
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).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

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.

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

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.

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.

Table 2 — Critical position leavers' turnover rate

Month in FY	Number in critical positions at start of month	Number in critical positions at end of month	Average number in critical positions that month	Total workforce in the organization (monthly average)	Turnover of critical positions against average number	Turnover based on total workforce
M0						
M1	35	32	33,5	97	$3/33,5 = 0,09$	$3/97 = 0,03$
M2	32	31	31,5	96	$1/31,5 = 0,03$	$1/96 = 0,01$
M3	31	30	30,5	101	$1/30,5 = 0,03$	$1/101 = 0,01$
M4	30	29	29,5	105	$1/29,5 = 0,03$	$1/105 = 0,01$
M5	29	27	28,0	103	$2/28 = 0,07$	$2/103 = 0,02$
M6	27	26	26,5	101	$1/26,5 = 0,04$	$1/101 = 0,01$
M7	30	28	29,0	100	$2/29 = 0,07$	$2/100 = 0,02$
M8	28	25	26,5	98	$3/26,5 = 0,11$	$3/98 = 0,03$
M9	25	23	24,0	100	$2/24 = 0,08$	$2/100 = 0,02$
M10	28	25	26,5	100	$3/26,5 = 0,11$	$3/100 = 0,03$
M11	30	28	29,0	99	$2/29 = 0,07$	$2/99 = 0,02$
M12	28	25	26,5	98	$3/26,5 = 0,11$	$3/98 = 0,03$
Average (M1 to M120)	29,42	27,42	28,42	99,83	0,07	0,02
Total					0,86 or 86 %	0,24 or 24 %

NOTE The organization has already established clear job families, functional teams and critical functions as part of its workforce planning (see ISO 30409). This table lays out the basic data points required to establish turnover of critical positions. In one year, this organization has lost 25 critical staff out of a relatively small functional headcount of about 30. The critical staff constitute nearly a third of the total workforce. The turnover is calculated using the average headcount in the month in question as the denominator. In this example, the turnover rate for critical positions in this organization over the course of 12 months is 0,86 or 86 %.

4.6.4 The cost of turnover

The cost of turnover is an important measure of the impact. Establishing both the direct and indirect costs involved is a way for the organization to understand the extent of the turnover problem and to gain commitment or propose retention strategies, interventions and initiatives.

The basic measure for turnover costs is the net turnover, or attrition, multiplied by relevant direct and, where possible, indirect costs. Different turnover transactions, such as voluntary versus involuntary turnover, can have substantially different costs of turnover, with certain costs applying to one type of turnover and not to another (e.g. legal attorney costs, industrial relations, severance costs applying to involuntary turnover but not to typical voluntary turnover). Relevant costs also depend on sector, geography, labour market conditions, skill scarcity and seniority. In calculating the costs of turnover, the difficulties in distinguishing between functional and dysfunctional turnover (or non-regrettable and regrettable turnover) needs to be considered, as does quantifying all direct costs and, where possible, indirect costs.

There are many intangible and often unmonitored costs associated with employee turnover. The tracking of exit costs, hiring, orientation and training, lost productivity, impact on the team when a valued colleague leaves, lost expertise, other opportunity costs and so on requires coordinated systems and collaboration among different functions such as HR, Finance and Operations.

With turnover costs, there are three main contributors: leaving costs, recruitment costs and the cost of getting the new hire up to speed.

Some organizations do delay or put on hold hiring a replacement as a strategy to save on costs. While this can improve the financial capital in the short-term, this approach can short-change human capital

in the longer term and contribute to increased costs later, with more serious consequences such as lower staff engagement, increased absence and voluntary exits.

This subclause serves to provide broad guidelines for the concept of turnover cost and can be helpful in enhancing interfunctional monitoring.

Major categories of direct and indirect costs include the following:

- Direct: attrition or termination departure direct costs, such as vacation, holiday and sick-time pay out, accrued bonus or incentives owed, termination transaction costs, ad-hoc payments, statutory payments, legal time or fees, contractual payments for administrative process, exit interview process, severance pay or benefits continuation cost.
- Direct: the cost of recruiting, sourcing and hiring (e.g. administrative staff time, advertising, interviewing, selecting, testing, relocation) (see ISO/TS 30407).
- Direct: the cost of onboarding (e.g. formal induction; time to assimilate systems and procedures; training programme costs and time; initial coaching, orientation and meeting time).
- Direct: open position unpaid salary, benefits and bonus can often be considered a new benefit that partially offsets direct and indirect costs of turnover. Such benefits are often greatly reduced when existing staff incur overtime costs, when replacement staff are hired at higher salaries, or when temporary or contract staff are hired to complete needed work in the open position.
- Direct: replacement costs such as overtime costs for co-workers covering open position responsibilities and duties, temporary or contract replacement staff.
- Indirect: time to full productivity. Lost productivity or the time it takes for a new hire to achieve the productivity of the leaver (see ISO/TS 30410; ISO/TS 30411).
- Other: intangibles such as lost productivity impact or lost engagement of the team when a valued colleague leaves and opportunity costs, if any. Additionally, some open positions can negatively impact sales growth or customer retention (e.g. open unfilled sales territory positions), customer service scores or satisfaction (e.g. open customer-facing or service positions), manufacturing productivity, quality and production (e.g. manufacturing or product quality expertise and experience) and major project or product timely completion (e.g. project and programme managers, engineers, R&D scientists, software engineers).

4.6.5 Departure or termination transactions (e.g. leaving costs)

These can include the cost of the exit interview; administration; ad-hoc payments; statutory payments; legal time or fees; and contractual payments.

Which element to include in the computation depends on the termination or departure leaver segment of interest. For an involuntary, functional or non-regrettable termination (i.e. laid off by the organization), the costs can include administration and all separation payments, including severance pay, vacation pay and legal costs (especially if the processes are inept or unfair). Voluntary termination costs include costs of the exit interview and administration but typically do not include separation costs, as these are not always incurred. For voluntary or regrettable leavers, when the organization had wanted to retain the person, costs include administration, all payments due, including vacation pay, costs of the exit interview, recruitment and assessment expenses and all onboarding and getting-up-to-speed costs.

4.6.6 Recruitment costs

These include costs in sourcing replacement hires, such as advertising and publicising the vacancy on various networks, platforms and sites; administration; time taken to prepare all the documentation for recruitment or advertising; interviews; assessments; meetings to sift applications and make decisions; travel, moving or relocation expenses; medical examinations; recruitment incentives to agents or staff. These elements apply to hiring new people to fill leavers' posts but are not included when people were made redundant (involuntary turnover).

4.6.7 Onboarding and getting-up-to-speed costs

These include induction, training and any coaching or instruction by a more experienced member of staff. For quite a while there will be lost productivity by virtue of the new hire not being able to deliver the performance standards and levels; potential lost business due to a leaver's internal and external relationships; loss of institutional knowledge; adjustments to and by the existing team to new colleagues. There are also instances when there are mass exits due to one person leaving (e.g. sales teams) and other expenses. It is prudent to consider the monetary difference between the performance of the leavers and their replacements.

For example, reusing the data from [Table 1](#), the scenario in organization X is that of 21 leavers out of an average workforce of 100. Only one was involuntary due to redundancy. The remaining 20 voluntary leavers are voluntary dysfunctional or regrettable turnover, i.e. the departure of these 20 has reduced the value of the workforce or any positive value has been more than offset by the costs.

Table 3 — Calculating costs of turnover

Activities connected with leavers and the recruitment of replacements	Activity cost factors to consider	Activity cost	Explanation
Leaving 01: Exit interview	Time × interviewer's rate 20 h × \$100	\$2 000	Average of an hour per leaver including preparation and reporting and \$100 for the interviewer.
Leaving 02: Administration	Time × administration cost 15 h × \$50	\$750	This is a conservative estimate of the time required to ensure the recruitment processes are kept on track and the coordination and scheduling of every stage to ensure a decent applicant experience. Here the average administrator cost is \$50/h.
Leaving 03: Separation payments	Statutory payments, contractual obligations and other expenses. This can include accruals where applicable. Individually computed.	\$10 000	For the 20, the separation payments totalled \$10 000, or \$500 each.
Recruitment 04: Publicising vacancy	Online sites \$2 000 Professional publications \$1 000 Professional networks online \$1 000	\$4 000	There are a range of sites to reflect the different roles and professions among the 20 being recruited.

NOTE In this example, only core elements for composing the total cost of turnover are highlighted. Not all labour costs are imputed. For example, in labour rate for the interviewer, the administrator and the staff costs are based on the hourly rate based on the gross salary. For simplicity, it does not include bonuses, medical benefits or other indirect costs such as subsidised gym memberships or cost of facilities. Not all elements apply to all types of turnover and this varies according to jurisdiction, local conditions and industries. This is just a guide, so organizations are aware that turnover is indeed costly and requires monitoring. Turnover costs should be read in conjunction with other cost metrics such as those related to ISO/TS 30410 and ISO/TS 30411.

