



Flattening the Turnover Curve

The Critical Role of Onboarding in Frontline Employee Retention



Surveyed
13.5+ M
U.S. employees

Executive Summary

In today's dynamic business landscape, employee attrition has emerged as a significant challenge, causing operational disruptions and substantial financial losses for organizations. This problem is further intensified in frontline-centric industries, where more than 75% of the workforce comprises Gen Z and millennials, a demographic known for distinct workplace expectations and higher turnover rates.

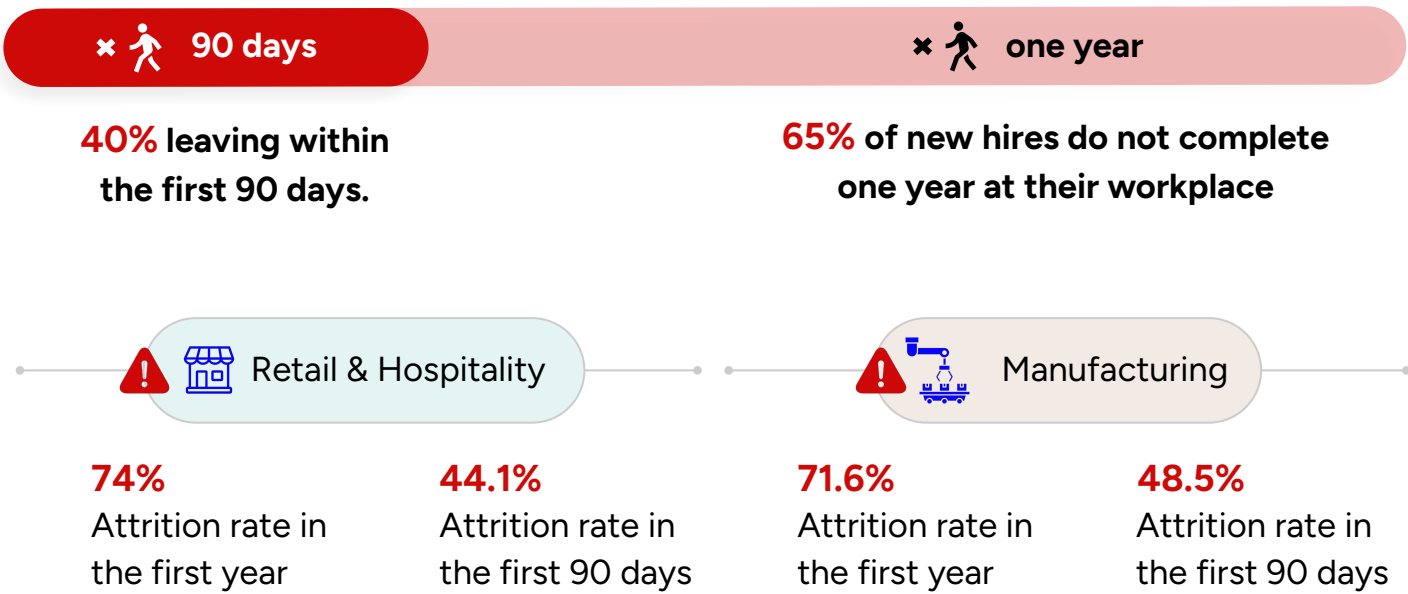
This whitepaper aims to explore the attrition problem, offering a detailed analysis, drawing tangible conclusions on the underlying causes, and translating these insights into actionable, cost-effective strategies, particularly for frontline-centric industries.

The Scope of the Problem

Our analysis, encompassing recent workforce data gathered by UKG from over **13.5 million employees across different sectors in the US**, reveals a critical vulnerability in employee retention, particularly in the initial stages of their tenure.

13.5m
employees across
different sectors

A staggering 65% of new hires do not complete even one year at their workplace, with the majority, nearly 40%, leaving within the first 90 days. This trend is even more alarming in frontline roles, with sectors such as retail, hospitality and manufacturing experiencing up to 74% first-year attrition!



The Cost of the Problem

When quantified, the financial impact of such high turnover rates is substantial. The costs associated with employee turnover extend beyond the direct expenses of recruitment and training to include indirect costs such as lost productivity, quality defects, diminished customer satisfaction, and weakened team morale

In monetary terms, the impact is staggering. For instance, a mid-sized retail company with a workforce of 5,000 employees faces an **annual turnover cost exceeding \$24million**.

Our analysis highlights key mitigation strategies, notably **enhancements in pre-onboarding and onboarding processes**. Implementing these improvements can dramatically reduce annual turnover costs, potentially **saving annually 15% to 25%** (\$4 million for the example above). This not only represents a substantial financial relief but also indicates a pathway towards more stable and productive workforce dynamics.



Proposed Actions

To effectively address high turnover rates among millennial, Gen Z and frontline employees, the following streamlined actions are recommended:

- 1. Implement a comprehensive onboarding strategy** from the initial hiring process, through pre-onboarding, and the first 90 days with the organization.
- 2. Embrace onboarding and training technology solutions that appeal to the digital-native characteristics of millennials & Gen Z.**
- 3. Create channels for open communication** where employees can express their opinions and feedback, receive regular updates and stay informed about company news, policy changes, and available resources
- 4. Utilize data analytics to tailor strategies** based on actual employee performance and feedback data.
- 5. Encourage continuous personal development** by offering on-the-flow-of-work L&D opportunities.

Conclusion

The data presented in this whitepaper serves as a call to action for organizations to critically re-evaluate their hiring, onboarding, and employee retention strategies. The evidence suggests that targeted interventions, particularly in the early stages of an employee's tenure, can significantly impact overall retention and, by extension, the financial and operational health of the organization.

Frontline Employees

Frontline employees are the backbone of the global economy.

