



E-BOOK

# The Ultimate Guide to Employee Turnover



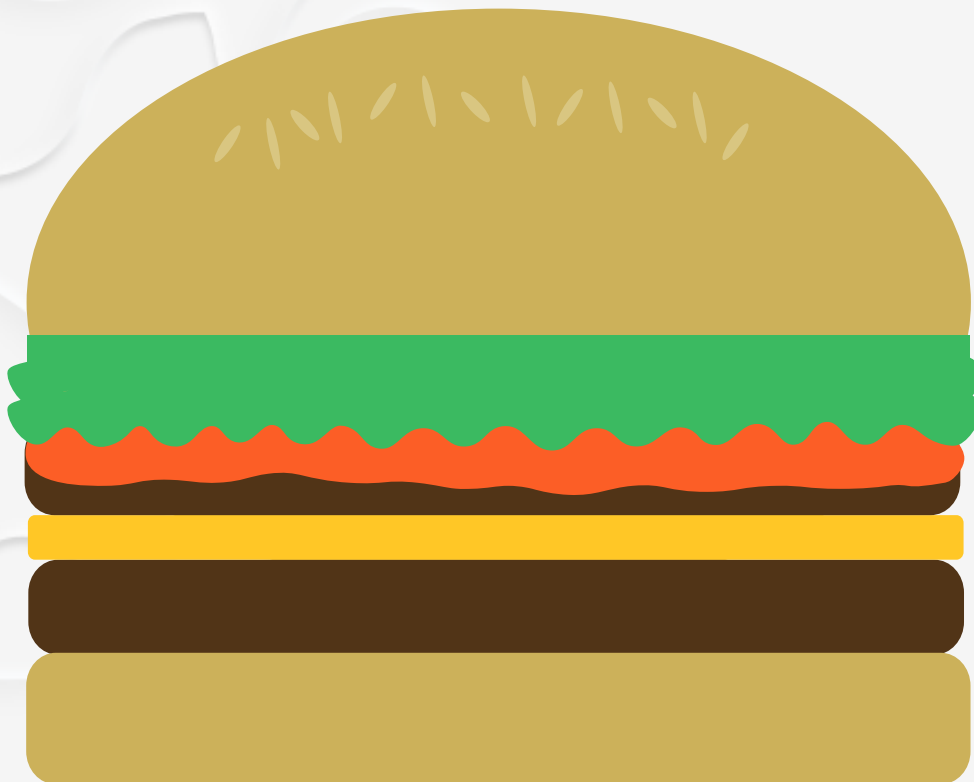
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# UNDERSTANDING EMPLOYEE TURNOVER

What would you do with an extra \$100,000 this year? In this e-book, you'll learn how you can pocket more money through reducing employee turnover and the costs associated with it. By taking the time to understand your employee turnover and actively working to retain employees, you'll see an immediate reduction in employee turnover costs and get time back for daily operations.

Every business owner should know the key metrics that make up their business just as well as they know the elements of their best-selling item or service. Employee turnover is one of the key elements to know and understand for every business in every industry. Just as meat, cheese, and lettuce are the key ingredients for a hamburger, knowing your employee turnover is the secret sauce to a thriving business. However, it's not just about knowing your employee turnover rate, but understanding its impacts and being proactive in reducing it. Read on to learn more about the importance of employee turnover, how to calculate it for your specific business and its true impact.



Cost of Goods Sold

Labor Cost Percentage

Employee Turnover Percentage

Inventory Turnover Ratio

Net Profit Margin

# DEFINING TURNOVER AND RETENTION

Employee turnover and retention are two sides of the same coin. If you boast high employee retention, you experience low employee turnover. If your employee turnover is 60% per year, your employee retention is 40%.

However, while a franchisee may retain managers well, it may be more difficult to retain entry-level employees. So, while your turnover rate for managerial level employees may be 60%, the turnover rate for entry-level employees may be 130%.

