

How to Keep Employees When Cash is Short: The High Cost of Employee Turnover

David Marrison, Extension Educator, Ashtabula County

With the financial crunch being experienced in the dairy industry, many farms are analyzing every aspect of their business to see where money can be saved. One area that farm managers are examining is their labor efficiency.

A variety of research studies have stated the number one issue facing businesses is finding and keeping good employees. It is not unusual for a farming operation to experience a 25% turnover rate. Some turnover is actually good; no one is perfect in hiring employees. Mistakes happen and there are just some employees that you will never be able to motivate to complete job responsibilities efficiently and according to your farm's operating procedures.

It is important for farms to develop strategies to reduce employee turnover. Employee turnover can hurt the overall productivity of a farm and is often a symptom of other difficulties.

Turning over employees has several costs. These costs include: separation costs for the former employee; recruiting costs for new employees; interviewing time; administrative work associated with a new hire; training and supervisory time; and overtime pay for employees who have to fill in for the departed employee. There is also a cost for lost production associated with getting a new employee up to speed with their new job. Sarah Smith, an organization leadership supervisor specialist at Purdue University estimates a loss of \$2,000 for farm employee turnover (2008).

So, what are some strategies to reduce employee turnover?

- Hire better qualified employees (you get what you pay for)
- Establish a training protocol for new employees
- Develop an employee manual
- Have job expectations clearly defined for employees
- Develop goals with each employee
- Use a probationary period for all new employees
- Place employees in jobs they like
- Have flexible employee compensation programs
- Give employees an opportunity for time off
- Hold regular staff meetings to discuss farm issues, goals, and operational strategies
- Several dairy farmers could share one or more relief milkers or seasonal labor
- Conduct periodic worker satisfaction surveys
- Have clearly defined grievance policies
- Conduct exit interviews to determine why employees are leaving
- Invite your Extension Educator or other key farm advisor to complete SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of your farm employee management system.

Chuck Schwartau, Regional Extension Educator in Minnesota, shared that having the right employees (family and non-family) has several benefits including: increased operational efficiency; more owner/manager time for marketing, pricing and financial activities; an increased likelihood of completing tasks on time; more efficient use of capital and overhead; increased production for profit; more opportunities for growth; reduced stress and pressure; increased flexibility of time for leisure, health, family activities; and a safer work environment created by better trained and skilled workers.



THE OHIO STATE UNIVERSITY

COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

Bottom Line: Having the right employees, developing a good employee management program, and keeping hold of key employees can save you money and help your business run more smoothly.



References

- Billikopf, G. 2003. Employee turnover. University of California. Accessed on May 12, 2009 from: www.cnr.berkeley.edu/ucce50/ag-labor/7labor/16.pdf
- Pinkovitz, W., J. Moskal, and G. Green. (n.d.) How much does your employee turnover cost? Accessed on May 12, 2009 from: <http://www.uwex.edu/ces/cced/economies/turn.cfm>
- Purdue University. 2008. Employee retention, if not good, shocks pocket book. Accessed on May 12, 2009 from: <http://news.uns.purdue.edu/x/2008b/080715SmithEmployeeMgt.html>
- Schwartau, C. 2005. The right person for the right job. Accessed On May 12, 2009 from: <http://www.extension.umn.edu/Dairy/dairystar/12-10-05-Schwartau.htm>

Additional DIBS are available on-line at <http://dairy.osu.edu>.

Published by OSUE Dairy Working Group, a collaboration of OSU Extension Educators and Specialists. Reviewed in 2015 by: Maurice Eastridge, Dairy Extension Specialist, Department of Animal Sciences

Factsheet originally published in May 2009, DIBS # 18-09

Contact author at: David Marrison, Ohio State University Extension, Ashtabula County, (440) 576-9008, marrison.2@osu.edu

The College of Food, Agricultural, and Environmental Sciences and its academic and research departments including, Ohio Agricultural Research and Development Center (OARDC), Agricultural Technical Institute (ATI) and Ohio State University Extension embraces human diversity and is committed to ensuring that all research and related educational programs are available to clientele on a nondiscriminatory basis without regard to age, ancestry, color, disability, gender identity or expression, genetic information, HIV/AIDS status, military status, national origin, race, religion, sex, sexual orientation, or veteran status. This statement is in accordance with United States Civil Rights Laws and the USDA.

Bruce McPherson, Ph.D., Vice President for Agricultural Administration & Dean

For Deaf and Hard of Hearing, please contact the College of Food, Agricultural, and Environmental Sciences using your preferred communication (e-mail, relay services, or video relay services). Phone 1-800-750-0750 between 8 a.m. and 5 p.m. EST Monday through Friday. Inform the operator to dial 614-292-6891.

Copyright © 2014, The Ohio State University