Accounting for 80% of the global workforce (2.8 billion employees), their influence is immense. They significantly impact the company's bottom line by influencing operational expenses, safety incidents, product reliability and training costs. They affect the company's top line through sales and revenue, and their interactions with customers shape perceptions and satisfaction levels, which in turn affect brand loyalty and long-term profitability. **75% of them are Gen Z and Millennials, tech-savvy digital natives with high expectations for advanced communication tools and transparent, real-time feedback mechanisms.** They prefer workplaces where information is readily accessible, and communication is straightforward. This preference extends to expecting clarity and openness from their employers, with a strong emphasis on transparency in organizational policies and decisions.

80% of the global workforce
are frontline employees

75% are **Gen Z & Millennials**
employees

They are the **backbone** of
the business



The High Turnover Rate Problem

Overview of the Employee Turnover Problem

Employee turnover is a term that describes the rate at which workers leave a company and are subsequently replaced. While turnover is a natural part of the employment cycle, high attrition rates, particularly among new hires, can be alarming.

The first months of employment are crucial for both the employee and the employer. It's a period of adjustment, learning, and skills development. When new employees leave within this short timeframe, the company faces the immediate financial burden of recruitment and training and risks a ripple effect of high turnover that results in an increased workload for remaining staff and lower morale.

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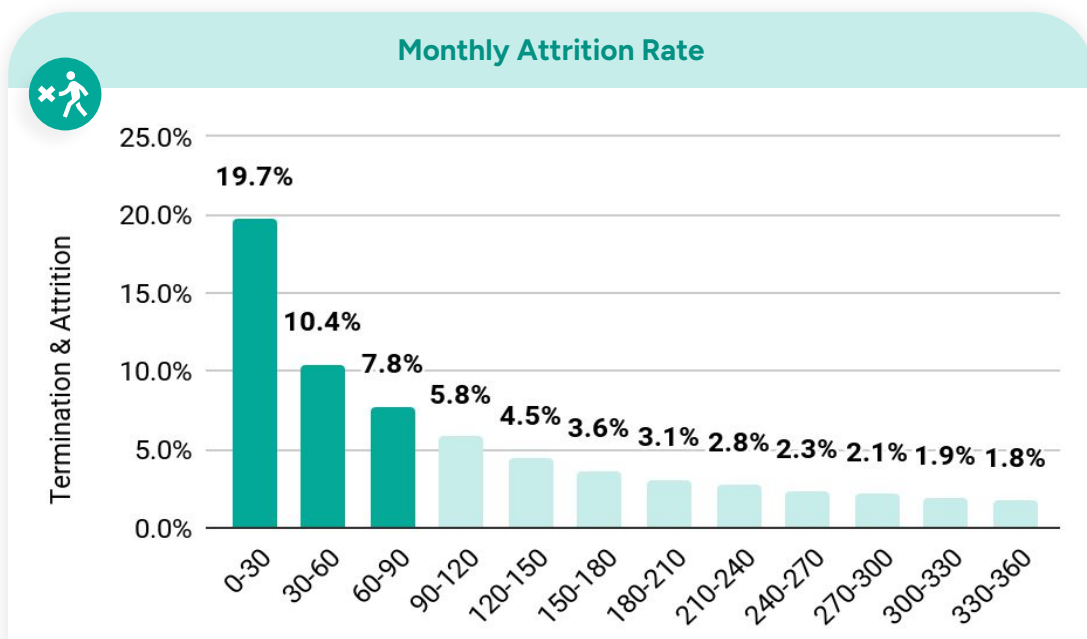
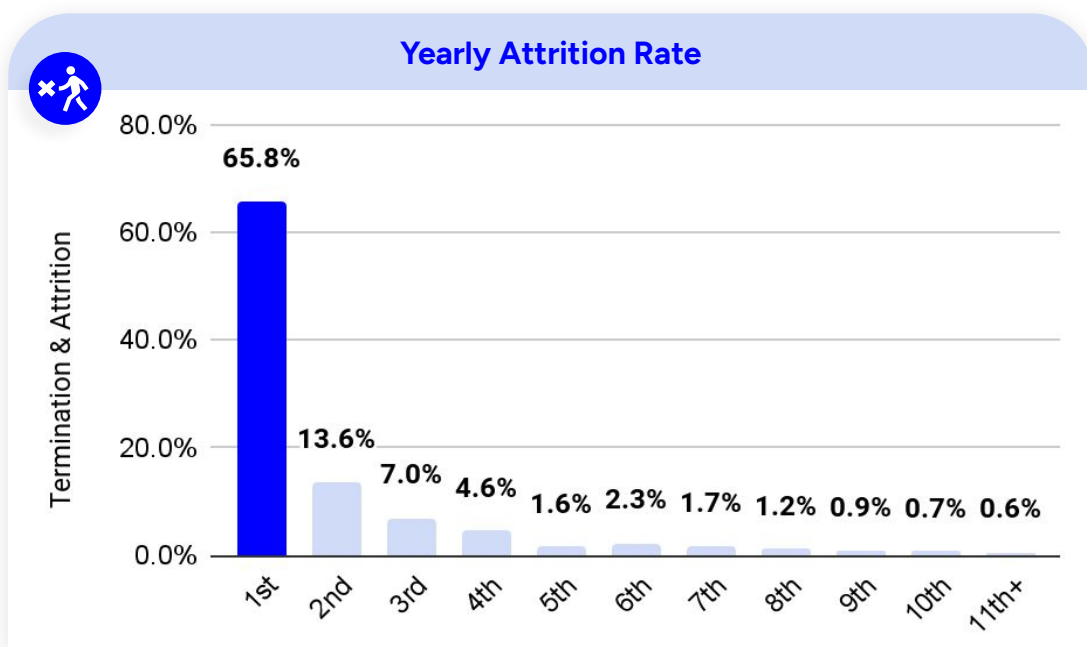
Given the multifaceted impact of high turnover, it is imperative for companies to focus on reducing these rates. Lower turnover leads to cost savings, fosters a more stable work environment, preserves institutional knowledge, and ultimately contributes to better business outcomes.

