International Labour Organization

# Reducing turnover

## Staff management systems

Factory Improvement Toolset

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# Factory Improvement Toolset

The Factory Improvement Toolset (FIT) is an innovative self-facilitated, activity-based learning approach designed by the International Labour Organization (ILO) to create more decent and sustainable employment. FIT supports manufacturers in global supply chains to improve productivity, competitiveness and working conditions by upgrading production systems and factory practices.

FIT has been developed to be a sustainable, time- and cost-efficient option for supporting factories to enhance productivity through improved business practices and working conditions. FIT focuses on areas of production improvement and actions to be taken specific to each participating factory. It can be utilized as stand-alone learning tools or to complement other training programmes.

With each module lasting no more than 2.5 hours, FIT enables factories to train personnel, whilst minimizing interference with production realities. The easy-to-use methodology makes it possible to rapidly scale the implementation to reach a large cohort of trainees across multiple production facilities.

Working in small groups, participants review real-life situations and engage in discussions to determine improvements to be made in factory without an external trainer or specialist. This self-facilitated, activity-based and highly participatory learning approach positions participants as both student and teacher and makes the toolset self-tailored to the needs and interests of each group.

## About this module

This FIT module on Reducing staff turnover is a basic training for garment manufacturers to learn strategies to retain staff and lower turnover. Participants will work on understanding turnover, identifying causes of staff turnover, then finding solutions to problems. This module takes about 2 hours to complete.

## Upon completion of the training, participants should have:

- Understood the meaning and consequences of staff turnover in their own factory.
- Measured turnover, set goals to reduce it, and identified the causes of staff turnover.
- Determined how to address the causes of staff turnover in their factory.

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The **Factory Improvement Toolset** of the **International Labour Organization (ILO)** are developed and provided by the ILO's **Enterprises Department**.

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# Guidelines for successfully using the training tool

## Read out-loud

The FIT tool is designed for participants to take turns reading the instructions in the modules out loud to the group. At least one member of the group should be selected in the beginning of the session to take this responsibility.

## Work as a group

Always work in groups of 5-7 during a FIT session. The programme will not be successful if participants work independently or do not collaborate with each other.

## Be active

Encourage everyone in the group to actively contribute to the discussion. Ensure that no group member dominates the discussion or does not participate at all.

## Monitor the time

Select one member of the group to monitor the time for each activity and remind the group when it is time to move to the next exercise.

## Complete the action plan

Complete the action plan at the end of the session. This will help ensure that FIT results in improvements in the factory. Review the plan a while after the session to make sure that actions in the plan has been completed accordingly.

# Icons

A set of icons is used throughout the modules to provide easy to recognize reference points for different tasks within each session and activity.

## Read out loud

One member of the group should read out loud to the rest of group.

## Knowledge link

Knowledge and skills are linked to other FIT learning resources and support.

## Time allotted

Indicates how much time each sessions and activity should take.

## Supplies needed

Indicates that supplies may be necessary to complete the session.

## Begin step-by-step instructions

Indicates that the step-by-step instructions for an activity are beginning.

## Think about it

Indicates additional information for the participants to think about.

# Measuring your performance

Measuring operational efficiency is a key aspect of running a productive factory. The box(es) below guides you in understanding which measurement indicator(s) can be used to measure and evaluate the performance of your factory in relation to the topic of this FIT module.

| **Indicator 1** | **Turnover rate (%)** |
|---|---|
| **Definition** | The amount of employees who leave the factory over a period of time and must be replaced, as a percentage of the total amount of employees. |
| **Purpose** | To understand how high your turnover rate is, set a turnover reduction target, and identify solutions to reduce turnover in your factory. |
| **Calculation** | (# of employees who left and must be replaced / average # of employees) x 100%<br>Note:<br>Average # of employees = (# of employees at the start of the time period + # of employees at the end of the time period) / 2 |
| **Frequency** | Calculate monthly. |
| **Responsible** | HR manager |

| **Indicator 2** | **Absenteeism rate (%)** |
|---|---|
| **Definition** | The amount of time (days) your employees were absent over a period of time, as a proportion of the total amount of time (days) they worked during that time. |
| **Purpose** | To understand how high your absenteeism rate is, set an absenteeism reduction target, and identify solutions to reduce absenteeism in your factory. |
| **Calculation** | (# days lost due to absences / total # of available days) x 100%<br>Notes:<br>Total # days worked = (total # employees) x (# working days during that month)<br># days lost due to absences = summation of all absences during the period of time (record all absences for all employees) |
| **Frequency** | Calculate monthly. |
| **Responsible** | HR manager |