Table 3 (continued)

Activities connected with leavers and the recruitment of replacements	Activity cost factors to consider	Activity cost	Explanation
Recruitment 05: Administration	Time × administrator costs 30 h × \$50	\$1 500	This is a conservative estimate of the time required to ensure the recruitment processes are kept on track and the coordination and scheduling of every stage to ensure a decent applicant experience. Here the average administrator cost is \$50/h.
Recruitment 06: Interviews	Vacancies × number shortlisted × time × interviewers × interviewer rate 20 × 4 × 3 × \$200	\$48 000	4 candidates per vacancy 3 interviewers × 1 h at \$200/h.
Recruitment 07: Assessments	30 × \$300	\$9 000	Average of 1,5 per vacancy.
Recruitment 08: Staff meetings	Time × number involved × average cost of staff time 1 × 6 × \$200	\$12 000	1 h in meeting using 3 staff per vacancy at an average rate of \$200.
Recruitment 09: Travel expenses	Relocation and travel expenses for new hires 10 × \$1500	\$15 000	Of the 20, 10 required relocation and travel expenses for themselves and their family.
Recruitment 10: Medical examination and background check	Sometimes all, sometimes for specific roles requiring a certain level of fitness 10 × \$1 000	\$10 000	10 roles require specific levels of fitness.
Recruitment 11: Other recruitment costs	Any other relevant costs that are material to the hires, e.g. joining bonus	\$30 000	Joining bonuses are usually individually negotiated and in this example two hires were paid \$15,000 each.
Up to speed 12: Induction, onboarding	Duration × number of staff involved × staff cost × number of induction sessions 7 × 3 × \$50 × 2	\$2 100	7 h × 3 staff at \$50/h.
Up to speed 13: Coaching and instruction	Number of new hires × time × cost 20 × 10 h × \$150	\$30 000	This includes on-the-job supervision, one-on-ones and other support provided by existing staff.
Up to speed 14: Formal training	Number sent for formal training × cost 15 × \$1 000	\$15 000	Only 15 sent for formal training as part of their development to take on the new role.

NOTE In this example, only core elements for composing the total cost of turnover are highlighted. Not all labour costs are imputed. For example, in labour rate for the interviewer, the administrator and the staff costs are based on the hourly rate based on the gross salary. For simplicity, it does not include bonuses, medical benefits or other indirect costs such as subsidised gym memberships or cost of facilities. Not all elements apply to all types of turnover and this varies according to jurisdiction, local conditions and industries. This is just a guide, so organizations are aware that turnover is indeed costly and requires monitoring. Turnover costs should be read in conjunction with other cost metrics such as those related to ISO/TS 30410 and ISO/TS 30411.

Table 3 (continued)

Activities connected with leavers and the recruitment of replacements	Activity cost factors to consider	Activity cost	Explanation
Total costs		\$189 350	This figure has not computed lost productivity from the new hire, any lost business or the impact of the loss of organizational capital or knowledge, nor the impact of the new hire on the team's productivity as they try to adjust and support their new colleagues. It also excludes any legal costs.
NOTE In this example, only core elements for composing the total cost of turnover are highlighted. Not all labour costs are imputed. For example, in labour rate for the interviewer, the administrator and the staff costs are based on the hourly rate based on the gross salary. For simplicity, it does not include bonuses, medical benefits or other indirect costs such as subsidised gym memberships or cost of facilities. Not all elements apply to all types of turnover and this varies according to jurisdiction, local conditions and industries. This is just a guide, so organizations are aware that turnover is indeed costly and requires monitoring. Turnover costs should be read in conjunction with other cost metrics such as those related to ISO/TS 30410 and ISO/TS 30411.			

4.7 Reducing turnover

4.7.1 General

Where the turnover rate is deemed higher than is desirable and where the patterns of lost capability have an impact on the optimal operation of the organization, there is a need to pay attention to the reasons for this turnover (see 4.3.3). This clause discusses different ways of segmenting the turnover within the organization and where it makes sense for the organization to intervene. In Clause 5, the issue of retention and retention strategies is discussed.

4.7.2 Involuntary turnover

With involuntary turnover, the best approach is to manage the company well in order to minimize layoffs or redundancies. There are always unexpected factors or events that can put a company in financial difficulties. A possible reaction then is to lay off employees. First, strategic foresight and planning can highlight some of these potential factors so there are fewer of these unexpected problems. Second, layoffs are a short-term fix, detrimental to the company in the loss of knowledge, experience and morale, and should be the last resort.

4.7.3 Voluntary turnover

To reduce voluntary turnover, the attractiveness of leaving must be lower than that of staying.