In this chapter, we dive into the empirical data underscoring the turnover crisis among frontline employees. Drawing from extensive research and statistics, we aim to quantify the extent of this issue, providing a data-driven perspective on its scale and impact across various sectors. Our analysis will reveal not only the high turnover rates but also the specific stages of employment where attrition peaks, offering a nuanced understanding of the problem. By dissecting these figures, we seek to highlight the critical areas where interventions are most needed, setting the stage for a deeper discussion on effective strategies to mitigate this pervasive challenge.

Overall Attrition Rate By Tenure Band

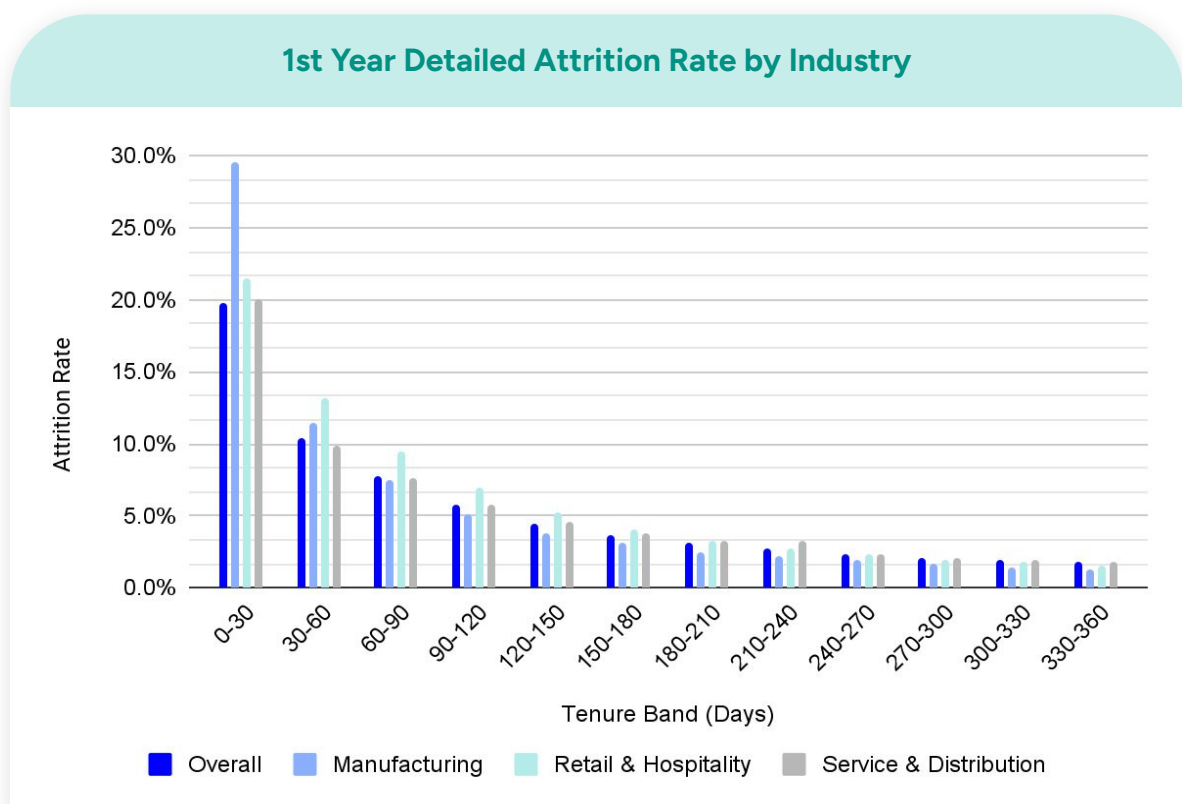
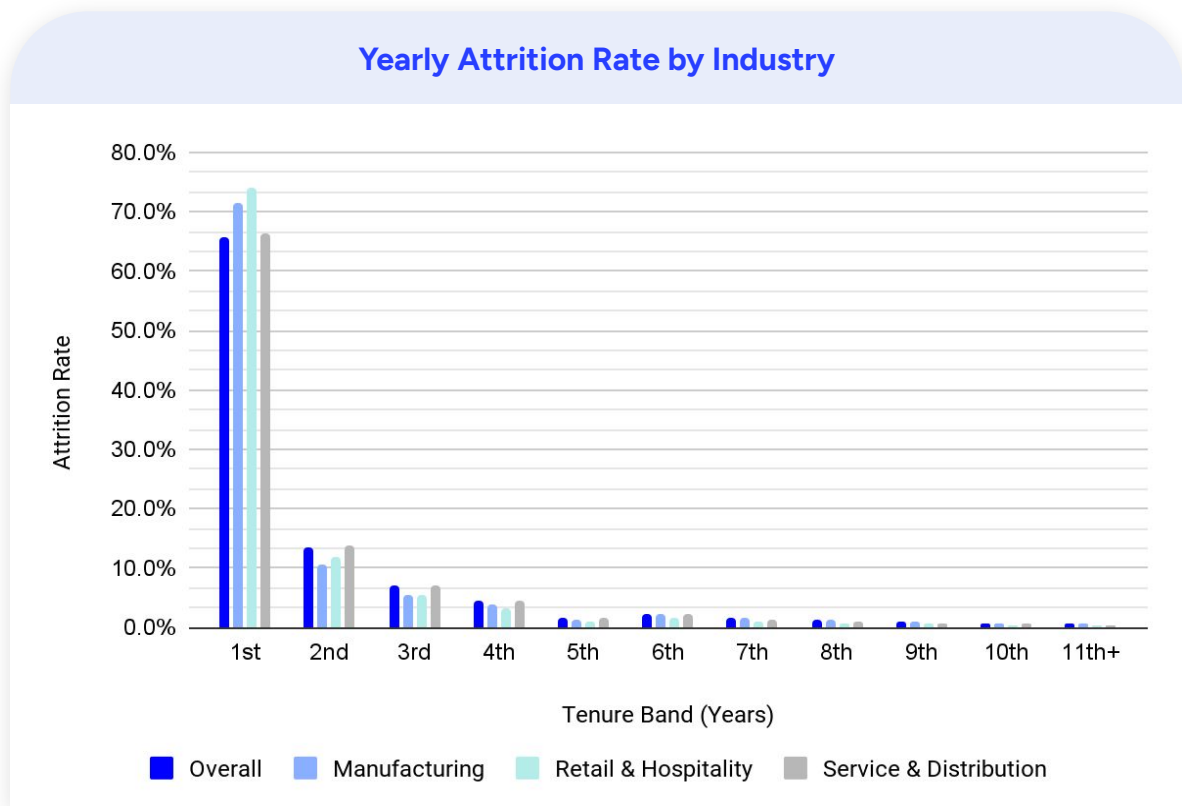
The following charts present a visual depiction of overall attrition rates, categorized by tenure bands, to illustrate the variations in employee turnover at different stages of their employment journey.