Session 1

# Business case study

## Goals

**Preparing you for the type of discussions you will have with other group members throughout the learning module and understanding the benefits of being exposed to different perspectives.**

**Understanding the importance of reducing staff turnover and how to do so in the factory.**

Session 1

# Overview

**One member should read the full session out loud to the rest of group**

**15 minutes**

**Learning manual, pens, markers and poster paper**

A business case study presents a real-life situation for learners to reflect on and discuss with other group members. By discussing the case, students learn from others' ideas and perspectives, and develop an understanding of the topic at hand within the workplace.

**One group member reads the case study out loud**

**The whole group discusses the case study**

**Everyone develops a deeper understanding of the topic**

# Activities

Activity

1

15 minutes

## Case study review and respond

The case study below presents a situation that could happen in real life.

### Instructions:

**1)** As a group, listen to one member read the case study below while following along in your learning module.

Thy is a new Human Resource Manager at a garment factory. She is concerned with staff turnover in her factory. The monthly turnover rate is 15-20%, and it can be higher during holiday periods as the factory does not provide annual leave or holiday pay to staff. Constantly hiring and training new staff is costing a lot of money. The factory is often short of staff and production targets are often not met. As a result, the factory hires anyone without considering previous experience. New employees tend to leave within the first 3 months.

To solve these problems, Thy starts to interview workers who leave to understand why turnover is so high, and what the factory can do to keep good workers. She finds out that staff find the workplace unsafe, want holiday pay and feel unwelcome, mentioning that supervisors yell at them. Thy consults with workers and managers to find solutions. They decide to tidy up the factory, purchase new safety equipment and safety rules, and organize safety trainings. They also start training line managers in management and communication skills, and provide both holiday pay and performance bonuses to help motivate good workers.

Thanks to the changes, workers feel safer and more respected. Turnover starts decreasing. This reduces rehiring and training costs. Workers are more committed to their work, increasing productivity and overall quality.

**2)** Together, discuss Thy's situation by answering the three questions in table 1 on the next page.

| Table 1. Questions about Thy's situation |
| --- |
| 1. What problems did Thy identify in the factory? |
| 2. What does Thy do or change in order to solve these problems? |
| 3. What are the results of Thy's solutions for the factory and its workers? |

This page has been intentionally left blank and can be used for note taking.

Session 2

# Learning about the topic

## Goals

**Measuring turnover, and understanding its significance for workers and the factory as a whole.**

**Discussing and identifying the causes of high staff turnover in your factory.**

**Identifying and selecting solutions that will be successful in reducing turnover in your factory.**

Session 2

# Overview

**One member should read the full session out loud to the rest of group**

**90 minutes**

**Learning manual, pens, and markers**

This training module aims to help you improve the way your factory operates by reducing turnover. Turnover is the number of staff leaving and being replaced in your factory. High staff turnover is harmful to your factory – it increases training and recruitment costs, harms worker morale and overall factory productivity. In this training module you will work through the three steps below.

Measuring **turnover**

Identifying **causes of turnover**

Selecting **solutions**

First, you will learn more about what it means to have high staff turnover and how to measure it. Then, you will look at some of the key reasons for high turnover in your factory. Finally, you will generate and select solutions and staff management strategies to minimise staff turnover in your factory.

