eBOOK: Driving Success: Top 10 Workforce Retention KPIs Operations Cannot Ignore

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BAILING WATER WON'T HELP OPS

We all know that the labor market is strained right now—okay, let's be frank, it's downright scary. It's clear that things aren't getting better, and in fact, the stressors we've seen throughout the pandemic continue relatively unabated and are compounding workforce challenges even as companies are still trying to rebound from previous turnover.

It's tempting to respond by focusing on increased hiring with flashy bonuses, benefits packages, and outsized compensation. With inflation at a 40-year high, pay raises will certainly be attractive.

But you can't hire your way out of a hole this deep. It's generally best to think of hiring as a way to expand your business and workforce footprint rather than to maintain the status quo. Otherwise, it's akin to trying to stay afloat by bucketing water out of a boat that's already sprung a leak. It's a fraught, endless endeavor that's ultimately doomed to fail.

That's not to say that in difficult times like these, and even in general, hiring cannot be an effective tool towards keeping your workforce numbers up to par, but focusing on hiring alone without placing, at minimum, equivalent emphasis on retention is to fight only half the battle.

Give your frontline workforce a voice

There's no denying that pay is important and helps with both hiring and retention, but monetary incentives simply aren't enough. Companies who overlook workplace culture, HR practices, and, most importantly, direct employee engagement, place themselves at a disadvantage against their competitors who are fully vested in a comprehensive workforce strategy.

Measure your success

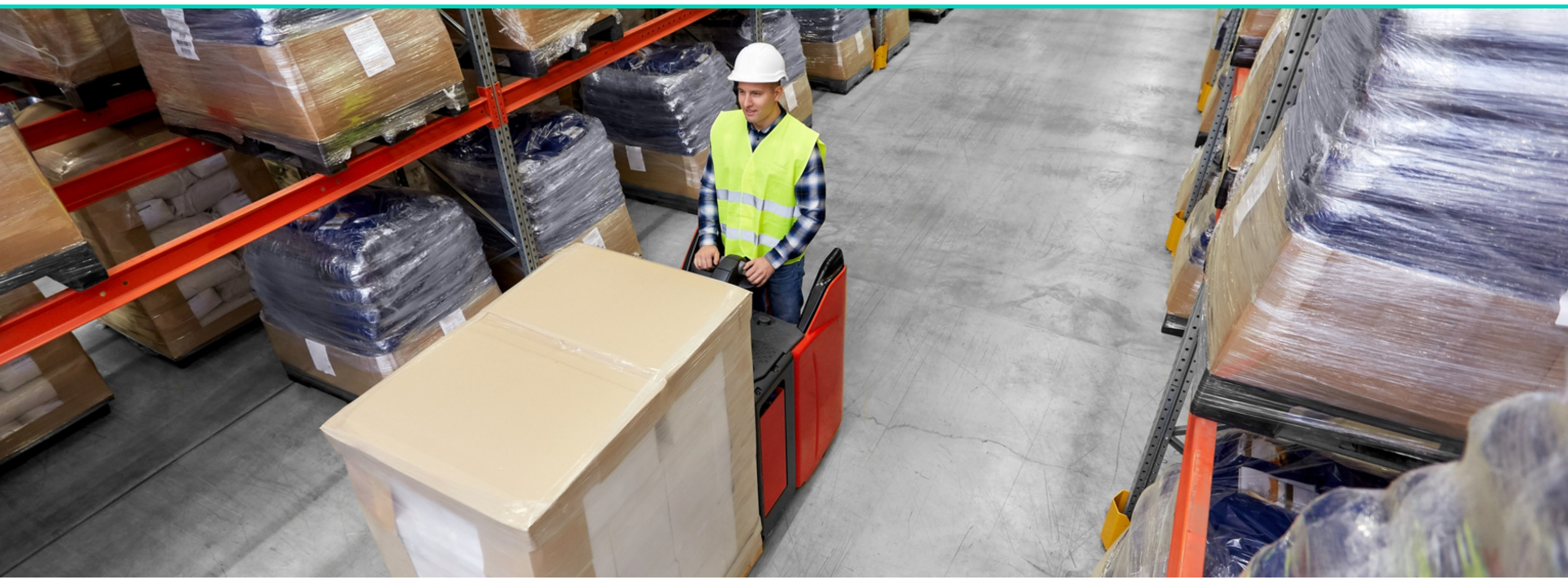
In previous eBooks, we discussed specific steps you can take to retain your workforce and how to coalesce these suggestions into a retention strategy. As we saw, an important part of the process is to set goals for the HR team that are realistic, achievable, and well-defined.