The chart on the top details attrition rates on an annual basis. Notably, the first year exhibits the highest rates of turnover, prompting a more granular analysis. To better understand this critical period, we have dissected the first year into 30-day increments, as shown in the subsequent chart. This approach allows for a more precise examination of when and how attrition peaks during the early stages of employment.



Frontline-Centric Industries Attrition Rate By Tenure Band

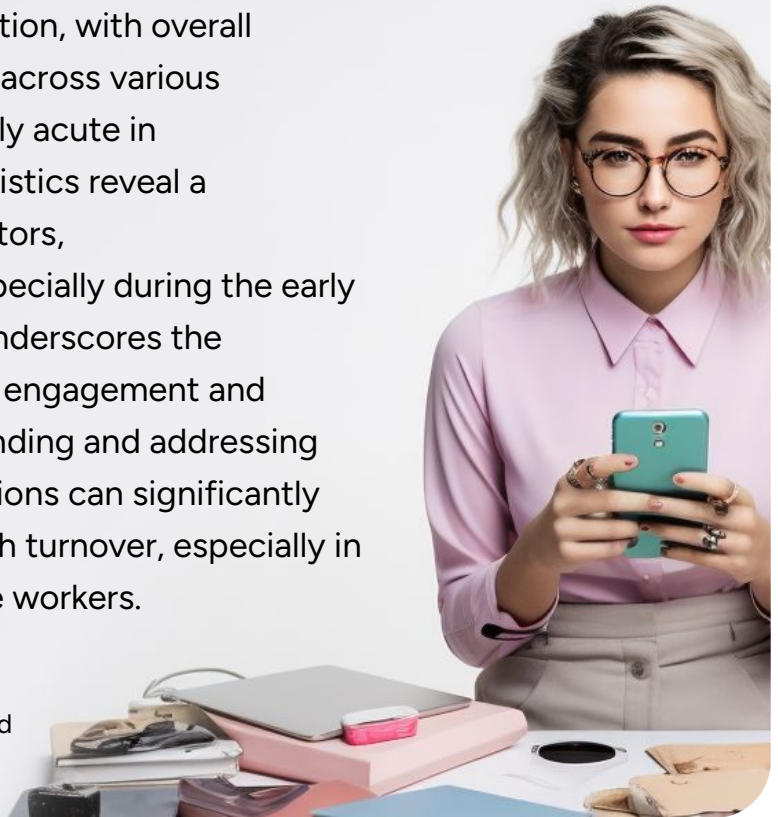
When ruling out sectors such as the public sector and the healthcare industry that traditionally have been known to act differently and focusing on frontline-centric industries, the numbers are even more shocking:



Summary

The data presented in this chapter underscores a widespread issue in employee retention, with overall attrition rates being alarmingly high across various industries. This problem is particularly acute in frontline-centric industries. The statistics reveal a significant vulnerability in these sectors, with a notably higher churn rate, especially during the early stages of employment. This trend underscores the importance of effective early-stage engagement and onboarding processes. By understanding and addressing these specific challenges, organizations can significantly reduce the risks associated with high turnover, especially in industries heavily reliant on frontline workers.

For a more detailed analysis of these trends and their implications, please refer to Appendix A.



The Cost of Turnover

Financial Implications

Employee turnover is widely acknowledged as a substantial cost factor for organizations, with extensive reports examining its causes and emphasizing its direct and indirect hidden costs.

Turnover, while inevitable in business, has a significant financial impact that is often underestimated and hard to quantify. The actual cost of employee turnover includes various measurable and immeasurable factors, many of which are not systematically tracked due to the absence of comprehensive systems within companies.

Employee Replacement Cost

Employees' replacement costs are usually divided into two main categories:



Direct costs

include advertising, screening, recruiting, hiring and onboarding costs.



Indirect (hidden) costs

are estimated to be twice as big as the direct costs, including loss of productivity, higher rates of quality failures, loss of institutional knowledge, reduced customer satisfaction, lower morale of remaining employees, cultural impact and even branding impact.

For frontline employees, where attrition rates are highest, replacement costs are estimated anywhere from \$3,500 to \$15,500 for each replaced employee.



Rule of thumb



*"For workers earning less than \$50,000 annually — which covers three-quarters of all workers in the United States — the 22 case studies show a **typical cost of turnover of 20 percent of salary**, the same as across positions earning \$75,000 a year or less, which includes 9 in 10 U.S. workers."*

[Center of American Progress](#)

Based on the [U.S. Bureau of Labor Statistics](#), we know the average annual salary for each industry and can determine the cost of a single employee replacement.