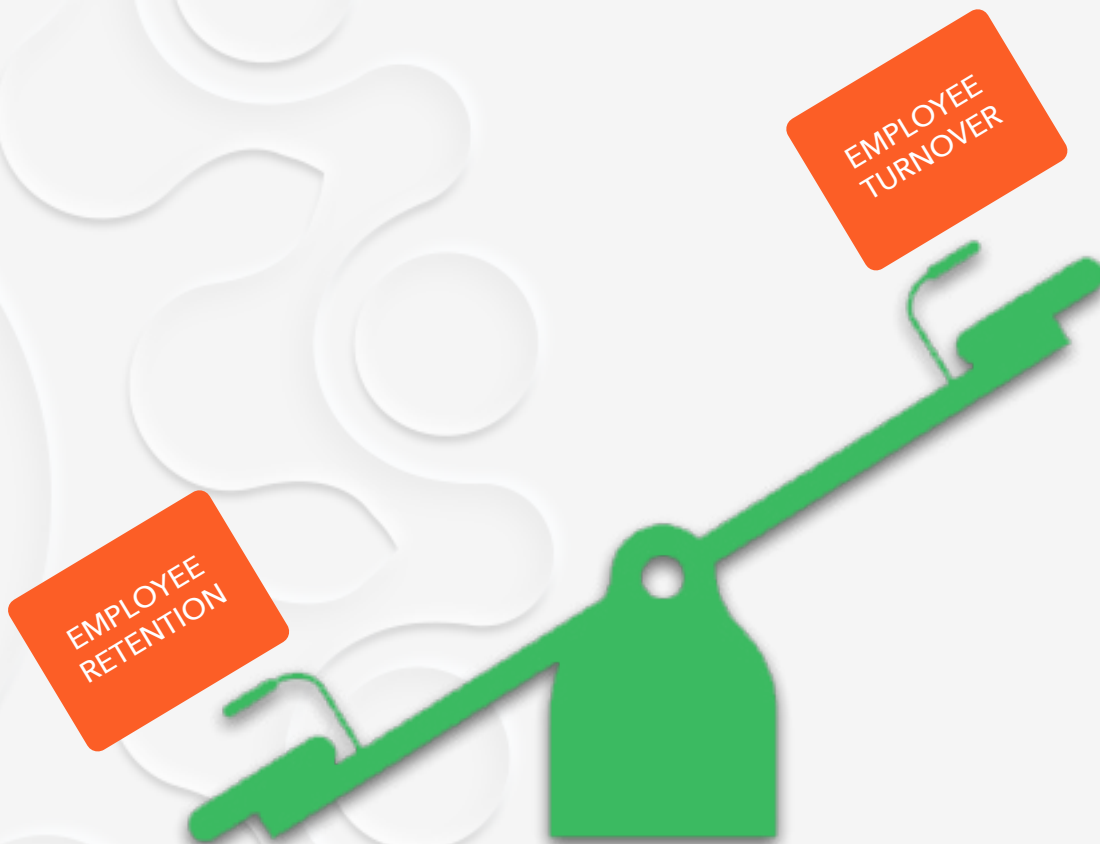
It is important to fully understand your current situation so you can reduce turnover and increase retention.

## EMPLOYEE TURNOVER

The percentage of employees who leave a company during a measured period of time

## EMPLOYEE RETENTION

A company's ability to retain its employees



# HOW TO CALCULATE EMPLOYEE TURNOVER

## CALCULATING EMPLOYEE TURNOVER

In order to begin calculating your monthly employee turnover, you'll need three data points and a defined time period you are measuring. Time periods measured are typically monthly or quarterly.

1. Beginning number of employees
2. Ending number of employees
3. Number of employees who left during the time period

To get the three numbers necessary for calculations, simply record how many employees you have at the beginning of the time period. Throughout the time period, record how many employees leave. At the end of the set time period, record the final count of employees.

