

Turnover is defined as the rate at which an employer gains and loses employees. Historically, two formal studies conducted by Statistics Canada have provided data on turnover among Canadian businesses: the Longitudinal Worker File and the Workplace and Employee Survey (WES). The Longitudinal Worker File measures the evolution of layoff rates, broken down by “quits”, layoffs and other separations. However, it does not measure the tourism sector specifically. The now inactive WES last published data for the year 2005. At that time, turnover in all Canadian industries stood at 19.9%, while the rate in tourism was 37.7%. The WES measured the tourism sector’s total turnover, which includes all employees who leave a business for any reason. Since business owners tend to be more interested in voluntary turnover rates—those who terminate their positions for reasons other than retirement, strike or lockout—the CTHRC decided to capture up-to-date information on both voluntary and involuntary turnover in its 2010 Tourism Sector Compensation Study. Survey questions were vetted by members of the Workplace Matters Panel, who were asked to answer each question and assess it for clarity and ease of understanding. This not only ensured that the questions were valid but also enabled the calculation of turnover rates for Panel businesses.

Forty-two percent of panellists felt that knowledge of voluntary turnover rates in their industry would be very useful to them, and a further 45% indicated it would be somewhat useful. Over 90% of panellists indicated that the questions asked were clear and easy to understand. As such, the following questions were included in the compensation survey:

1. In 2009, how many seasonal, part-time, and full-time employees worked for your company during the busiest period (peak season)?
2. In 2009, how many seasonal, part-time, and full-time employees worked for your company during the slowest period (off season)?
3. In 2009, how many seasonal, part-time, and full-time employees voluntarily quit at any time during the year (peak or off season)?
4. In 2009 (peak and off season), how many seasonal, part-time, and full-time employees were involuntarily dismissed? Involuntary dismissal refers to employee terminations for poor performance or layoffs due to budget cutbacks/fiscal constraints.

Panellists were also given a list of reasons why employees might leave their jobs and were asked if they could accurately provide the number of employees who had left their company within the previous year for each reason listed. The results made it evident that some causes of turnover can be recognized more easily than others. Over half (56%) of panellists could very accurately identify if an employee had left to return to school, but only 18% could determine if an employee left due to lack of career opportunities, high workload or stress (16%).

How Accurately Could you Provide the Number of Employees Who Left For the Following Reasons?

	Very Accurately	Somewhat Accurately	Not at all Accurately	Not Applicable
Returned to School	56%	24%	4%	16%
Higher Pay From a Business in the Tourism Sector	20%	35%	24%	22%
Higher Pay From a Business Outside the Tourism Sector	35%	35%	15%	16%
Unable to Use Skills/Abilities	20%	20%	29%	31%
Lack of Career Opportunities	18%	36%	16%	35%
Downsizing / Layoffs	40%	16%	9%	35%
Retirement	45%	9%	15%	31%
Family/child Care Responsibilities	18%	31%	24%	27%
High Workload/Stress	16%	29%	31%	24%
Voluntarily Quit After Disagreement with Manager	24%	27%	18%	31%
Let Go By Manager	55%	16%	5%	24%

This reinforces the importance of conducting a formal exit interview with employees to determine the reason for their departure. Preferably, a neutral party such as a human resource manager should conduct exit interviews so that the causes of turnover at a business can be identified and subsequently reduced. Panellists made it clear that not all causes of employee separation were readily identifiable. Due to this finding, the question was split into two: one question for voluntary turnover, the other for involuntary turnover. The least identifiable causes of turnover were removed from the compensation study.

Turnover Rates Among Workplace Matters Panel Businesses

Based on panellist responses, average turnover rates among Panel businesses were calculated, and are shown in the table below. As these rates are based on a relatively small sample, they should be interpreted with caution. The 2010 Tourism Sector Compensation Study will survey 2,000 businesses, which will allow for the disaggregation of turnover rates by industry group and province.

Turnover rates are calculated using the following formula:

$$\frac{\text{Number of Employees Who Leave During the Year}}{\text{Average \# of Employees}} \times 100 = \text{Total Turnover Rate}$$

Note: For Voluntary Turnover, only use the number of employees who chose to quit during the year. For involuntary turnover, use the number of employees dismissed during the year.

The average number of persons employed is found by adding the number of workers employed during the busiest part of the year (peak season) to the number employed during the slowest period of the year (off season) and dividing by two. The average number of employees working at Panel businesses stood at 40 for seasonal, 20 for part-time and 87 for full-time employees. Panellists also supplied the number of employees who left their businesses in 2009, both voluntarily and involuntarily, which allowed researchers to calculate total, voluntary and involuntary turnover rates. Terminations were also categorized by employee work pattern. The largest numbers of voluntary quits occurred among full- and part-time employees—in some cases over 100 workers in the course of a year. With the exception of seasonal employment, the number of employees who were dismissed tended to be lower than the number of employees who voluntarily quit. The overall turnover rate for all employees among Panel businesses was 25.9%.

Turnover Among Panel Businesses by Employee Work Pattern

	Voluntary Turnover	Involuntary Turnover	Total Turnover
Seasonal Employees	12.5%	17.5%	30.0%
Part-time Employees	33.3%	10.0%	43.3%
Full-time Employees	13.8%	4.6%	18.4%

Why Turnover Rates Matter

Managing turnover is important. Although voluntary turnover can never be eliminated entirely, reducing it can significantly benefit a business' bottom line. Turnover is costly, resulting in lost sales revenue as well as increased expenditures on hiring, recruitment, and training. Actual dollars spent on hard costs such as these can be determined using tools such as the CTHRC's [Employee Turnover Cost Calculator](#). Meanwhile, soft costs such as lost productivity are harder to measure. These costs can be particularly high when a new employee, who is unfamiliar with a position, replaces a seasoned veteran. A 2000 study of front-office associates in full-service hotels in New York and Miami found that the cost of lost productivity ranged from 55% to 69% of the total cost of turnover .

Knowing turnover trends within the sector will allow employers to see how their businesses are faring compared to their competitors'. Thanks to this preliminary work done by the Workplace Matters Panel members, detailed results of turnover in tourism sector businesses will be published as part of the [2010 Tourism Sector Compensation Study](#) in the spring of 2011.

ABOUT THIS STUDY

Workplace Matters Panel reports are written solely by the CTHRC, and do not reflect the opinions of Ipsos. For More Information go to www.cthrc.ca
To become a member, please visit <http://www.join.workplacematterspanel.ca>

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