Industry	Average Annual Salary by Industry	Single Employee Replacement Cost (20%)
Manufacturing	\$56,465	\$11,293
Construction	\$71,690	\$14,338
Retail	\$32,489	\$6,498
Leisure & Hospitality	\$23,909	\$4,782
Accommodation and food services	\$27,328	\$5,466
Trade, transportation, and utilities	\$44,916	\$8,983

The Impact of Onboarding on the General Turnover Cost

Proper onboarding plan affects the general turnover cost in at least 3 different ways:

- Reducing direct training cost (e.g, reducing the number of days needed to train an new hire).
- Increasing employee retention (focusing on pre-onboarding, employee engagement, better understanding of the work)
- Producing more productive employees in the end of their onboarding process.

"Through Bites, we created a new hybrid training program for H&M's sales advisors.

With an average of 85% of employees rating the program as very effective and 90% rating the content as very good, the hybrid training we created is a significant jumping-off point in employee training.

Through Bites and the use of digital for training, we shortened the duration of the training by two days and created learning that combines independent learning alongside practical learning in the field."

Racheli Wais, Head of Learning at Match Retail, H&M Israel.



Calculating the Potential Cost Saving

Let's create an example of a retail company with 5,000 frontline employees. By implementing a well-structured, hybrid onboarding process, the company can achieve:

1. **A 40% reduction in direct onboarding costs** due to a shorter onboarding process (5 day training program shortened to 3 days) lowering the cost per replaced employee from \$6,498 to \$5,763. This translates to savings of \$735 per employee (see appendix B).
2. **A 5% improvement in the general turnover rate**, decreasing from 74% to 69% (mostly attributed to reducing the early-stage attrition rate) - 3,700 employees turnover to 3,450 employees per year (see appendix B).
3. **Higher employee productivity of a mere 2%** can generate an annual increase of more than \$10M in revenues! (see appendix B).



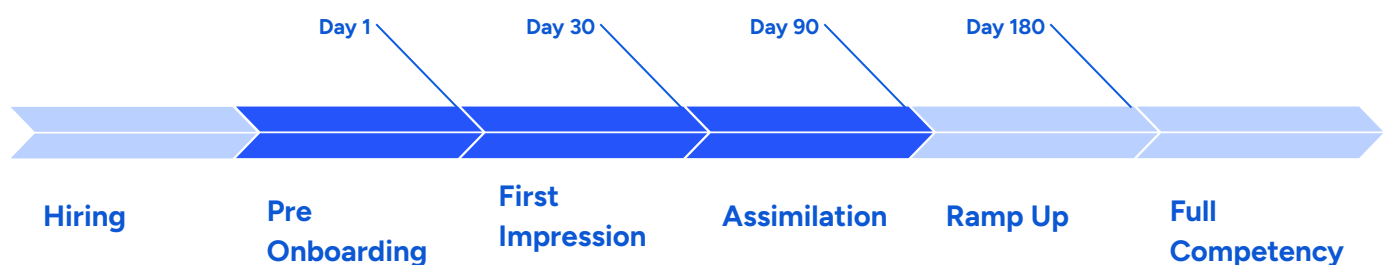
This strategic approach can yield an impressive **additional annual gross profit of \$15M** for a 5K employees retail company, demonstrating the profound financial benefits of a well-crafted onboarding & training program.

The Onboarding Imperative

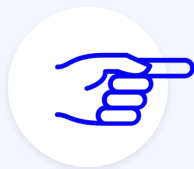
Every employee embarks on a unique journey within an organization, but there are common stages that most traverse. Understanding these stages is crucial for companies, especially when aiming to optimize the experience, retention and productivity of frontline workers.

Within these stages, the onboarding process has a special role as the gateway for new hires into an organization, setting the tone for their entire employment journey.

The data underscores the gravity of the issue: nearly 40% of all turnover happens within the first 90 days, **more than double the rate for the next three years combined**. This has immense financial and operational implications, particularly in industries reliant on frontline workers.



The onboarding For frontline workers is not just an introduction to the company but also a critical determinant of their tenure with the company, the general cost of employee and their time-to-productivity ratio.



A well-executed onboarding program can significantly reduce both high turnover rates and high onboarding costs!

From Hiring To Full Competency

Contrary to what many people might think, new hire onboarding does not start with their first day at the company and ends when they have completed their training.

Proper onboarding begins at the moment a new employee was hired to the job and ends only when the employee has achieved full competency and has been completely integrated in the company.

Each phase has its unique challenges and objectives, and understanding them can guide organizations in crafting an effective onboarding strategy.

**Pre
Day 1**

The Pre Onboarding Phase: Bridging The Gap

The period between hiring and the first day at work is often overlooked but can be crucial.

It's an opportune time to address new hires' concerns, provide them with resources to familiarize themselves with the company and build excitement for their new role but can also cause employees to churn if not handled properly.

**0-30
days**

The First Impression Phase: Setting the Groundwork

The first 30 days, termed the 'First Impression Phase', is a period of intense learning and orientation. It's when new hires lay the groundwork for their journey ahead, understanding the intricacies of their role, the company's culture, and their fit within the team. This phase is vital not only because of the fact that 1 out of 5 new hires will leave their work but also because of several other reasons:



Intensive Training

This is the stage where most of the training happens. New hires are introduced to the tools, processes, and methodologies they'll be using, ensuring they have the skills and knowledge to succeed in their role.



Orientation

New hires are oriented to the company's mission, values, and objectives, helping them align their efforts with the larger organizational goals.



Team Integration

Building relationships is key. New hires meet their colleagues, managers, and teams, fostering a sense of belonging and camaraderie.

**31-90
days**

The Assimilation Phase: Diving Deeper

Following the foundational groundwork of the first 30 days, the next 60 days, termed the 'Assimilation Phase', is about deepening the connection to the role and the organization. It's a period of reinforcement, reflection, and deeper integration but is often overlooked because new hires have already completed their intensive training. Still, the truth is that **this phase is accountable for approximately the same attrition rate as the first stage.**

Key aspects of this phase that companies must attend to:



Reinforcement of Training

While the foundational training is comprehensive, the assimilation phase is about building on that base, addressing any gaps, and ensuring that the new hire is fully comfortable and confident in their role and can achieve mastery faster.



