

Why Employee Attrition Is an Issue (And What You Can Do About It)

Meta Description: If increased numbers of employees are leaving your organization, you may be experiencing employee attrition. Learn what it is, what causes it, and what you can do to address it.

A company's success greatly depends on its ability to retain its top performers. While it's natural to lose a fraction of your workforce over time, sometimes, these numbers increase significantly, resulting in employee attrition.

Let's explore what employee attrition is, how it affects your business, and what you can do to mitigate it.

What is Employee Attrition

Employee attrition is a natural, gradual loss of an organization's employees. This occurs due to factors such as employee retirement, termination, or resignation for either personal or professional reasons. As a result, the size of your workforce diminishes over time because employees are leaving your organization at a faster rate than new staff is being hired to replace them.

Employee attrition can affect the entire company or specific parts of it. For instance, sections of your business that are deploying automation solutions and adopting new technologies may experience more employee attrition. Or you may experience more attrition among specific demographics of your workforce.

A certain degree of attrition is inevitable and a natural occurrence in any business. Though after reaching a certain threshold, it can start negatively affecting your company's bottom line and culture.

There are various forms of employee attrition:

- **Employee retirement:** If you have several senior professionals, attrition can happen if a group of them retire at the same time. You should also keep in mind that senior professionals may retire early.
- **Voluntary attrition:** This is when an employee chooses to quit their job. You should keep an eye on the high-value talent. If many experienced and highly skilled professionals are leaving, this can end up affecting your bottom line.

- **Involuntary attrition:** This is a form of attrition initiated by the company. This could be eliminating specific positions, letting employees go due to misconduct, and more. Structural changes in the company, such as mergers and acquisitions, can also lead to attrition.
- **Demographic-related attrition:** Company culture issues can lead to employees that belong to a demographic group leaving at the same time.
- **Internal attrition:** This is when employees quit their position to join a different position in another department of the same company.

Employee Attrition Versus Employee Turnover

Employee attrition and employee turnover are two human resources terms that are often used interchangeably to refer to the loss of employees from an organization. While they are similar in meaning, there is a subtle difference between the two.

Employee attrition happens as a result of a natural process. An employee leaves the company due to age, health issues, personal reasons, or similar, or the company eliminates the position they hold. Employee turnover can occur due to a wide range of voluntary and involuntary reasons like resignation, termination, discharge, and more.

The key difference between them is that in the case of turnover, the company seeks replacement immediately through rehiring. However, when attrition occurs, the company leaves their position unfilled, at least for a time, or eliminates it altogether.

Impact of Employee Attrition

High employee attrition rates can negatively affect various aspects of your business, such as:

Organizational Costs

Replacing employees costs businesses significant amounts of money. In fact, [Gallup](#) estimates that finding a replacement for a single employee requires up to two times the employee's annual salary. This covers the expenses associated with hiring, onboarding, and training new recruits.

Therefore, if you have a high attrition rate, your business must allocate a sizable budget to find and train qualified replacements. These are funds that could have been utilized to grow your business instead. In addition to that, a new hire will rarely have the same efficiency as an experienced employee, resulting in lost efficiency and revenue.

Decreased Productivity

High employee attrition negatively affects an organization's growth and progress. According to [research](#), a new employee becomes fully productive in approximately eight months. This can

lead to decreased output and efficiency, poorer performance, reduced customer satisfaction, and more.

If you are also continuously rehiring due to attrition, it can disrupt workflow management and damage the performance of other employees in your organization. In highly competitive industries, this can cause a business to lose some of its customer base to a competitor that doesn't experience the same issue.

Decreased Morale

Each business functions as a symbiotic unit. Therefore, the actions and decisions of departing employees can put a dent in the remaining workforce's motivation and morale.

A wide range of studies indicate that when an increased number of people leave an organization, the demands on the surviving employees [increase](#). This redistributed work increases their stress levels while reducing service quality and morale.

What makes this worse is that businesses often fail to understand why employees are leaving and do not address the root cause of the problem. Instead, they opt for band-aid solutions like bonuses. While they matter, employees often view them as [transactions](#) rather than a token of appreciation.

The display of appreciation and recognition is [essential](#) to keeping employees' morale high. Nonetheless, [over 80% of employers](#) state that employee recognition isn't a top priority, and approximately 60% of business leaders do not allocate budget to it.

So, when employees receive bonuses that they view as merely transaction, they are being reminded that their needs for appreciation are not being met.

