TZA

TZA Labor Management Solutions

Turning Your Turnover Problem Around

How Labor Management Programs Impact Turnover Costs

www.tza.com

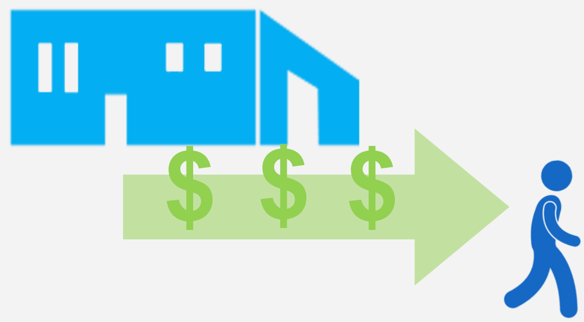
“ **Turnover rates currently stand at**
13.5% for distribution, warehouse and manufacturing functions ”

Is a Strong Labor Market Impacting Your Operations?

According to Job Openings and Labor Turnover Surveys from the Labor Department, employers have hired workers at a strong pace since the recession, but at the same time, the rate of people quitting their jobs has also remained high.

Unfortunately, this makes sense given the fact that turnover rates have been edging upward for the last several years, and currently stand at 13.5% for distribution, warehouse and manufacturing functions, according to Compdata Surveys' BenchmarkPro report.

To compound the turnover issue, employers also face generational shifts (outgoing baby boomers, incoming millennials and Gen Z) that will increase the number of employees shifting between jobs in the coming years. This is already evidenced by the fact that voluntary turnover rates are increasing for Gen X and Gen Y workers, who currently make up more than half of the U.S. workforce.



The Bureau of National Affairs estimates that U.S. businesses lose **$11 billion annually** due to employee turnover.

What is the true cost of hearing "I quit!"?

Turnover Costs: It's What You Can't See That Hurts the Bottom Line

When it comes to turnover costs, there are hard costs that are easy to see and estimate, like those related to posting positions on job boards, hiring recruiters and performing reference checks and drug screens. But there are also hidden costs that are harder to gauge and don't show up on profit and loss statements. These are some of the hidden costs you'll want to keep an eye on:

- **Lost Productivity.** When a vacant position remains unfilled, there's a marked loss of productivity as tasks are spread out to other people to finish, adding to their existing workloads and increasing the chance that things will fall through the cracks.

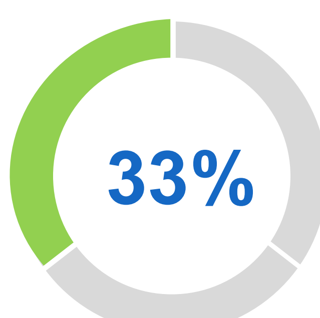
- **Staff Stress.** Reassigning work to existing staff stretches them even thinner, likely decreasing the quality of their work along with their job satisfaction. This stress could, in turn, prompt them to start looking for a new job (resulting in more turnover). Or at the very least, the increased overtime required to complete the added work will add to operational costs.

- **Knowledge Loss.** Every employee is a knowledge source about the procedures and practices in your organization. When an employee leaves, they take that knowledge and experience with them. In fact, a recent study found that 42% of work knowledge is lost when a worker leaves an organization. And in most cases, there aren't existing employees with enough knowledge to step in and take over. Time spent training a new person for a vacant role can be costly.

- **Service Level Declines.** Managing a reduced staff can negatively impact service levels and lead to a drop in sales or the loss of customers, especially if staffing issues impact the tracking of delayed shipments or incorrect orders.

- **Recruiting and Hiring.** Someone has to take time to go through resumes, conduct interviews and assess candidates. Most or all of these tasks will fall directly on the shoulders of the hiring manager, who is likely already overburdened due to being short staffed.

- **New Hire Training.** Even if no outside paid training is involved, someone has to take the time to acclimate a new hire and oversee their work. That means one person is essentially doing two jobs.



of companies retain knowledge poorly or not at all when workers leave

“ Direct cost to replace an employee can reach **50% to 60%** of their annual salary ”

Figuring Out Your True Cost of Turnover

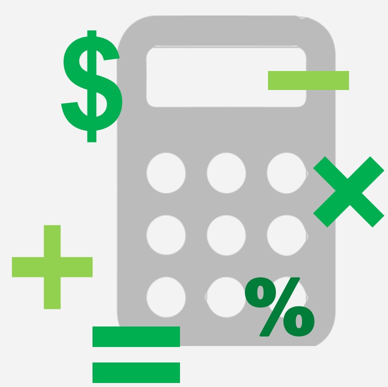
The Society for Human Resource Management (SHRM) recently reported that “on average it costs a company 6 to 9 months of an employee's salary to replace him or her. For an employee making $60,000 per year, that comes out to $30,000 - $45,000 in recruiting and training costs.”

The National Business Research Institute (NBRI) estimates a cost of $25,000 or more, depending on salary, for “bad hires”— an employee who leaves or is dismissed after a short period of employment.

