



# The Turnover Misnomer: Who Owns the Budget for Staffing Waste? SHRM Webcast Survey

## **Overview**

Shaker Consulting Group and the Society for Human Resource Management conducted a survey in conjunction with registration for the SHRM January 17, 2006 EMA Forum Webcast - The Turnover Misnomer: Who Owns the Budget for Staffing Waste? Respondents were asked four questions regarding practices related to documentation and accountability for employee turnover. Results from the survey were incorporated into the webcast.

The purpose of the survey was to document the degree to which organizations consider turnover as a form of waste from the staffing process.

645 individuals completed the survey. Personal demographics and company/employer information were not collected.

## **Observations and Assertions**

The survey suggests that employee turnover is reported as a percentage by the vast majority of companies. Percentages do not show up on budgets. This practice obscures the financial implications of employee turnover. In addition this practice may create ambiguity or uncertainty in accountability for managing employee turnover as an outcome of a business process.

Fewer than 10% of surveyed companies report turnover which occurs within the first 120 days on the job. It would be unacceptable for a manufacturing company not to track and report product failures during their warranty period. Staffing should be held to similar standards of accountability and visibility for the outcome of their staffing process.

Employee separations that occur within the first 120 days, often called false starts, are an indicator of how well the candidate evaluation and on-boarding process meets the performance requirements of the job. False starts should be managed as a form of staffing waste. The cost of this waste can be documented by totaling wages paid and on-boarding resources consumed for new hire assimilation. False starts create an immediate need for rework. The position will need to be filed again. Rework from false starts doubles the cost of acquiring new talent into those positions.

Respondents state the hiring manager is most likely to own the budget for staffing waste and rework. Lack of financial accountability for the outcome of the staffing process may be viewed as a symptom of complacency toward turnover within staffing leadership. With over 50% of respondents being unsure of or having no goals to reduce turnover, it is clearly not a critical operational priority.

When someone owns the budget for staffing waste, the organization will benefit from accountability and efforts aimed at reducing costs.

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1. How do you report employee turnover? (Select one)

- ◆ As a percentage 78.7%
- ◆ As a dollar figure 0.7%
- ◆ Both 7.8%
- ◆ Not sure 10.9%

2. Do you track and report cost of <120 day separations? (False Starts)

- ◆ Yes 8.0%
- ◆ No 80.0%
- ◆ Not sure 11.3%

3. Number of positions targeted with a turnover reduction goal.

- ◆ None 32.4%
- ◆ 1 6.1%
- ◆ 2-3 21.0%
- ◆ 4 or more 18.5%
- ◆ Not sure 21.9%

4. Who owns the budget for replacing separations <120 days?

- ◆ HR 12.6%
- ◆ Hiring Manager 41.8%
- ◆ Shared 20.4%
- ◆ Not sure 25.1%

**Turnover Misnomer:** Shaker Consulting Group and SHRM Webcast Jan. 17, 2006.  
N = 636 to 645 as of Jan 17, 2006

### Opportunity

Begin small. Identify one job where False Starts occur at a rate above the corporate average rate of turnover. Form a cross-functional team to identify and document the cost of on-boarding for the first 120 days. Calculate the staffing waste by multiplying the cost of on-boarding by the number of False Starts. Double the amount of staffing waste to account for rework - replacement hiring.

Present these findings to an executive team. Explore their understanding of and agreement with the financial scope of the issue.

Develop a proposal to implement objective candidate evaluation methods and improve on-boarding procedures. Track and report the impact over time.

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