The greatest single influence on employee satisfaction is their direct supervisor. It is therefore important for top management to ensure that supervisors or line managers are well trained and supported.

4.7.4 Regrettable and non-regrettable turnover

This is a way of further segmenting voluntary turnover. For some organizations, regrettable turnover is interchangeable with critical staff. For internal reporting purposes, the organization can establish some criteria and guidelines on how it segments its workforce using principles outlined in ISO 30409.

5 Retention

5.1 General

One of the key objectives of monitoring turnover is to establish whether employee retention is a concern. This is especially true in cases of dysfunctional turnover. By monitoring retention, the nature and causes of the turnover can be established. Some of these issues can then be addressed with the intervention of management.

Overall retention is most commonly used as a lagging measure of the survivors, or employees remaining with the organization after some period. When calculated as a rate or percentage of the workforce it is used for assessing the volume of replacement employees required.

Retention rate is best used as a prediction tool for future workforce planning in terms of estimating required hires, training and skills set to replace what is anticipated to be lost in future years, assuming no other changes. When used as a leading or predictive indicator, in combination with employee dimensions such as critical job role, performance level, employee engagement level and productivity, retention rate can be leveraged to enable proactive planning as part of managing the total cost of the workforce, future planning via workforce planning and total talent management.

As with turnover, a variety of quantitative methods are often used to quantify the retention rate:

- a) Crude retention rate calculation, see [5.2](#).
- b) Stability rate calculation: establishing how long people tend to stay in the organization, such as average employee time in role or a lessor substitute, average employee tenure.
- 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.

5.2 Retention rate metric

5.2.1 General

A simple way of thinking about a retention rate metric is the inverse of the turnover rate:

Simple retention rate formula:

$$1,0 - \text{annual turnover rate} = \text{retention rate}$$

For example, if 100 positions are filled at the start of the year and 76 positions filled at the end of the year, the retention rate is:

$$1,0 - 0,24 = 0,76 \text{ (76 \%)}$$

However, if the turnover is high or where positions turnover rapidly, this metric is inadequate. [Table 4](#) gives an example of the salesforce of an organization.

Table 4 — Workforce movements of the sales team at organization X

Month	Start-of-period headcount	Terminations	Replacement new hires	Total open positions	End-of-period headcount
M1	100	20	0	20	80
M2	80	12 ^a	20	12	88
M3	88	25 ^a	12	25	75
M4	75	15 ^a	25	15	85
M5	85	2	15	2	98
M6	98	10	2	10	90
M7	90	8 ^a	2	16	84
M8	84	2	12	6	94
M9	94	20 ^a	4	22	78
M10	78	5	2	25	75
M11	75	2	10	17	83
M12	83	10 ^a	20	7	93
Total		131	124		

^a New hire terminations.

NOTE At the start of the period, the sales team had 100 staff. Over the period of a year (M1 to M12) there were a total of 124 hires. During that same period the total terminations totalled 131 with new hire terminations (hires who leave within the same year) totalling 90. The number of available positions in that organization's sales team remained unchanged at 100. At the end of the year (M1 to M12) there were seven open positions, with 93 positions filled. In this example, 70 staff remained across the full year while 40 positions turned over 3,275 times each (131 terminations divided by 40).

High turnover retention rate formula:

$$\frac{\text{Start-of-period employee headcount} - \text{total terminations} + \text{new hire terminations}}{\text{Start-of-period employee headcount} + \text{new hires}}$$

Retention rate in the example above is:

$$\frac{(100 - 131 + 90)}{100} = \frac{59}{100} = 0.59 = (59\%)$$

5.2.2 Position based retention

In high-turnover organizations, it is important to distinguish high turnover across the board from the ability to retain a proportion of core employees in their respective positions, even when other positions turnover multiple times. To illustrate using the example in [Table 1](#), although the total turnover rate is 24 %, note that the maximum number of terminations in any given month is three. If the same three positions turned over multiple times, while the other 97 positions remained stable, then the retention rate would be 97 %, even though the same three unstable positions turned over many times in a year. Thus, turnover rate and retention rate are not always mirror images of each other. This is particularly relevant in high-turnover organizations. Also, this can be applied to various workforce segmentation approaches. For example, position-base stability can be applied to a department, job family or group of critical jobs by measuring average employee time in a job role or a lesser substitute, average employee tenure.

$$\text{Position-based retention} = \frac{\text{number of positions with retained incumbents}}{\text{total number of positions}}$$

In order to understand the nature of the workforce, it is important to get behind the headline figure using multiple metrics and also segmenting the workforce by job type, especially in segments of the