6 Ways to Reduce Turnover

Introduciton

In the first four months of 2016, the cumulative employee quit rate—a.k.a. the percentage of workers leaving their jobs on purpose--was higher than it had been for any four-month period since 2007. That's a big deal: It means employers can no longer rely on a bad economy to keep their workers from leaving.

Good employers don't want employees to feel "trapped" by a bad economy, but in the last few years, a lot of employers have gotten a little complacent anyway, putting less effort into employee engagement and retention than they could be. The proof? Less than one-third (31.5%) of U.S. workers were engaged in their jobs in 2014, according to a Gallup poll, and a full 17.5 percent were "actively disengaged" — i.e. phoning it in and looking for a new job.

That's not good for productivity, nor is it good for employee retention, as even your best employees, if treated poorly, will eventually start to slack off and eventually look for a new job.

But even if you're doing everything right, some employees are going to leave, whether for greener pastures or because they simply aren't the right fit. In fact, in 2011, companies spent $45 billion on recruiting only to see 46 percent of new hires still leaving after a year. Yikes!

The Costs of Turnover

Turnover can be costly; add up all the time training a person who didn't work out, the lost opportunity costs of a vacant position, the time managers spend interviewing instead of managing, and you're looking at a significant spend: ERE Media estimates that the cost of replacing an entry-level employee is 30-50 percent of that position's annual salary, rising with higher level workers.

Why Turnover Happens

Salary and benefits certainly play a role, but pay is not the leading factor in job satisfaction. It's up there for sure, and paying competitively is important—but more than that, employees want to feel valued, that they are part of something bigger, and that they are a fit with their company's culture. People often leave jobs because of a disagreement with a manager or colleague—in other words, they're not going to a new job but away from the job they have with you. Here's how to put that to a stop.

6 Steps That Can Reduce Turnover

You can reduce turnover, but never entirely eliminate it. That's OK, as that's the goal! You'll always have a few low performers who you may want to gradually part ways with. For the rest, though, you want to keep 'em. Here are six steps that can help.

1 Start with the right fit

A third of employees knew whether they would stay with their company long-term after their first week, according to ERE. Those who can tell they are leaving were likely not good fits to begin with. A personality test is one way to help determine if new employees will fit in to a new job, and these tests are growing in popularity. It's important to use such tests as guidelines only, and to use them to measure actual workplace fit—for example an extrovert who loves working in teams may not be the best fit for a remote, work-from-home position—not amorphous things like "we like the same baseball team." "Fit" used in this way can be a euphemism for justifying cultural bias, which can lead to a less diverse workforce. Instead, tests should focus on "data-driven analysis of what types of values, traits and behaviors actually predict on-the-job success," according to Kellogg School of Management professor Lauren Rivera.

Personality tests can also give employees insights into how they can best work with coworkers, which can stave off conflict. Since one of the major reasons people quit their jobs is due to personality conflict with a boss or coworker, preventing conflicts from happening is an important way to reduce turnover.

2 Ensure your compensation package is in line with the marketplace

This means salary and benefits, but also perks like flex time, compressed schedules, or telecommuting when appropriate.

Pay isn't the number one factor in retention, but it certainly doesn't hurt. Check out sites like salary.com for data to help you learn what similar positions pay in your market. Remember, your goal is to attract good talent and pay them fairly.

If you can't raise salaries, can you allow telecommuting, offer "summer Fridays" or otherwise see if you can be flexible about how your employees work? Other popular arrangements include job sharing—where two people work part-time to make up one full-time-equivalent role—or paying employees by the project, which allows them to take more time off between projects if they want. In this arrangement, says Entrepreneur magazine, the employee "functions much like an external consultant who's hired on a project basis."

With the right people—those who are motivated by your company's mission and feel they have a stake in its success—you'll actually see productivity go up, not down, with these types of arrangements. And an Accenture survey found that workers are much more likely to stay at their company if they can work flexibly.

3 Use contests and incentives to help keep workers motivated and feeling rewarded

Done right, these kinds of programs can keep employees focused and excited about their jobs.

One company, Engage Direct Mail, has found a way to motivate all employees—even those who aren't interested in competing. CEO Dennis Hoffman told Inc that setting quarterly goals with rewards attached, such as iPods for the whole team or a trip to a nice restaurant, encourages employees without relying on salary bonuses.

The group nature of these rewards is important, says Hoffman, because "somebody who is not motivated by getting an iPod knows that other people in his or her group are and doesn't want to let them down." Since what motivates people is extremely individual, it's a good idea to use a group reward. But as Hoffman does, mix it up a little—even iPods and restaurants can get boring if they become repetitive!

You can also use personality data to learn more about what motivates your team, though these are often more personal motivations. A 2013 University of Iowa study found that personality is actually more of a factor in motivation than any carrot or stick. For instance, it'll be difficult to motivate a go-getting extrovert if she is stuck in a job with no advancement opportunities, and an introvert might not be excited by the possibility of a promotion to management level. A combination of individual motivations and group rewards might be the best way to go here.

4 Allow creativity in the office

This means different things depending on the individual employee's personality. Some employees—who we call Inventors—are naturally drawn to traditionally creative careers, like writing, designing, or another art form. But really, at its base level, giving employees the freedom to be creative means empowering them to solve their own problems.

No job is too "mundane" for creativity—an executive consultant cites the example of a garbage collection company whose employees were encouraged to think of a way to improve on their route, and one employee came up with a solution that cut the time to drive the route in half.

Perhaps creativity means something as simple as letting employees decorate their workspace (to foster a positive environment where creativity can flow more freely). Maybe it's having regular offsite brainstorming sessions, even if it's just to a local restaurant or park. However you encourage creativity, remember that not everyone will feel freed by the ability to be creative; there are some personality types who just want to keep their heads down and produce quality work. So make sure you understand what motivates individuals on your team and that you're giving people the option to express creativity, not a mandate. Cubicle decorating stops being fun when it becomes a contest.

5   Conduct "stay" interviews

So, if a third of employees have made up their minds about your company after the first week, that still leaves two thirds to go. You can win those over (or lose them). So, in addition to exit interviews, ask employees why they stay. Ask them why they came to work at the company in the first place, why they stay, and what their deal-breaker issues would be.

Use that information to inform your management strategies; maybe you'll learn something valuable. Maybe one employee is the cause of 80% of reported personality conflicts—think about moving this person into another role--or another manager has a reputation around the office for smoothing over conflicts—give this person a raise!

6   Promote from within

Employees who see that the company values their talent and can see a future for themselves with the company are more likely to stay. Personality assessments can help here, too, by ensuring that a person promoted to manager has the right personality to lead—or receives extra training instead of being thrown into the deep end. Some people feel like they are more natural leaders than others, but that doesn't mean those others can never be managers! It just means they may need more coaching or training before a promotion.

Conclusion

Excessive turnover costs your company a lot. It costs time and money to replace people—money and time that could be spent growing your business instead.

Following the steps to reduce turnover, including starting with the right fit, encouraging creativity, and offering rewards—financial or otherwise—not only reduces turnover but also creates a culture where employees feel valued and love to come to work every day.