Then, use your recorded numbers for the calculations below:

$$\left( \begin{array}{l} \text{Employee Count at Beginning of Time Period} \\ + \text{Employee Count at End of Time Period} \end{array} \right) / 2 = \begin{array}{l} \text{Average} \\ \text{Employee} \\ \text{Count} \end{array}$$

$$\left( \frac{\text{Employees Who Left in the Time Period}}{\text{Average Employee Count}} \right) \times 100 = \begin{array}{l} \text{Employee} \\ \text{Turnover} \\ \% \end{array}$$

# EMPLOYEE TURNOVER WORKSHEET

Three-Month Period: \_\_\_\_\_

Beginning Month: \_\_\_\_\_

Beginning Employee Count (#1): \_\_\_\_\_

Month One

Number of Lost Employees: \_\_\_\_\_

Reasons for Separation: \_\_\_\_\_  
\_\_\_\_\_

Month Two

Number of Lost Employees: \_\_\_\_\_

Reasons for Separation: \_\_\_\_\_  
\_\_\_\_\_

Month Three

Number of Lost Employees: \_\_\_\_\_

Reasons for Separation: \_\_\_\_\_  
\_\_\_\_\_

End Date: \_\_\_\_\_

Final Employee Count (#2): \_\_\_\_\_

Total Number of Lost Employees (#3): \_\_\_\_\_

$$\left( \frac{\text{Beginning Employee Count (\#1)} + \text{Final Employee Count (\#2)}}{2} \right) = \text{Average Employee Count (\#4)}$$

$$\left( \frac{\text{Number of Lost Employees (\#3)}}{\text{Average Employee Count (\#4)}} \right) \times 100 = \text{Employee Turnover Percentage}$$

Managers can  
influence at least

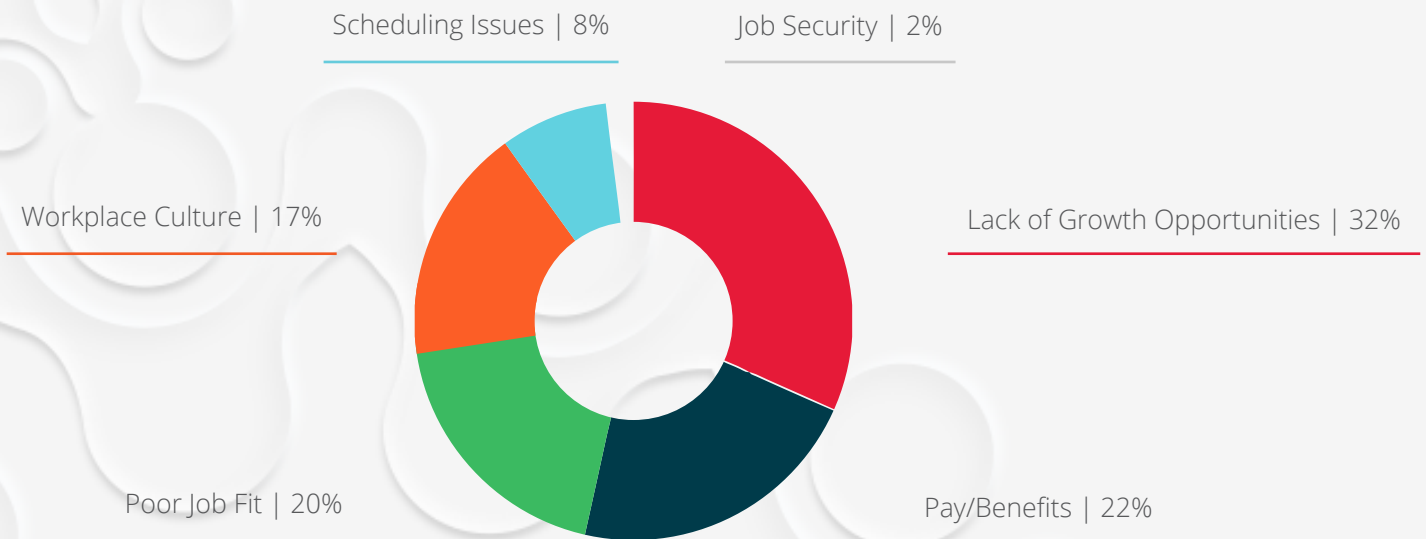
**75%**

of the voluntary  
employee turnover  
that occurs in  
the workplace



## FACTORS CONTRIBUTING TO EMPLOYEE TURNOVER

There are many factors that contribute to employee turnover, specifically pertaining to hourly employees. They can vary according to position and employee tenure, which are important factors to take note of when monitoring your turnover. Lack of growth opportunities, pay/benefits, poor job fit, workplace culture, scheduling issues, and concerns over job security are common factors that contribute to employee turnover.



