

## Employee Turnover

Employee turnover has been a longstanding concern of managers. Moreover, employee retention is a growing concern of employers as the labor market tightens and baby boomers continue to retire. The costs associated with employee turnover can be extremely high and replacement costs go beyond the cost of placing an advertisement in the Star Tribune, interviewing potential replacements, conducting reference and background checks, etc. There are also costs associated with decreased productivity, increases in overtime expenditures, employee training, etc.

To maximize the City's overall efficiency and effectiveness in delivering services to our customers and citizens, we must strive to minimize employee turnover. Employees are the City's most important resource. Department management, in partnership with Human Resources, must play an active role in monitoring retention and address issues that may be causing undesirable turnover.

This report provides Departments a view of their employee turnover over time. If trends are evident, management should learn from and partner with Human Resources to appropriately respond to those trends. Conducting exit interviews or surveys may be another strategy to identify the reasons employees are leaving especially from those you want to retain.

## Potential Uses

Potential uses for this report include but are not limited to:

- Analysis of employee turnover in relation to department trends such as retirement projections, sick leave usage or overtime and local and national trends such as unemployment rates, turnover rates for comparable employers, etc.
- Drilling down into the annual rates further analysis can be done by:
  - Separating voluntary (i.e. retirements, resignations, inter-departmental transfers) turnover from involuntary (Discharges, probationary releases, layoffs) turnover
  - Identifying trends for specific job classifications or work units to determine if management practices are contributing factor and that may need to be changed in an effort to improve employee retention and reduce the costs associated with employee turnover
  - Separating "desirable" employee turnover from undesirable employee turnover
  - Analyzing turnover rates by protected class status to identify retention rates for different groups (i.e. Gender, Ethnicity and Age).

## About the Information

Beginning in 1998, this report displays turnover percentages as calculated by the number of employee separations (i.e. terminations + transfers) out of the Department. The report counts employee turnover for only primary jobs (not detailed assignments) specifically for full-time regular and seasonal employees. Temporary, part-time or intermittent employees are not included in the turnover figures.

**Important:** If running the report for a specific department, an employee transfer out of the department will be considered turnover. However, if the report is run for a higher-level reporting node such as City Coordinator Departments\*, an employee transfer to another department under the City Coordinator's control will not be considered turnover. In other words, if an employee transfers from Finance to Human Resources, it is considered turnover for Finance but not for City Coordinator Departments\*.

## **Employee Turnover Formula**

The City of Minneapolis has adopted the following formula to calculate employee turnover at the department level and is adapted from Dr. Carolyn Wiley who described turnover as being statistically computed as the number of employee separations divided by the total number in the workforce and expressed as a percentage (**Source:** Employee Turnover, *Analyzing Employee Movement Out of the Organization* - Society for Human Resources Management White Paper June 1993):

$$\frac{\text{Total Separations (Voluntary + Involuntary)}}{(\text{Beginning Headcount} + \text{Ending Head Count}) \text{ Divided by Two (2)}}$$

**Total Separations** = Voluntary Separations (Resignations + Retirements + Inter-departmental transfers) + Involuntary Separations (Discharges, Layoffs and Probationary Releases)

**Beginning Headcount** = the number of active employees at the beginning of the calendar year

**Ending Headcount** = the number of active employees at the end of the calendar year.