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Human resource management — Turnover and retention metrics

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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 workforces 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;

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