Loss of Institutional Knowledge

When highly knowledgeable and experienced employees leave an organization, this can result in a brain drain and the loss of organizational knowledge.

Organizational knowledge is the collective knowledge and expertise that exists within the organization. This includes [explicit knowledge](#), structured, theoretic information, as well as [tacit knowledge](#), one based on personal experience, prowess, and context.

Such employees don't just leave an open position but also take with them the skills, experiences, and expertise obtained while working at the organization. This can be especially damaging in cases when departing employees held key positions or played important roles in the organization. Often, they possess specialized knowledge that cannot be easily replaced by a new hire.

Additionally, when such employees join a competitor's workforce, they can help this competitor advance and gain a competitive edge.

Causes of Employee Attrition

Poor Work Environment

Workplace culture has a significant effect on an employee's willingness to remain with a company long-term. Since we spend a third of our lives working, a poor work environment and incompatible company culture can deteriorate our well-being and lead to high employee attrition.

In fact, a poor work environment is the number one reason why people quit during the Great Resignation brought forth by the Covid-19 pandemic. As many as [62%](#) of people surveyed by job site FlexJobs cited toxic company culture as their main reason for leaving their employer.

Company values matter, too. People are looking for an employer with values that align with their own and are open to leaving their current employer for one with more compatible values. For instance, a study by Deloitte found that approximately [75%](#) of executives would consider leaving their current position to join a more diverse and inclusive organization.

Lack of Development Opportunities

The lack of career development opportunities is another key reason that drives employee attrition. If a company is unable to help its employees grow, they'll seek a better future elsewhere.

A study by [Gartner](#) concluded that 40% of departing employees do so because of their inability to advance in their careers. In addition to that, 28% of workers are actively looking for a new job, and 42% are passively open to leaving their current position for one that offers career growth possibilities.

Unfortunately, following the 2008 financial crisis, many companies eliminated various layers of middle management, resulting in fewer opportunities for career advancements. Therefore, many ambitious employees see no way of growing professionally other than leaving their current employer.

Inadequate Compensation

While not always a number one factor, low pay absolutely contributes to high employee attrition numbers, especially during an economic downturn. Inflation has [eliminated](#) wage gains for many workers. Therefore, many seek more lucrative options to gain more financial security.

Benefits can be just as important as salary for many employees, thus being another factor that can motivate them to quit.

Poor Work-Life Balance

Burnout is plaguing the modern workplace, with at least [half](#) of all employees experiencing some degree of it. This leads to decreased job satisfaction, mental health concerns, and higher employee attrition rates.

A growing number of employees seek opportunities that offer better work-life balance and fewer hours. In 2021, [39%](#) left their job because of working too many hours.

Additionally, a greater number of employees desire more flexible work hours. In 2021, 45% quit due to the lack of being able to decide their hours, while [37%](#) expressed their interest in switching their employer in exchange for the ability to work remotely, at least part-time.

Personal Reasons

Last but not least, employees may choose to resign due to various personal reasons such as age, health concerns, moving to a different city, career change, and many more.

Strategies for Reducing Employee Attrition

Once you identify employee attrition, it's essential to take steps to reduce it so that it does not cause permanent damage to your organization.

1. Understand What's Causing Employee Attrition

While usually, it's not a single factor causing employee attrition but a combination of them, you will benefit immensely from learning what is driving it in your specific case. This can help choose the right strategies and allocate your resources and finances properly. If you work with a tight budget, this can prevent you from wasting valuable company resources.

2. Improve the Work Environment

A positive work environment is crucial for a company's success, and over [88%](#) of employees agree. A positive work environment can help you boost employee morale, productivity, satisfaction, and retention. Here are a few strategies to try:

- **Hire the right people:** A positive work environment requires the right people. Hire employees that are not only qualified for the position but also are a culture fit and share your company's values. At the same time, you should not be afraid to let go of ineffective and toxic employees.
- **Host company events:** Company-wide events can allow your employees to socialize, get to know each other, and build relationships. This can create a sense of belonging, which can have a positive effect on their morale and job satisfaction.
- **Make your office comfortable:** Clean and visually attractive premises can help create a positive and relaxing atmosphere. Invest in comfortable furniture and quality work equipment so that employees can fully focus on the tasks assigned to them. Lighting can

also make a massive difference. Incorporate natural lighting when possible and use blue-enriched bulbs to reduce fatigue.