# Activities

Activity

**2a**

**25 minutes**

## Measuring turnover

Employee **turnover** refers to the rate at which workers leave an organization and are replaced by new workers. High turnover is bad for your employees, and expensive for your business. In this exercise, you will learn how to measure turnover and why you should strive to reduce it in your factory.

## Instructions:

**1)** Together, discuss:

- Do you think your factory has a high turnover problem?
- Have you tried to reduce turnover at your factory before?
- What solutions have worked? Which have not worked?

**2)** Together, go through table 2, and tick ✓ in the right column if you think it is a consequence of high staff turnover. Then, add any other consequences you can think of to the table.

**3)** Together, use the formula in table 3 to measure turnover in your factory by going through the four questions in the table as a group.

**4)** Together, start thinking about your turnover reduction objective. Brainstorm, and write down your ideas in table 3.

The costs of **replacing** a worker can reach as high as 50-60% of an employee's annual salary, including costs associated with retraining new staff, mistakes, productivity losses, etc.

To minimise these costs, turnover should be measured regularly in each department and across the factory to better understand **why**, **where** and **when** turnover is occuring.

| Table 2. Consequences of high turnover | |
|---|---|
| Low staff morale | |
| Higher absenteeism | |
| Increased stress for workers | |
| Increased workloads for workers | |
| Greater difficulty attracting skilled workers | |
| Lower productivity | |
| Lower garment quality | |
| Poor supervision | |
| Disruption and delays in operations | |
| Poor teamwork | |
| Increased training and recruitment costs | |
| Workers treated as if interchangeable | |
| | |
| | |
| | |
| | |

## Table 3. Measuring turnover

**Turnover** can be calculated using the following formula:

(# of employees who left **/** Average # of employee) **x** 100%

Example: If 12 people leave in one month and the average total number of workers in the factory is 50 people, the turnover rate is 12 / 50 x 100 = 24% for that month. The average number of employees can be calculated by adding the number of workers at the start and at the end of the period and dividing it by 2.

| In our factory… | Estimate |
|---|---|
| 1. How many workers in your factory quit their job last year? | |
| 2. How many workers were there in your factory last year on average? | |
| 3. What is your factory's turnover rate for last year? | |
| 4. Is turnover especially high in certain departments? Which? (You can calculate the turnover for specific departments by using the same measurement as for the overall factory.) | |

### Your turnover objective

Together, brainstorm, and write down your ideas below. Think about the following: How much do you want to reduce turnover? Starting from when? In which departments?

Activity

**2b**

**20 minutes**

## Identifying causes

High turnover can be an important indicator of poor worker satisfaction and issues in the workplace. In this activity, you will learn about **common causes** of high staff turnover and strategies you can use to identity the causes of turnover in your factory.

## Instructions:

**1)** Together, read through the possible causes of staff turnover in table 4, and identify the ones you think are the causes of turnover in your factory by ticking ✓ in the column on the right. If you can think of other causes, add them to the table.

**2)** Together, discuss, and identify the four main causes of turnover in your factory among the causes that you identified in the previous step. Circle these four causes in the table.

| Table 4. Causes of turnover | |
|---|---|
| **Possible causes** | ✓ |
| Supervisors / co-workers are mean or disliked | |
| Boring or demotivating job | |
| Work-related stress | |
| No flexible working hours / not enough overtime | |
| Working hours are too long | |
| Safety and health issues at work place | |
| Overqualified workers for the job | |
| Poor welfare and working conditions (bad hygiene, food, etc.) | |
| Management is being perceived as unfair | |
| Better work opportunities elsewhere | |
| Employees feel that they are not welcome and not treated with respect | |
| No overtime pay | |
| Factory too far away | |
| Few advancement / promotion opportunities | |
| Low wages / Better pay somewhere else | |
| No dormitory / No transportation to the factory | |
| Relationship or family issues / Missing home | |
| | |
| | |
| | |

Activity

**2c**

**20 minutes**

## Identifying solutions

Once you have identified causes of turnover, you can move on to generating **solutions**. Good HR practices are very important to improve staff retention. In this activity, you will learn how to reduce turnover by improving the way you recruit, train and motivate your staff, then brainstorm solutions to help reduce turnover in your factory.

