if your staff structure doesn't allow for this it is important to find out much as possible about people's motives for leaving. With this inight you can put structure and processes in place from the point of hire forward to address.

If the reason is **pay related** do some comparisons against competitors. However it's not always pay, sometimes the conditions are the true issue but pay is blamed. Staff will often stay where they are even if pay might be slightly higher elsewhere if they have conditions that others don't/can't provide. Whilst it would be nice to give all hospitality staff every weekend and night off it isn't a reality for most businesses in this industry. What can you do? Those willing to comprimise are often the ones with better retention. HRS can assist with market insight on **both pay and conditions**.

If the reason is **career progression,** is this because you couldnt provide a similar opportunity or didn't know they wanted it? Sounds simple but this can be avoided by strong internal communication and awareness of internal succession planning opportunities. You won't be able to accommodate everyone's career aspirations but your staff's awareness of the opportunities to progress will retain considerably more employees than if you don't create the awareness in the first place.

Communication is key! Whether your business has 5 or 500 staff effective communication is critical. This starts with the **onboarding** of all new recruits through to the exit interveiw when they leave you (hopefully though this doesn't happen as often). This communication needs be a two-way process, not only do people need to know what's going on, they also wish to be heard.

It can be as simple as daily briefings, weekly one on ones with their supervisor/manager, regular full staff meetings or annual performance planning sessions.

Encourage ideas! Create environments where your staff activitely offer ideas or at least take involvement in the ideas to improve the customer experience, processes and the team environment. Whilst a negative staff member can be your your greatest contributor to staff turnover a positive staff member can be the greatest contributor to your employment brand and attracting their friends/family to join your business.

Good leadership, all of the above points contribute to good leadership, however as a manager you are also required to provide an ongoing commitment in the following areas:

Look and listen

Build relationships with your people

Recognise and reward performance of individuals

Celebrate and share business success and milestones

Encourage and reward loyalty by conducting regular pay/benefits reviews. Think about incentives that are within reach of any member of staff who performs well. This might mean focusing on a different theme each month so that everyone has an opportunity to be recognised for their particular skills or strengths.