3. Provide Training and Development Opportunities

Employees are looking for options to improve their existing skillset and acquire new skills that can help them advance in their careers. [Research](#) shows that they are even willing to settle for lower pay if a workplace offers [employee training and development](#) opportunities.

Employee training doesn't have to be traditional in a classroom setting. Explore online courses, seminars, apprenticeships, and more. Value your employees' time and make upskilling a part of their everyday job. This will prevent them from overworking and burning out.

Finally, if you have unfilled vacancies, consider giving your existing employees a chance to transition to new roles within your organization. Upskilling and retraining existing employees can help you fill skill gaps, especially during times when you can't find suitable candidates.

4. Promote Open Communication

While modern technology facilitates communication, using it ineffectively can drain morale and lead to missed information. Consolidate communication and task management using select communication tools such as Slack, Zoom, and Trello and decide on the frequency and length of meetings and performance checks.

Encourage employees to share ideas and provide feedback. Your employees are more likely to become invested in your organization if they know that their voice matters. They may also have unique ideas that they may be afraid to share if the company culture does not facilitate it.

5. Encourage Work-Life Balance

Many executives struggle with a work-life balance that can lead to burnout, and that, in turn, can lead to them seeking new work opportunities. At the same time, it's common for employers to encourage work after hours or during weekends.

Offering flexible schedules and remote work can serve as opportunities to promote work-life balance. Employees can reduce commute time, spend more family time, and have more flexibility when handling emergency situations.

Lastly, you can provide wellness programs that encourage exercising, a healthy lifestyle, and mental health support.

6. Show Recognition and Appreciation

Appreciate your team's hard work and express that regularly. Employee recognition and appreciation have a direct effect on retention rates, as an employee who's been recognized regularly is [63% less likely to resign](#).

Consider developing a recognition program that fosters feedback from managers as well as colleagues. [75%](#) of workers admit that they are more likely to remain employed at their current organization if they receive recognition.

7. Offer Competitive Compensation

Stay up to date with market rates and offer competitive remuneration and benefits. After all, insufficient pay is one of the top reasons driving employee attrition.

To ensure that you keep your employees continuously motivated, consider starting with a competitive base salary and offering regular raises throughout their careers. When it comes to specific in-demand skills, expect to reward your more specialized and top-performing employees accordingly.

How Knowledge Management Can Help Minimize Impact of Employee Attrition

Following the strategies that we discussed in the previous section will enable your organization to reduce employee attrition. However, at the end of the day, it's not possible to completely eliminate employee attrition, as there will always be some level of turnover in any organization.

This is why it's essential to have an effective set of knowledge management processes in place.

[Knowledge management](#) is the process of capturing, organizing, and sharing knowledge within an organization and is an effective way to minimize the impact of employee attrition. It helps to ensure that the knowledge and expertise of departing employees is not lost when they leave your organization.

There are a number of ways that organizations can use knowledge management to minimize the impact of employee attrition:

- **Document processes and procedures:** Documenting processes and procedures can help to ensure that the knowledge and expertise of departing employees are not lost. This can include creating [standard operating procedures](#), documenting best practices, and creating instructional videos. As part of the process, you'll want to ensure you create and maintain a [knowledge base](#) as a way to store, organize, and share these resources.

"Building a knowledge base from the ground up in an extremely tenured workforce became a priority as we faced attrition with an aging workforce facing retirement. If we don't capture the knowledge now, we run the risk of losing it all together as folks seek

retirement and the new generation is hired. It is imperative for our business to increase the knowledge sharing to ensure effective and accurate processes going forward.” -
[Capital City Bank Group](#)

- **Transfer knowledge from departing employees:** Organizations can use a range of techniques, such as knowledge transfer sessions, job shadowing, and mentorship programs, to [transfer knowledge from departing employees](#) to those who remain with the organization.
- **Foster a culture of knowledge sharing:** Encouraging employees to [share their knowledge](#) and expertise with each other can help to build a culture of continuous learning and knowledge sharing within the organization. This can help to minimize the impact of employee attrition by ensuring that the knowledge and expertise of departing employees are not lost.

Wrap Up

Employee attrition can negatively impact any business, leading to decreased productivity and morale and loss of institutional knowledge. While you can't always prevent your employees from leaving, you can ensure that the knowledge and expertise they've accumulated stay with your company.

Helpjuice can help you create a knowledge base platform where anyone can publish and find valuable information. Try [Helpjuice's knowledge base software](#) for free for 14 days.