## HOW TO MITIGATE EMPLOYEE TURNOVER

While employee turnover has shown no signs of slowing down, that doesn't mean it can't. With the right mix of tools, strategy, and managerial oversight, employee turnover can be mitigated. Along with the strategies mentioned below, Sprockets' Applicant Matching System reduces employee turnover by showing hiring managers which applicants are the best fit for the business.



### Outline Career Pathways

Hourly employees crave advancement. Let applicants know how to advance at your company, and have one-on-one meetings with current employees to review their goals and progress.



### Offer Competitive Pay and Benefits

Paying a slightly higher wage to retain employees can outweigh the time and money spent due to turnover. If increasing pay isn't possible, offering competitive benefits is a good alternative.



### Create a Positive Workplace Culture

Maintaining a positive culture is crucial to retaining employees. Hiring one bad employee can impact the rest of the staff in a negative way, from covering shifts to picking up slack. Before making a new hire, take the time to ensure they fit the existing culture.



### Improve Scheduling Practices

Effectively scheduling staff members has a positive impact on employee engagement and retention. A few ways to be competitive in your space is with guaranteed hour allocations, posting shifts in advance, and offering easy ways to swap or pick up shifts.

## EMPLOYEE TURNOVER'S HIDDEN CONSEQUENCES

Employee turnover has hidden consequences that aren't always seen on the balance sheet. Understanding these consequences emphasizes the importance of retaining employees and learning how to mitigate this problem within your business.



### Lost Knowledge

When you lose an employee, you also lose the knowledge of the business and have to train new hire.



### Reduced Morale

Seeing co-workers constantly leave can reduce the morale of the remaining team members.



### Overworked Staff

When employees have to pick up the slack due to turnover, it can lead to burn-out and, ultimately, more lost employees.



### Reputation Damage

A bad hire can wreak havoc on your business's reputation. Poor reviews go a long way in the digital world.



### Decreased Productivity

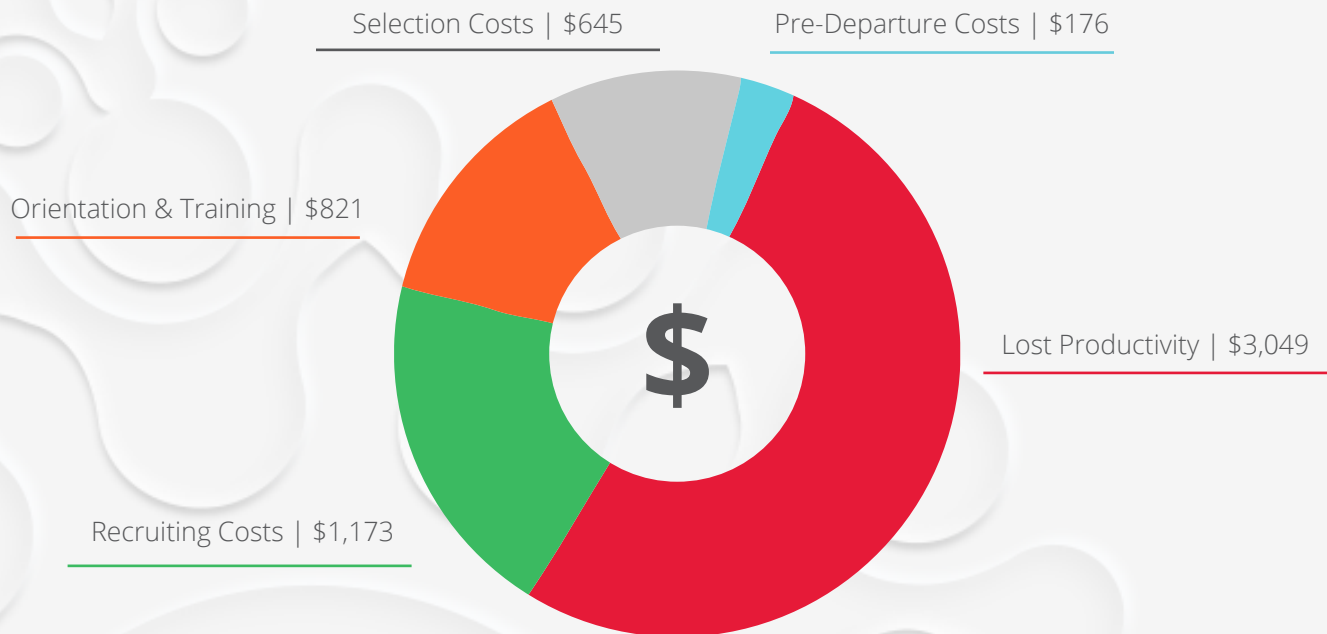
An employee's productivity typically slows down as they get closer to the point of quitting.

