
Human resource management — Turnover and retention metrics

*Management des ressources humaines — Indicateurs de mesure pour
le renouvellement et la rétention*

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 260, *Human resource management*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

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Introduction

As well as understanding the workforce requirements (ISO 30400:2016, 10.1) of the organization (ISO 30409) and how to bring the right people into the organization to fill vacancies (ISO 30405; ISO/TS 30411), it is also important that the employee resourcing team is competent in retaining an optimal mix of employees. This means ensuring that the right people don't leave the organization and consequently create vacancies that need filling, with the impact that has on job satisfaction, economy, efficiency and effectiveness of the organization's operations.

A central requirement in the design of this document is to provide practitioners with a standard tool to determine crude turnover and retention with a view to further segmentation of the workforce over several years. Both the metric and the interpretation of the metric in context should be used. This document includes a description of assessments that lead to numeric results of corresponding indicators and a description of calculation methods for the quantitative metrics.

The provided metrics and indicators are intended to assist the practitioner in the recruitment, line management support and workforce planning function of human resources. Included in this specification is the definition, the assembly and documentation techniques required to produce them.

This document contains a description of the internationally accepted metrics and indicators which describe the turnover rate and measures for the retention of workforce in organizations.

Recognizing that organizations operate differently, this document allows for variance within organizations while still providing a robust methodology. It enables a comparison of the turnover and retention of hires between organizations, and divisions within an organization.

The turnover of the workforce in organizations is observed, analysed and described as follows:

Workforce turnover refers to the proportion of employees, contractors and contingent or temporary labour leaving the organization over a defined period, usually a year, and is expressed as a percentage of total workforce numbers. At its broadest, turnover encompasses leavers both voluntary and involuntary. It is possible to calculate turnover by categorising voluntary and involuntary leavers by reason for leaving, i.e. redundancy, retirement, resignation or dismissal.

Workforce retention relates to the extent an organization retains its workforce. It is measured as a proportion of a workforce's specified length of service, typically one year or more, expressed as a percentage of overall workforce numbers.

In describing and defining turnover and retention in organizations, this document highlights issues that should be considered when determining the nature and extent of any intervention for turnover and retention. The discussion focuses on the care required in the interpretation of metrics.

These issues include the need to understand the external operating environment. Possible relevant factors include the employment levels in the area or industry sector; supply of the requisite skills; labour mobility trends, migration, skills and competitor activity (which can include other sectors when competing for scarce transferable skills).

There are also issues internal to the organization that impact turnover and retention. These can include hygiene factors around the work itself or more subtle cultural and socio-legal factors that make an organization an attractive place to work. The organization can have a change in strategic direction or a reorganization, requiring considerable changes in the composition of the workforce's skills and competencies. There can also be issues around leadership, the quality of the managers and the practice of people management across all teams, notwithstanding the espoused policies and procedures.

While these internal and external issues can impact turnover, it is important to understand that not all turnover is bad. There is always a steady level of staff attrition due to retirement, illness and so on, circumstances and conditions under which the organization has little or no control. Also, a certain amount of functional turnover is desirable because it addresses removal of poor performance, savings on wages, progression of other employees and the entry of new ideas, talent and skills into

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the organization. The issue is whether the personnel movements are anticipated and aligned to the workforce plans of the organization.

The focus for organizations is on a subset of turnover – where a lot of employee turnover is in the category of dysfunctional or regrettable turnover, i.e. departures that have a negative effect on a company in terms of loss of skills and knowledge. Where there is dysfunctional turnover, the organization must manage consequences like replacement staffing costs, lost productivity and negative effects on the remaining colleagues.

This document aims to:

- 1) identify key data points required for the measurement of turnover and retention of staff;
- 2) provide the metrics for turnover and retention to be used internally or externally for the purposes of benchmarking and comparison;
- 3) highlight the contextual data required to interpret the turnover and retention so that the appropriate interventions can be explored by the organization to manage turnover and retention.

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Human resource management — Turnover and retention metrics

1 Scope

This document describes the elements of workforce turnover and retention and provides comparable measures for internal and external reporting.

