

How to reduce employee turnover Reading Answers

How to Reduce Employee Turnover

The chief executive of a large hotel became aware that his company was experiencing annual employee turnover of about 60 percent, at an annual cost estimated between \$10 to \$15 million. This large amount of money was calculated based on three factors: the money spent hiring and training replacements; the cost to the business in lower productivity due to employees becoming familiar with the requirements; the cost to the business in lower productivity due to employees becoming familiar with the requirements of their new job; and reduced occupancy rates, due to poor guest satisfaction levels.

The Chief Executive knew that in order to save his company, he had to reduce the high turnover costs. Making up for the lost income due to turnover is not an easy task and many companies have not declared war on unwanted employee turnover because they have not taken the time to work out the costs of lost revenues and productivity. But the hotel boss decided to tackle the issue head-on by implementing a 4 point plan, the hotel first took the time to calculate their turnover costs; secondly to evaluate the main causes for the staff turnover and; thirdly to discuss some of the solutions to the problems and lastly to prioritise actions and evaluate future returns following implemented changes.

Within a two-year period, the results were significant. The annual employee turnover was reduced by 78 percent and this impacted upon down time due to training and guest satisfaction. The result was a \$10 million savings for the company.

Because most do not know the root causes of employee turnover and costs have often not been accurately estimated, causes are usually not known. As a result, solutions are commonly not

targeted at a company's individual, specific causes. The following is an examination of what the Chief Executive did to turn the hotel around.

Two factors were considered in relation to the calculation of costs: those departments who had the highest rates of turnover and those whose turnover had the greatest potential effect on profit. After some investigation it was shown that some of the positions with the highest turnover rates such as cleaners and gardeners did not carry with them high associated costs. In fact, what was revealed was that only 6 percent of employees accounted for 43 percent of the turnover. Positions that involved a substantial amount of time in training were the ones that attracted the highest costing. Analysis revealed that those positions within the hotel which had the greatest impact on profit were people like the front office receptionists and those working in accounts.

As unusual as it may sound, it is now a common understanding that offering employees more money is not necessarily a good solution to high employee turnover – often they leave because they simply dislike the work. Therefore, it was important to tackle the analysis from the perspective of what were the chief causes for staff leaving. A holistic approach was undertaken and several key findings emerged. The hotel found that fundamentally they adopted poor recruiting and selection practices. For example, it was shown that almost 35 percent of the cleaning staff left after the first week and a further 25 during the first month. Candidates were being oversold by recruiters and left soon after they encountered unrealistic job expectations.

Devising solutions to these issues was the other half of the equation. As far as recruiting was concerned, they changed their approach by getting personnel from the hotel to handle it. Once this change was made, the attrition rates decreased substantially. To add to employee motivation, new staff were made aware of the mission and goals of the organisation and how they would be paid above industry standard for striving to attain hotel values. New staff were shown where the hotel was heading and how they would have a guaranteed, stable employment situation with a major force in the hotel industry' - it was even suggested that after

a period of employment, new staff might be given the opportunity to contribute to organisational goal setting. They had been losing many of their employees during the first month or two of employment, so they made new staff aware that bonuses would be offered to newly-hired employees at the end of their first three months which greatly assisted in goal setting. Staff luncheons and the in-house volleyball and basketball competitions remained an effective part of staff unity and development and a support program was also introduced to help all staff with any job-related issues which gave employees a heightened sense of being cared for by the establishment.

Another area of change which proved successful was the introduction of the Valuable Employee Program (VEP). When a person was employed in the past they were assigned a senior member of staff who assisted them with getting used to their new job. Due to the limitations of the senior member's position however, they were often not in a position to explain any details regarding future advancement. Now, when staff are employed, they are clearly told what is expected in the job and where it might lead for the right candidate. Hotel surveys revealed that over 30 percent of employees were not satisfied with the career opportunities in their current jobs so the articulation of the definite and realistic opportunity for advancement through the VEP led to a major decrease in employee attrition.

Once the ship had been righted and the relative returns on human resource investments had been calculated, setting priorities became a formality. Although at first a daunting task, the enormous cost of employee turnover offered an excellent opportunity for the hotel to improve profitability.

Questions

Questions 1-6

Complete the summary below of paragraphs A-D of Reading Passage.

Choose ONE OR TWO WORDS from the passage for each answer.

Training new employees; down time as new employees get used to their new job; and unfavourable guest satisfaction levels all led to a large 1. _____ for a large hotel. It was determined that the solution to these problems was in the reduction of the company's 2. _____. The hotel addressed these issues in 4 ways through the implementation of a 3. _____. The efforts of the hotel chief executive decreased down time and reduced employee turnover which, in turn resulted in improvements in 4. _____. The company position was improved by \$10 million. It is not common for big companies to experience such 5. _____.

Questions 6-8

Do the following statements reflect the claims of the writer in Reading Passage?

YES if the statement reflects the claims of the writer

NO if the statement contradicts the claims of the writer

NOT GIVEN if it is impossible to say what the writer thinks about this

6. It was surprising that positions with the highest turnover were not connected to high costs.

7. There was a clear connection between high costs and length of training.

8. New employees were given an incorrect description of their job.

Questions 9-13

Reading Passage gives FIVE effective changes that the hotel introduced for staff

Choose these changes from the list A-K below.

CHANGES

- A. discussed future plans
- B. introduced regular staff luncheons
- C. started a regular sports program
- D. clearly defined job expectations
- E. did their own staff recruiting
- F. built new sporting facilities
- G. involved new staff in goal setting
- H. offered bonuses to proven, committed new staff
- I. began meeting regularly with new staff
- J. implemented a support program
- K. began recruiting through an employment service