IT CAN COST  
**\$5,864**  
TO REPLACE  
ONE HOURLY  
EMPLOYEE

## THE FINANCIAL IMPACTS OF EMPLOYEE TURNOVER

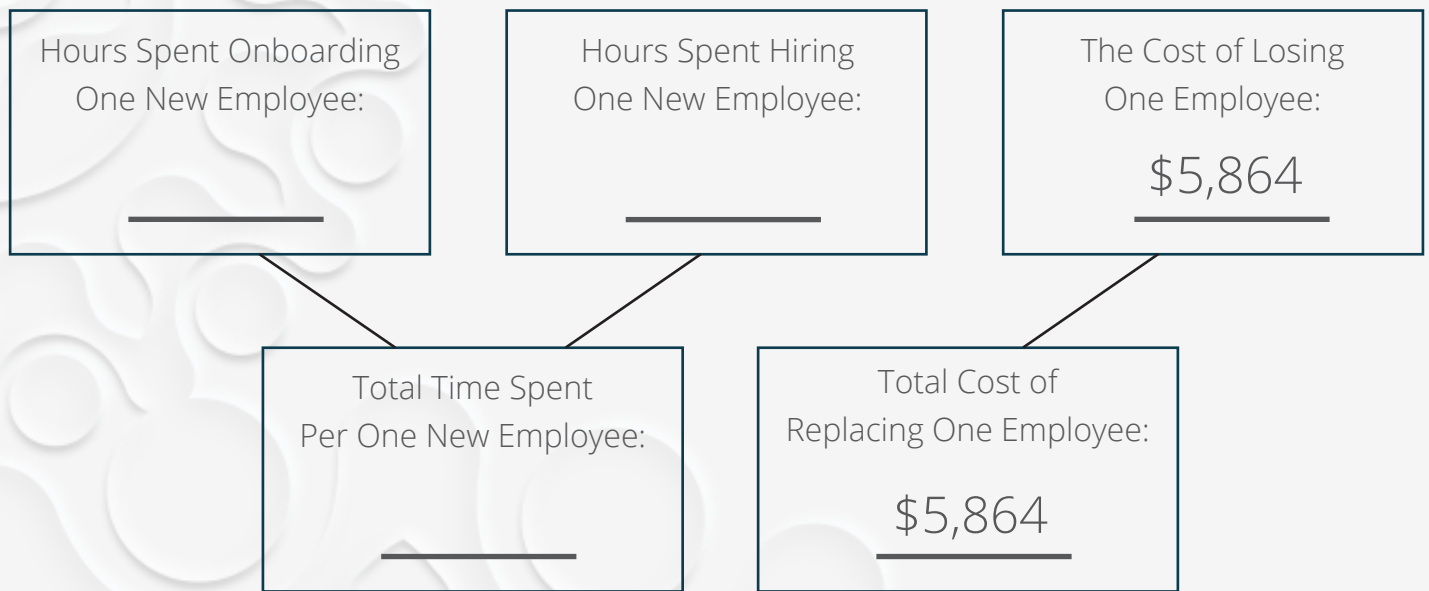
Taking the time to break down and understand your costs justifies spending the time and resources on efforts that reduce employee turnover and increase retention.