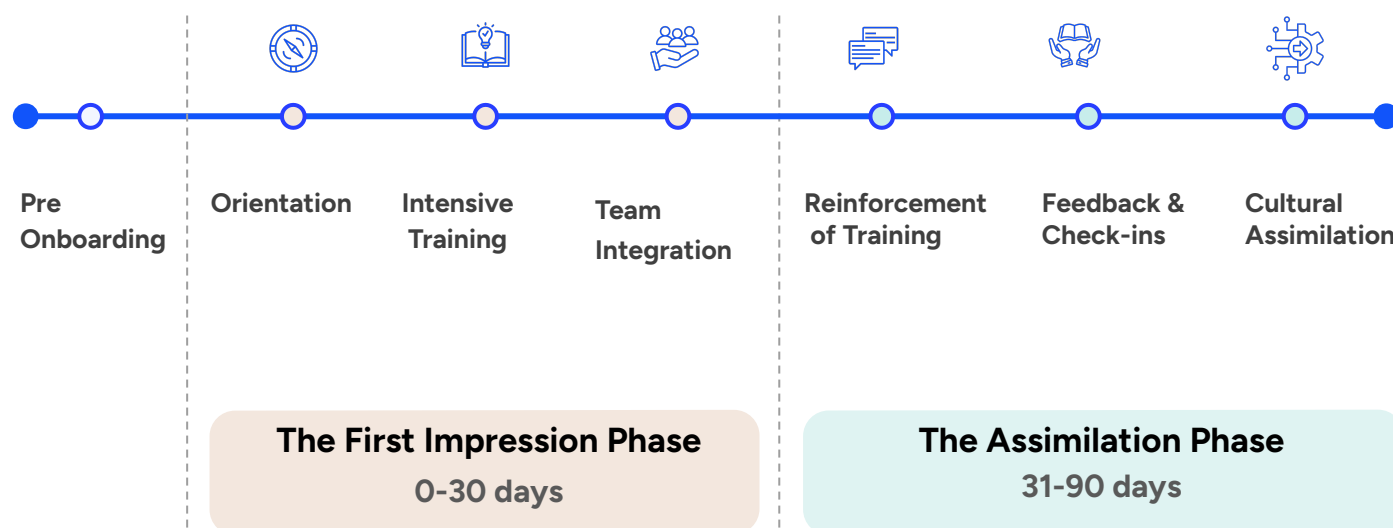
Feedback and Check-ins

Regular check-ins during this period help address any concerns or challenges that the new hires might be facing, ensuring they're on the right track.



Cultural Assimilation

By now, new hires should be well-acquainted with the company culture. This phase is about truly immersing them in it, ensuring they're not just familiar with the company's values but are living them.



Recommendations and Action Plan

In this whitepaper, we are focused on tackling the huge challenge of frontline employee turnover. during their first period at work.

A well-executed pre-onboarding and onboarding plan serve as a dual-purpose tool that can both reduce training costs and combat high turnover rates, particularly during the critical first few months of employment. By investing in a comprehensive onboarding strategy, companies can achieve significant long-term savings and create a more productive and engaged workforce.

Hiring Phase



No. 1 recommendation - Setting the Right Expectations.

It's crucial to provide a realistic job preview and share the realities of the job with job candidates. Transparency about the role and responsibilities can lead to better employee-employer alignment and reduce early turnover.

Do's:



Provide a Realistic Job Preview

Share both the positives and challenges of the job.



Involve Team Members in the Hiring Process

This can give candidates a clearer picture of the work environment and team dynamics.

Don'ts:



Avoid Overpromising

Be honest about growth opportunities and job requirements.



Don't Rush the Hiring Process

Take the time to find the right fit for both the role and the company culture.

Many times, we are tempted to “just fill the position” that we lose sight of the possibility that the employee will churn in a short period of time. Unfortunately, if we don't focus on the right fit, the cost of turnover could be double or triple the cost of hiring.

Pre-Onboarding Phase



No. 1 recommendation - Start off on the right foot

Providing resources early can align expectations and reduce the stress of joining a new workplace.

Do's:



Send Welcome Teasers and Company Information

Include content about the company culture, values, and what to expect on the first day.



Initiate Early Contact

A call or a “bite” from the future manager or team can make new hires feel welcomed and valued.

Don'ts:



Avoid Information Overload

Provide essential information in a digestible format.



Don't Leave Them in the Dark

Regular communication keeps new hires engaged before their start date.

Onboarding Phase



No. 1 recommendation - Clear onboarding goals and timeline

Establishing a structured onboarding process with specific objectives and timelines can significantly enhance the new hire experience.

Unlike the hiring and pre-onboarding phases, which are more generic, the onboarding phase changes dramatically in length and scope between different industries, sectors, company sizes, roles, geographies and many other factors.

However, there are still important guidelines that are effective for all onboarding plans.

Do's:



Structured Hybrid Training Program

Implement a mix of digital and in-person training tailored to the role.



Regular Check-Ins and Feedback

Schedule meetings to discuss progress and address any concerns.



Set Clear Milestones

Define what success looks like at 7, 30, 60, and 90 days.



Define Incentives

(7/30/60/90 days).



Incorporate Social Integration

Facilitate interactions with team members to build relationships.



Align the training content

with your brand identity and what you'd like people to think about your brand (professional, authentic, etc..)



Assign the right direct manager/ onboarding manager.



Assign an onboarding buddy.

Don'ts:



Don't Overwhelm with Information

Gradually introduce new hires to different aspects of their job.



Avoid Inconsistent Training

Ensure the training is consistent and aligns with company standards and values.



Don't Neglect Cultural Fit

Help them understand and adapt to the company culture.

Appendix A: The Data

Methodology of Data Collection

This appendix presents data sourced from the UKG Ready Human Capital Management (HCM) platform, encompassing insights from over 45,000 companies and 13 million individual users.