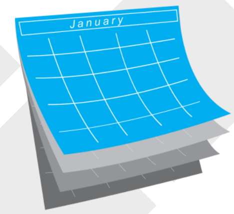
Figure out an estimate for your business by using our calculator on tza.com.

The Center for Economic and Policy Research (CEPR) online calculator can help you estimate your direct turnover costs:

http://www.tza.com/resources/turnover-calculator/



"As many as half of all hourly workers leave new jobs within the first **120 days**"

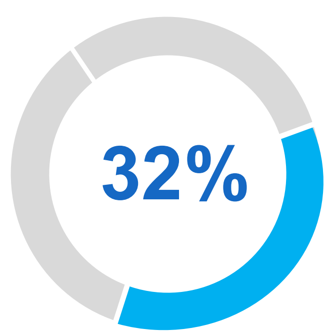


Be Proactive About Employee Retention

While employers cannot completely control turnover, they can work to cultivate a workplace culture that attracts and retains the best talent. Part of that involves embracing the capabilities of Labor Management Program.

Labor Management Programs have typically been used to control or reduce labor expense through the implementation of improved processes and engineered standards. In turn, this gives management visibility into key performance indicators. And while these benefits are clearly important, it's vital to note that a Labor Management Program can also provide tools to help overcome workforce retention challenges:

1. **Continual Performance Assessment.** A Labor Management Program's tracking capability can help managers identify the best work performers so that their efforts can be rewarded. It also helps managers recognize poor performers who would benefit from additional coaching and training.
2. **Improved Onboarding.** Surveys show that as many as half of all hourly workers leave new jobs within the first 120 days. That means that on-boarding plays a critical role in a company's retention strategy. Although many factors are involved, experts recommend being crystal clear about roles, responsibilities and performance objectives from the get-go. Labor management technology lets managers set, monitor and communicate performance goals and progress, so new hires always know exactly where they stand and have the opportunity to share ideas and concerns with their supervisor.
3. **Realistic Goal Setting.** As part of a Labor Management Program, managers can establish best practices, preferred methods and standard operating procedures that are shared and validated with employees.



of organizations share core job objectives with new hires

> "The number one recommendation for workforce retention is to **make current employees feel valued**"

Standards define how a job can be done in the least time with the least effort, without compromising quality or safety, and take into account order characteristics, distance traveled, personal time, fatigue, delays and more in order to set a level playing field for all employees.

4. **Constant Communication** the ability to evaluate performance based on pre-agreed, measurable targets is a key Labor Management System feature. Having timely data on individual performance allows managers to offer important and sometimes sensitive feedback in a more objective manner. Arming managers with the tools to communicate constructive feedback is perhaps a company's best retention strategy.

5. **Recognized Achievements.** In a report on "Talent: The Future Supply Chain's Missing Link," Supply Chain Insights found the number one recommendation for workforce retention was to make current employees feel valued.

Recognition is such a simple thing to do, but it is often overlooked in the rush of day-to-day activity. All too often, feedback is provided after the fact or too late to be able to change behavior before an unhappy employee leaves.

Finding the right people and engaging them to stay with the business are two main ways to combat high turnover.

“ 69% of employees would work harder if they were better recognized for their performance ”

-National Business Research Institute

With access to real-time performance data provided by labor management software, managers have the ability to provide accurate and detailed feedback on a daily basis, so that everyone knows where they stand and how they need to improve.

6. **Pay for Performance** Top performers should earn top dollars. But incentives should also be offered to every employee to help increase productivity. The best (and most economical) way to they've achieved through shout-outs in meetings, posting on a very visible bulletin board or In an internal newsletter.

Labor Management = Employee Retention

By recognizing what it costs to replace just one employee, and organization can more clearly see that investing in a Labor Management Program now will help reduce turnover in the long run. In addition, it can contribute to workforce productivity gains and employee satisfaction, in turn giving companies a competitive advantage.

To learn more about Pro*Track* Labor Management Software and how you can leverage it to reduce turnover while improving workforce productivity and utilization, visit www.TZA.com or call 800-229-3450.

1 BenchmarkPro 2014 Report, Compdata Surveys
2 Krauss, A. D. (2010). Onboarding the hourly workforce. Presented at the Society for Industrial and Organizational Psychology, Atlanta, GA
3 Aberdeen Group, The Age of Employee Engagement, 2013

About TZA

At TZA, we focus on helping our clients improve workforce and operational performance, reduce costs and drive continuous improvement across their supply chain. We provide them with the technology and services to achieve higher standards of productivity, utilization, quality, safety and customer service:

- **Pro*Track* Labor Management Software:** plan, monitor and measure labor performance
- **Labor Management Services:** educate, engage and empower managers and associates
- **Supply Chain Consulting Services:** optimize processes, equipment and facilities to ensure operational efficiency

TZA

800.229.3450 | www.tza.com