Beyond just having clear goals in mind, it's important to measure the success of your efforts—not just to gauge how you're doing and assess what's working and what isn't, but also because it can come with a bonus redoubling effect. Quantified success naturally advocates for continuing and even strengthening your efforts, which in turn drives more success, and so on.

If you're not sure where to begin or need a little help identifying the right metrics, you're in the right place.

Let's look at the top 10 retention KPIs that Operation leaders at supply chain companies should consider to measure the success of their retention strategies.

In our examples, we're using a period of one year but you can use any time period that's appropriate for your needs. Since we're focusing on retention, don't include new hires when computing these KPIs.



#1

OVERALL RETENTION RATE

Divide the number of employees remaining at the end of the year by the number of employees at the beginning of the year, and then multiply by 100.

The Overall Retention Rate tells you the percentage of employees who stay with your organization during a specified period. A critical gauge of baseline workforce stability, the retention rate should be seen as the most generalized and central KPI of your retention strategy.

If the rate is lower than expected, it can suggest the need for re-evaluating your retention processes. The retention rate can also help highlight issues that might otherwise be masked by hiring. If your workforce numbers are relatively stable but your retention rate is low, that suggests you're compensating for poor retention with hiring, and as we've seen, that is rarely tenable in the long term.

Determining why employees are choosing to stay, or leave, is a crucial first step to evaluating the state of your workforce. As an Operations leader you'll need to implement changes based on these reasons to help improve retention. As a complement to the retention rate, start by looking at voluntary and involuntary turnover.

#2

VOLUNTARY TURNOVER RATE

Divide the number of employees who left voluntarily over the course of a year by the number of employees at the beginning of the year, and then multiply by 100.

The Voluntary Turnover Rate is the percentage of employees who leave your organization by choice (e.g., to pivot their career, work at a different company, go back to school, or take time off to be with kids or ailing parents).

Fewer than 1 in 4 employees feel strongly that their company cares about their well-being

This is perhaps one of the most important performance metrics because it tells you how many people would rather work elsewhere, or not work at all—either of which is, of course, highly problematic from an Operations perspective because it will significantly impact overall productivity.

Fewer than 1 in 4 employees feel strongly that their company cares about their well-being. You don't want to be that company—and you don't have to be.

Zero in on why workers are quitting and how you might prevent them from doing so. A high Voluntary Turnover Rate can suggest low employee satisfaction, cultural issues, or poor management. But you won't know for sure unless you check in with your employees directly to learn exactly what they need and how you can improve overall satisfaction.

#3

INVOLUNTARY TURNOVER RATE

Divide the number of employees who were terminated or laid off over the course of a year by the number of employees at the beginning of the year, and then multiply by 100.

Involuntary Turnover Rate considers employees who leave a company for reasons beyond their control (e.g., layoffs or termination). Sometimes involuntary turnover is outside of your control in cases such as economic crashes, pandemics, wars, and so on, but high involuntary turnover in normal conditions is likely indicative of systemic issues.

Evaluate your hiring practices to determine if the right candidates are being brought onboard and whether their qualifications and backgrounds are being vetted fully. Once they do start, are employees receiving the training they need to succeed? Is management engaging with employees and providing adequate coaching, guidance, and support? In turn, do managers have the resources and backing they need to ensure their own success? These are all questions that Operation leaders should be taking action on to ensure the answers are 'yes.'