This document also highlights issues that need to be considered when interpreting the turnover and retention data, especially when deciding on the appropriate intervention internally and when reporting this to external stakeholders (e.g. regulators, investors).

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 30400:2016, *Human resource management — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 30400 apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at <https://www.iso.org/obp>

— IEC Electropedia: available at <http://www.electropedia.org/>

4 Turnover

4.1 General

In order to understand the turnover situation, an organization shall establish the level of turnover, the cost of this turnover and the reasons for it.

4.2 Description

Turnover is the rate at which employees leave a workforce and are replaced within a defined period.

4.3 Purpose of measuring turnover

4.3.1 Internal benchmarking

Refers to the practice of comparing turnover in different parts of the organization to:

- a) track trends over time;
- b) compare the current year's level with the previous year's level;
- c) target turnover hotspots;

d) monitor the success of retention initiatives.

4.3.2 External benchmarking

Refers to the practice of comparing turnover level in the company with national industry averages or with levels of turnover with companies in the same area:

- a) using published survey data;
- b) accessing and forming benchmarking clubs for data exchange purposes.

Both put the organization’s turnover information into context.

4.3.3 Understanding why people leave

In order to reduce the level of dysfunctional turnover, it is necessary to understand why people leave. The first important distinction is whether turnover is unavoidable or avoidable. Unavoidable turnover relates to circumstances outside management’s control, for example ill health, moving to a new house or personal circumstances. Avoidable turnover relates to departures that are caused by some form of dissatisfaction that is potentially within management’s control.

Rather than making assumptions about the causes of turnover, several qualitative sources may be used: exit interviews; staff satisfaction surveys; online review sites. These sources of information can help an organization highlight potential sources of satisfaction and dissatisfaction to target retention initiatives appropriately for the entire workforce. Other approaches include post-departure surveys of ex-employees, analysis of stayers to see what factors encourage people to remain and last-job-move surveys.

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4.4 Formula for turnover rate

A variety of quantitative methods are often used to measure the level of turnover rate:

- a) crude turnover rate calculation;
- b) stability rate calculation – establishing how long people tend to stay in the organization;
- c) cohort analysis – establishing the stability rate of one specific group or cohort of employees so that the retention of this staff group or cohort can be tracked over time.

The high-level measure for the actual monthly turnover is:

$$\frac{\text{Number of monthly leavers}}{\text{Average number in workforce that month}}$$

Annual turnover rate:

Month 1 (M1) turnover + M2 + M3 + M4 + M5 + M6 + M7 + M8 + M9 + M9 + M10 + M11 + M12 against average monthly number of staff.

The turnover rate is reported annually in order to review the expected turnover indicated by the organization in the previous year and feed that information to the recruitment and workforce planning. The assumptions in the workforce model can then be revisited and adjusted or retention strategies focused on. An expected annual turnover rate also aligns with budgeting and workforce planning targets. Consistency and comparability over years is maintained.

The total number includes those who retire or leave involuntarily due to dismissal or redundancy. It also makes no distinction between functional (beneficial turnover to the organization) and dysfunctional turnover. The point of sampling should be the average for that month. The number of headcount (the denominator) is the average number in the workforce for the current month. This is computed by

taking the total workforce number at the start of the current month, adding the number at the end of the month and dividing by two.

Table 1 — Calculating annual turnover rate for an organization (using total workforce average for current month)