## Instructions:

**1)** Together, look at the list of good HR practices to help reduce turnover in table 5, and tick ✓ in the right column if you already apply them. Then, discuss: Which practices could you adopt in your factory?

**2)** Together, write down your four main causes from the previous activity in the left column of table 6.

**3)** Together, for each sub-cause, brainstorm 2-3 solutions and write them down in the right column (next to each letter A-L) of table 6. One example has been given to guide you. Keep the good HR practices in mind!

Identifying solutions can be helped by thinking about when staff turnover is occuring. For example, if most staff are leaving during their first three months or around holiday periods, this may help you to find solutions such as contract completion bonuses or paid holiday leave to address the specific reasons why staff are leaving.

Good HR practices are important to reduce turnover. To learn more about good HR practices, ask for the “Managing human resources” module!

| Table 5. Good HR practices | |
|---|---|
| **Recruiting workers: In our factory, …** | ✓ |
| HR develops job descriptions that list the role, responsibilities and qualifications expected of applicants for each position. | |
| Job vacancies are advertised publicly (on a board outside the factory for instance), clearly indicating required skills, experiences, and expectations. | |
| Factory management ensures that there are appropriate recruitment systems where new staff are employed based on their skills and experience – not based on physical or personal characteristics (age, gender, appearance, etc.). | |
| Management try to understand why people keep their job in order to better identify and select solutions to retain workers. | |
| **Training workers: In our factory, …** | ✓ |
| Managers and workers understand the importance of training opportunities, both during staff induction and in developing staff skills (technical / soft skills). | |
| Induction trainings are organized to give new employees the information and skills they need to adjust to their new job and workplace as quickly as possible. | |
| Technical skills trainings are organized to improve staff skills required for them to complete their tasks efficiently and safely. | |
| Soft skills trainings are organized to help people communicate and work with others in a more positive and productive way. | |
| **Motivating workers: In our factory, …** | ✓ |
| Managers and workers improve the work environment and community by treating each other with respect, and engaging in work related events. | |
| Management motivates workers to perform through monetary incentives (performance bonus, reward system, good compensation or benefits, etc.). | |
| Management motivates workers to perform through social incentives (improving welfare, food and facilities, arranging work events with workers and their families, celebrating holidays, birthdays, etc.). | |

| Table 6. Identifying solutions | |
|---|---|
| **Main causes** | **Solutions** |
| Example: Factory too far from city / housing | Efforts made to help workers get to the factory and home easily. |
| | Recruit people living nearby. |
| | Find nearby housing for workers who live far away from the factory. |
| | A. |
| | B. |
| | C. |
| | D. |
| | E. |
| | F. |
| | G. |
| | H. |
| | I. |
| | J. |
| | K. |
| | L. |

Activity

**2d**

20 minutes

## Selecting solutions

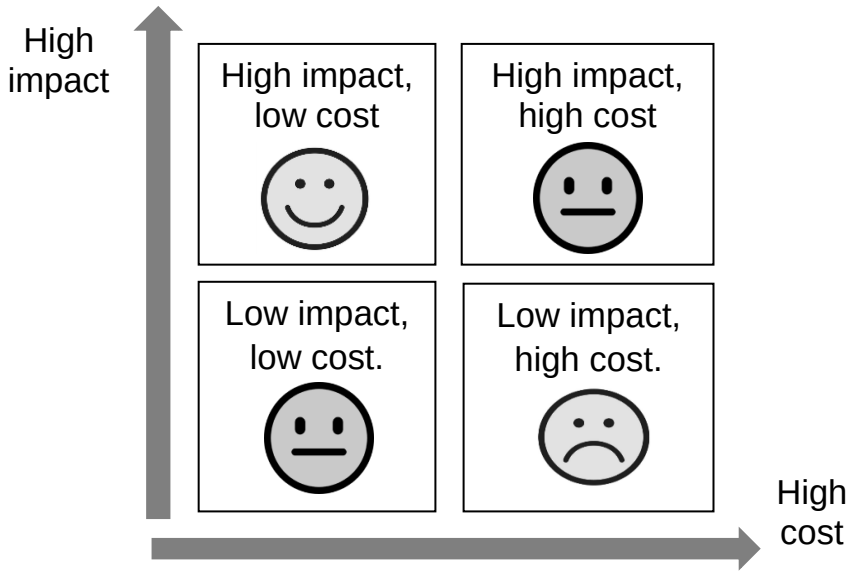
Once you have generated solutions, it is important to **select** the best ones based on several criteria – cost, impact and time for example. In this activity you will learn how to select the best solutions to reduce turnover in your own factory.