Your Overall Retention Rate, Voluntary Turnover Rate and Involuntary Turnover Rate should sum to 100% (after accounting for any rounding errors).

#4

TURNOVER PER MANAGER, DEPARTMENT, AND LOCATION

Break down the overall voluntary and involuntary turnover numbers by department, manager, and location. Share these numbers with the individual managers so they have specific metrics to monitor their own success.

You are already stretched thin, so make wise use of your time and resources. While company-wide retention is important, if you can identify specific problem areas, you can then focus in on efforts with the greatest room for improvement.

Operations can do this by fostering a culture built on managers gathering feedback from their associates and taking action to improve working conditions to reduce the risk of turnover. This can help you identify trends over time and across facilities and teams.

Keep in mind that just because a particular department has high turnover, that isn't necessarily an indication of an internal problem or poor performance. Certain roles and departments intrinsically have the highest turnover rates. For example, the annualized truck driver turnover rate can be as high as 90% on average!

#5 COST PER HIRE

Hiring is expensive. So much so that the true Cost Per Hire can often come as a shock the first time your company takes the time to compute an actual numeric value.

You'll effectively be flying blind without a clear picture of this metric because you won't have a full understanding of how much money you'll save with an effective retention strategy that obviates the need for as many new hires.

Cost Per Hire does require more effort to calculate than other KPIs because there are so many variables that must be taken into account and they can be unique for each organization.

From an operations perspective, there is a lot to consider that affects departmental productivity and the ability to meet the demands of customers. All which impacts the company's bottom line.

Reach out to managers across all your departments to get a handle on the cost and burdens placed on them each time they onboard a new hire. Their answers might surprise you. At minimum, be sure to consider sourcing, interviewing, incentives, and training expenses.

#6

COST PER TURNOVER EVENT

Let's face it, retention is hard, and no one wants to do something hard unless it's worth the effort. Determining your Cost Per Turnover Event is crucial to the implementation and success of a retention strategy because it allows you to quantify in real terms the benefits of your efforts and how they are positively impacting your bottom line.

Use our Cost of Turnover Calculator and eBook to guide you through these calculations step-by-step.

Companies spend nearly $13,000 on average each time they lose a frontline worker, but depending on the role, the cost can balloon upwards to $45,000 or more.

Cost Per Hire is just one component of Cost Per Turnover Event. Operations needs to consider potential termination, severance, accrued time off, COBRA, and other costs, along with intangibles such as new hire inefficiencies and impact on culture and morale.

If that all sounds rather daunting, we understand. To ease the process, WorkStep created a Cost of Turnover Calculator and accompanying eBook to guide you through these calculations step-by-step.

Understanding the cost of turnover will help Operations leaders track the return on investment of key retention initiatives across various teams and facilities.

#7 EMPLOYEE SATISFACTION

Happy employees don't leave, and happy employees tend to have higher productivity. On the other hand, unhappy employees do leave, and this increased turnover affects your workforce productivity and bottom line. As employees leave, a feedback loop can take hold where their departure diminishes morale and requires remaining employees to pick up the slack, thereby leading to even more dissatisfaction and turnover.

But you're not a mind reader so how do you measure Employee Satisfaction, and how do you quantify something like that?

You literally have to ask your employees if they're satisfied, and which aspects of their jobs increase satisfaction and which decrease satisfaction. That said, your employees are busy, and so are you, so nobody wants to be bogged down with long-winded, time-consuming surveys.

Operations leaders can leverage engagement platforms with automatic check-ins that allow you to track satisfaction through key milestones across the employment journey, thereby driving frontline worker feedback across your entire organization by facility, role, and department. Regular check-ins with your frontline workers will help you identify your top turnover reasons and take action to address those key turnover drivers.

#8

EMPLOYEE ENGAGEMENT

Engaging with employees to measure Employee Satisfaction, or any other metric, isn’t a one-time exercise. Employee Engagement is a continual, iterative process that itself has to be measured and quantified.