The chart below shows the cost distribution for employee turnover. This takes into account time spent on tasks multiplied by average hourly wages, and technology costs used in the hiring process, and more.

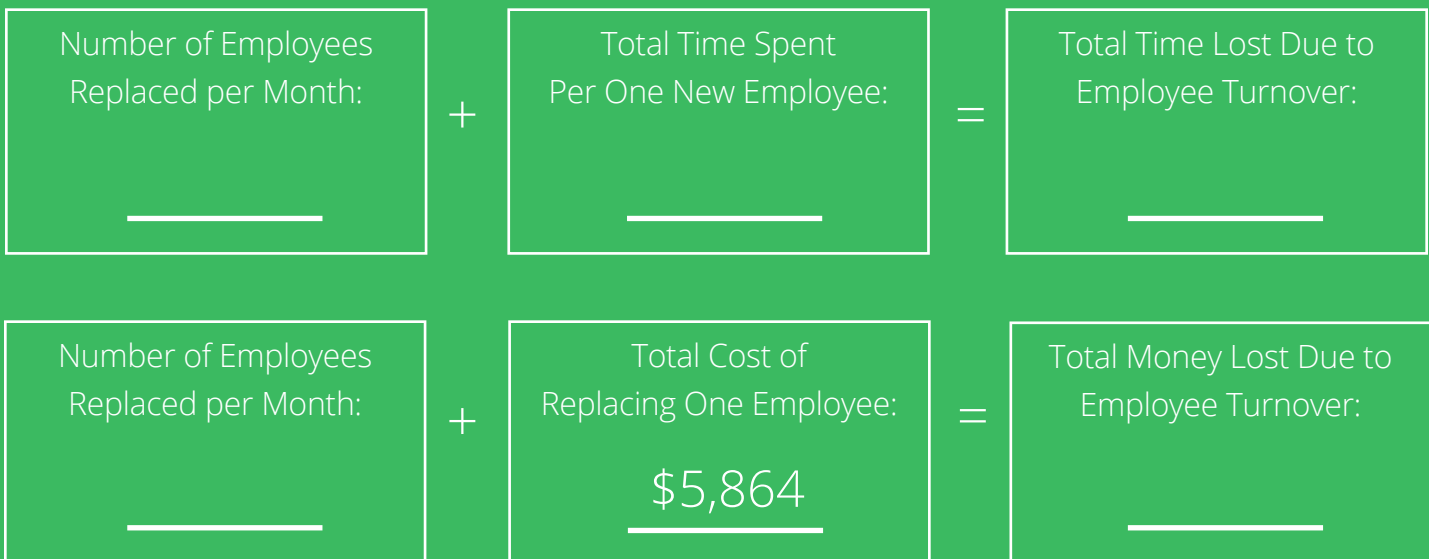


# EMPLOYEE TURNOVER IMPACTS WORKSHEET

It's easy to overlook an issue that seems daunting to overcome or has become commonplace in your line of work. However, for employee turnover, it's important to take time to understand the true impact it has on your business. Take look at how employee turnover is affecting your business by utilizing this worksheet.



## MONTHLY TURNOVER IMPACT



## THE SPROCKETS SOLUTION

Employee turnover is a constant, costly occurrence across many industries. Luckily, Sprockets offers a sophisticated solution to help franchisees reduce costly turnover. Our AI-powered platform features an applicant matching system that finds the common thread between your top performers and incoming applicants. This makes it simple to replicate top talent and hire employees who are most likely to stay long-term.

Visit [www.sprockets.ai](http://www.sprockets.ai) now to learn more and start reducing employee turnover!