Month in FY	Leavers			Total workforce		Average workforce	Total
	Voluntary	Involuntary	Total monthly leavers	At the start of current month	At the end of current month	In the current month	
M0	N/A	N/A	N/A	N/A	100	N/A	N/A
M1	1	2	3	100	97	98,5	$3/98,5 = 0,03$
M2	0	2	2	100	96	98,0	$2/98,0 = 0,02$
M3	1	0	1	96	101	98,5	$1/98,5 = 0,01$
M4	0	0	0	103	105	104	0,0
M5	2	0	2	105	103	104	$2/104 = 0,02$
M6	1	0	1	103	101	102	$1/102 = 0,01$
M7	2	0	2	101	100	100,5	$2/100,5 = 0,02$
M8	1	2	3	100	98	99	$3/99 = 0,03$
M9	1	0	1	102	100	101	$1/101 = 0,01$
M10	1	1	2	100	106	103	$2/103 = 0,02$
M11	3	0	3	106	99	102,5	$3/102,5 = 0,03$
M12	1	0	1	100	98	99	$1/99 = 0,01$
Average	1,17	0,58	1,75	100,33	100	100,2	0,0175 (0,2)
Total	14	7	21	1 216	1 200	1 208	0,21

NOTE The organization starts the year (M0) with 100 staff and in M1 loses three people, resulting in a 0,3 (3 %) turnover rate for M1. In M2, three people join four people leave, resulting in a 0,02 (2 %) turnover rate. These monthly computations are added up to give an annual turnover rate of 0,21 or 21 % (convert the turnover rate to a percentage by multiplying by 100).

4.5 How to use the turnover figure

The calculation and worked example in [Table 1](#) provides the headline rate of turnover. The calculation takes the monthly average workforce figure as the denominator. This is a compromise as using the end-of-month or beginning-of-month figure is less sensitive to the movements in and out of the company, although these are sometimes used for convenience.

Apart from the headline rate of turnover outlined previously, it is also helpful to indicate the breakdown of that headline figure into turnover which is voluntary.

Voluntary turnover is when the employee chooses to leave for whatever reason. As a rule, voluntary turnover is the measure used to discuss and compare employers. It is the type most directly affected by front-line supervisors.

Involuntary turnover is caused by layoffs and similar actions where the decision for an employee to leave is made by the employer and not the employee. Involuntary turnover, caused by layoffs or restructuring, can be the long-term result of high levels of voluntary turnover.

A useful activity to undertake after this segmentation of the workforce is to conduct benchmarking, which can be internal or external.

4.6 Turnover trends and impact

4.6.1 General

Turnover levels can vary, for example between occupations and industries and from region to region. Users of this metric will possibly wish to track turnover on a month-by-month or year-on-year basis within the firm against industry or sector trends.

There is no defined point at which employee turnover has a negative impact on organizational performance. Much depends on the organizational context and the kinds of labour markets in which the organization competes.

Some employee turnover can benefit the organization, for example when a poorly performing employee is replaced by a more productive one. Moderate levels of turnover can also reduce staff costs where business activity is unpredictable or volatile.

Employers need to be aware of employee turnover rates in their organization and how these affect the organization's performance and ability to achieve its strategic goals.

An appreciation of turnover level across occupations, locations and groups can help inform a comprehensive workforce planning strategy. The organization will possibly wish to examine which work groups are material to its core functions and monitor turnover levels in these accordingly.

4.6.2 Segmentation of turnover

The crude turnover rate can be further broken down in many ways, such as by seniority, by job family or by criticality. Each organization, based on what is important to the optimal management of its human resources, has its segmentation priorities. Some segmentation approaches are described in 4.7. 4.6.3 explores segmentation based on criticality.

4.6.3 Criticality

Segmentation of workforce turnover based on the criticality to the business. A critical position is a job role that has a direct and significant impact on organizational outcomes. Critical positions are identified by organizations as part of their organizational strategy, including critical aspects such as security, safety, growth and sustainability. Critical positions vary by industry, sector and organization type, such as for-profit or not-for-profit, and are not always high-level positions. The impact of the critical position relates to organizational performance, which can be affected positively or negatively by the performance of individuals occupying such positions, depending upon whether job performance is effective or ineffective and whether the role is left unfilled for a defined period.

Critical leaver's monthly turnover (see Table 3):

$$\frac{\text{Number of monthly leavers in critical group}}{\text{Average number in workforce from this critical group that month}}$$

Critical leaver annual turnover rate (see worked example in Table 2). Add up the monthly ratios to make up the 12 months and multiply by 100 to report as a percentage.