## Instructions:

**1)** Together, use table 7 to evaluate the solutions you identified in the previous activity, indicating whether each solution has a low / moderate / high cost and impact.

**2)** Together, based on the image below, decide which solutions you think are best to reduce turnover in your factory and circle them in table 7.

Impact is the extent to which a solution is effective in solving your problem. Impact can be low, moderate, or high.



| Table 7. Impact vs. cost analysis | | |
|---|---|---|
| **Your solutions** (table 6) | **Impact**<br>Low / moderate / high | **Cost**<br>Low / moderate / high |
| Example 1: Find suitable accommodation for workers living far from the factory. | High | Moderate |
| A. | | |
| B. | | |
| C. | | |
| D. | | |
| E. | | |
| F. | | |
| G. | | |
| H. | | |
| I. | | |
| J. | | |
| K. | | |
| L. | | |

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Session 3

# Your action plan

## Goals

**Summarizing and revising the new knowledge gained.**

**Identifying concrete applications of the new knowledge that benefit your factory.**

Session 3

# Overview

**One member should read the full session out loud to the rest of group**

**20 minutes**

**Learning manual, pens, and markers**

Throughout this module you have gained knowledge about importance of reducing turnover, and how your factory can work to retain staff by identifying and solving the causes of staff turnover.

Measuring **turnover**

Identifying **causes**

Selecting **solutions**

In this session you will think of ways to apply your new knowledge by reviewing best practices and drafting your own turnover action plan.

# Activities

Activity

**3a**

**5 minutes**

## Best practices checklist

In this activity, you will review best practices for reducing turnover as a next step for evaluating your own and implementing improvements.

## Instructions:

**1)** Together, look at the list of best practices in table 8, and put a ✓ in the column on the right if you use these practices in your factory.

**Table 8. Reducing turnover**

| Best practices | ✓ |
|---|---|
| 1. Factory management systematically measures turnover and set targets to reduce turnover to an acceptable level. | |
| 2. Factory management works to identify the causes of turnover in the factory, for instance by performing exit interviews. | |
| 3. Factory management strives to identify solutions to the different causes of turnover. | |
| 4. Factory management sets up an action plan to monitor and reduce turnover in the factory. | |
| 5. There is at least one person within the management team responsible for implementing and monitoring solutions for reducing turnover. | |

Activity

**3b**

**15 minutes**

## Your action plan

In this activity, you will think of ways to apply your new knowledge to lower turnover in your factory by drafting your own action plan.

## Instructions:

**1)** Together, fill in the action plan (table 9) on the next page. Identify a key problem that you want to solve and write down the solutions you identified while working on the module.

| Table 9. Reducing turnover – Action Plan | | | | |
|---|---|---|---|---|
| **Problem identified** | | | | |
| **Solutions identified** | **Action(s) to be taken** | **Person responsible** | **By when?** | **How will improvements be measured?** |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

# Reducing turnover

The Factory Improvement Toolset (FIT) is an innovative self-facilitated, activity-based learning approach designed by the International Labour Organization (ILO) to create more decent and sustainable employment. FIT supports manufacturers in global supply chains to improve productivity, competitiveness and working conditions by upgrading production systems and factory practices.

FIT is being piloted in Asia under the regional Decent Work in the Garment Sector Supply Chains in Asia project funded by the Government of Sweden.

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