How often is management checking in with your workforce and soliciting feedback? Annually, or even quarterly, is not nearly enough because so much happens during that time span that you’d have only a macro understanding, at best. Not to mention you’d miss everyone who starts a role but leaves before providing their feedback.

Examine the cadence of your workforce engagement, the response rate, and mode of communication. Your frontline workers probably aren’t sitting at a desk so sending them a long survey is unlikely to yield results. Consider email with concise check-ins they can complete on their phone—even better if the feedback can be delivered via text messages.

Checking in more often is a great start but a set schedule won’t suffice. You also need to engage based on specific, definable events and anniversaries, and in response to alerts and monitors that allow you to remain proactive and address issues before they progress beyond the point of no resolution.

By doing so, you can get ahead of workforce turnover, which ultimately impacts team morale, productivity, and the company's bottom line.

#9

DIVERSITY, EQUITY & INCLUSION (DE&I)

78% of employees say it’s important to work for a company that prioritizes diversity and inclusion. And there’s a direct correlation to profitability with the most diverse organizations benefiting from a greater likelihood than ever of outperforming their less diverse peers.

Operation leaders should take stock of what your company is doing to support DE&I initiatives and how your department can help can improve upon those efforts.

Your DE&I strategy should focus on hiring diverse talent, strengthening leadership accountability and capabilities (perhaps creating a DE&I Director role if you don't have one already), recommitting to equal opportunity by prioritizing transparency, promoting an open company culture with zero tolerance for discrimination, and encouraging a true sense of inclusivity by creating a work environment welcoming to all employees.

Once again, don’t go in blind—ask employees how they feel about your DE&I efforts.

#10

AVERAGE EMPLOYMENT LENGTH

Divide the total number of years worked by your employees by the total number of employees.

As we've seen, there are many reasons why an employee exits a company. While some of these can't be prevented, other factors may point back to internal practices, onboarding, training, and overall satisfaction.

While voluntary and involuntary turnover highlights how often employees are leaving, the Average Employment Length can elucidate what you lose when employees leave.

Of course, you want your employees to stay as long as possible so you can avoid turnover costs, but also keep in mind that the higher this number, the more you lose when they leave because they take their institutional knowledge and training with them and you must start over with a new employee.

Benchmark against sources like the U.S. Bureau of Labor Statistics which reports that wage and salary workers stayed with an employer an average of 4.1 years as measured in January of 2020. Generalized statistics are a good start but as the you'll also want to compare against your industry peers, so look for a retention and engagement technology solution that allows you to benchmark by industry, geography, and other dimensions applicable to your organization.

THERE IS NO ONE-SIZE-FITS-ALL RETENTION STRATEGY

These 10 KPIs will help Operations leaders develop a measurable retention strategy that is effective, increases productivity, reduces turnover, and improves your bottom line.

Every company is different—and approaches customized specifically for your organization will yield the best results, so look inward with these metrics to inform the most practical strategy to reach your HR retention goals.

CREATE A MEASURABLE RETENTION STRATEGY WITH WORKSTEP

WorkStep empowers Operations leaders within the supply chain with a modern engagement platform that promotes an evergreen feedback loop throughout the employment journey.

WorkStep provides clear, real-time analysis of employee morale and satisfaction via pre-defined and custom check-ins delivered on an ad-hoc basis or set cadence. A contemporary, easy-to-use dashboard offers compelling data visualizations, highlights potential issues, and benchmarks against industry peers so you can draw meaningful conclusions and combat turnover in a proactive, informed manner.

WorkStep helps Operations leaders:

- Create a flexible retention strategy
- Reduce turnover
- Improve productivity and meet customer demands
- Identify and solve problems seamlessly
- Pinpoint opportunities for improvement
- Measure success against industry peers
- Track the impact of your retention initiatives in real-time

Are you ready to give your retention strategy the boost it needs?

Learn more at workstep.com

WORKSTEP

The employee engagement platform that delivers the real-time insights you need to take action and drive your business forward.

Click Here to Calculate Your True Cost of Turnover

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