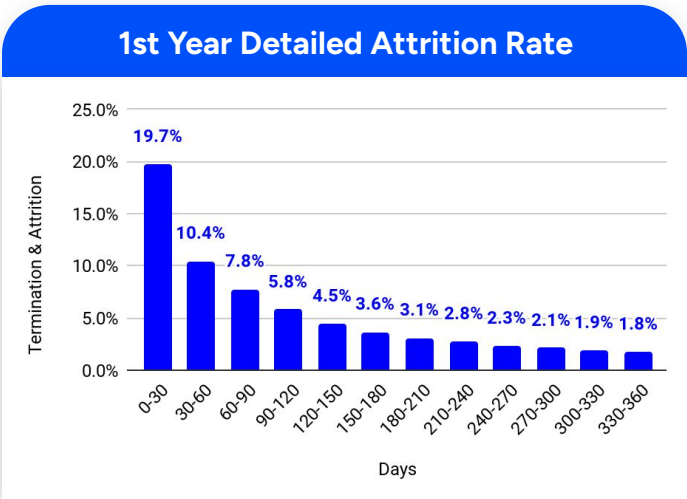
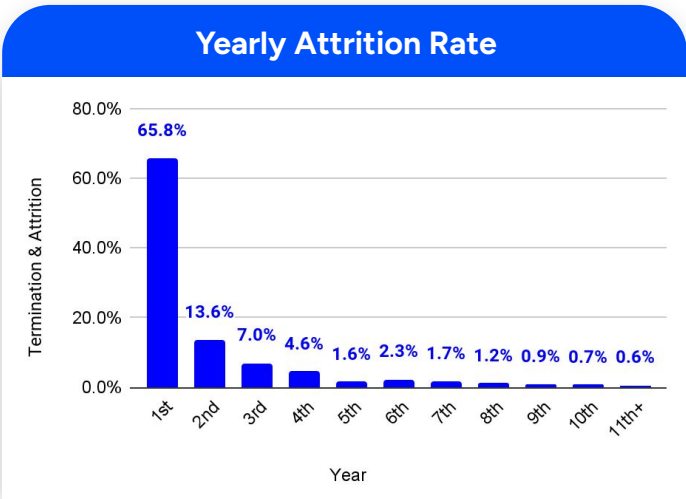
The data compilation spans from the inception of UKG Ready up to September 21st, 2023, providing a comprehensive overview of workforce dynamics.

In this analysis, individuals were classified as managers based on whether they had direct people reporting to them at the time of termination.

Detailed Turnover Statistics

Overall Data

Across 5 sectors covered by UKG: Manufacturing, Retail & Hospitality, Service & Distribution, Healthcare and the Public sector.

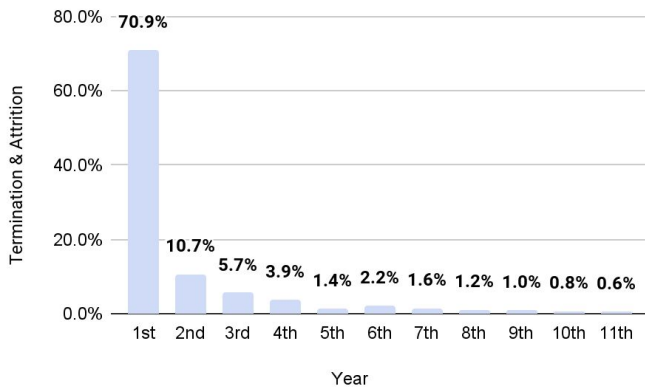


Manufacturing Sector

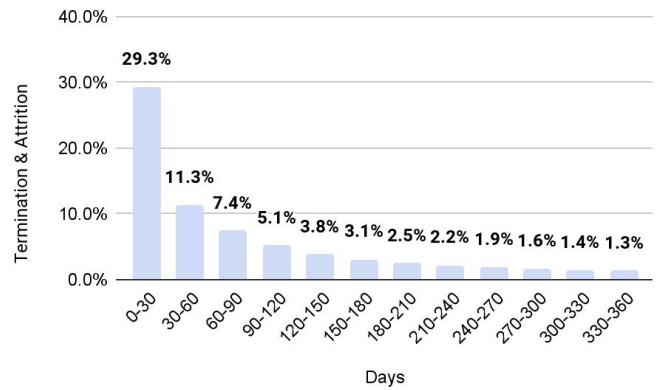


Overall Data:

Yearly Attrition Rate

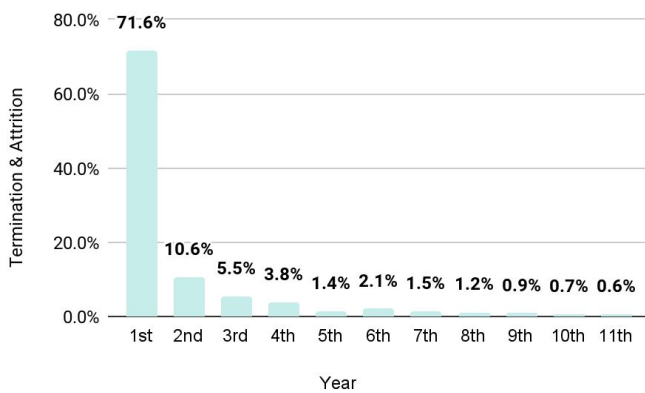


1st Year Detailed Attrition Rate

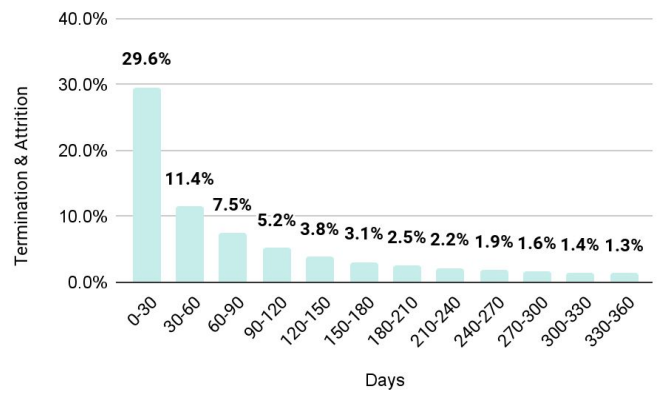


Employees Only:

Yearly Attrition Rate

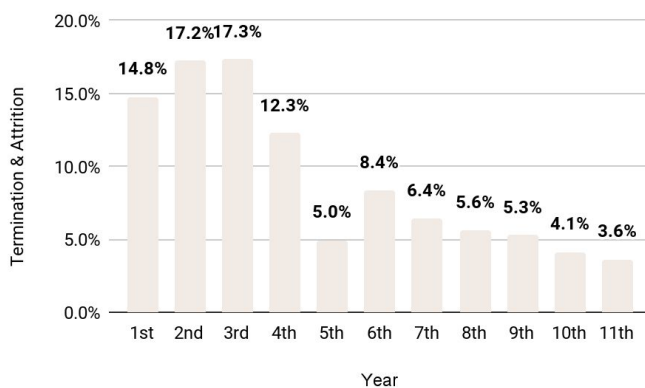


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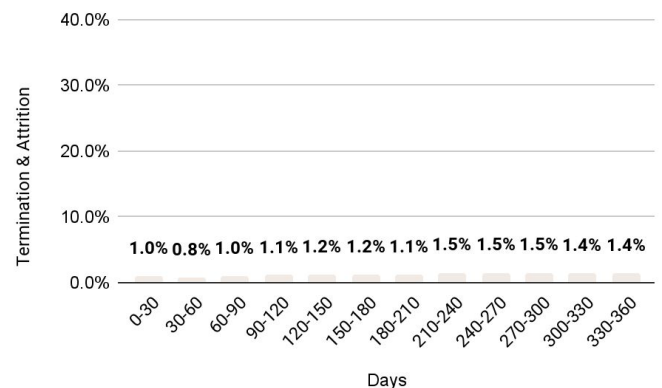


Managers Only:

Yearly Attrition Rate



1st Year Detailed Attrition Rate

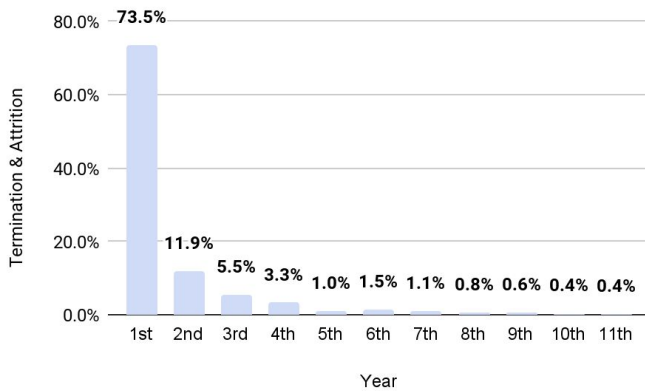


Retail & Hospitality Sector

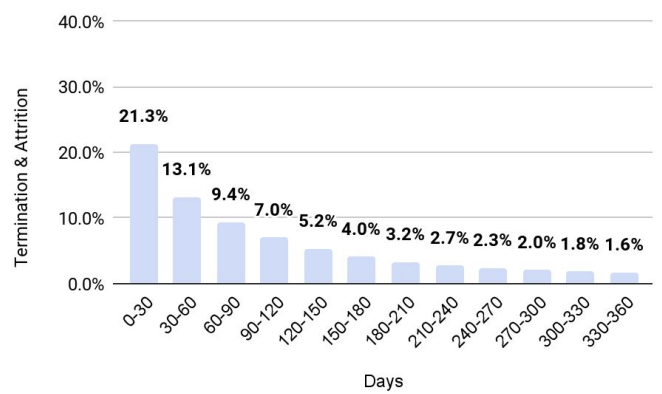


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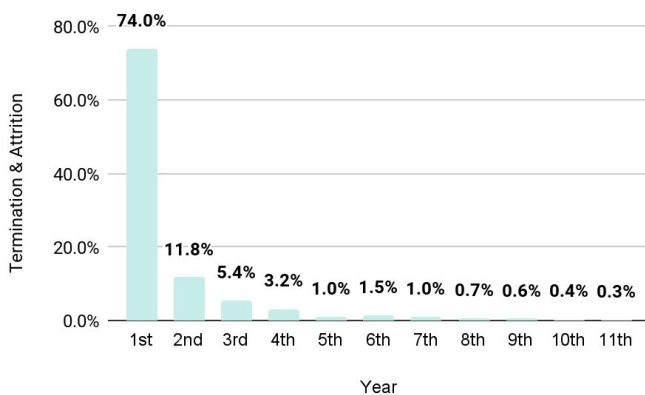


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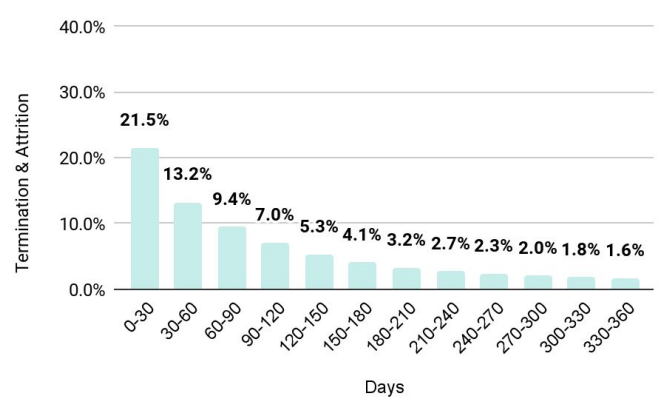


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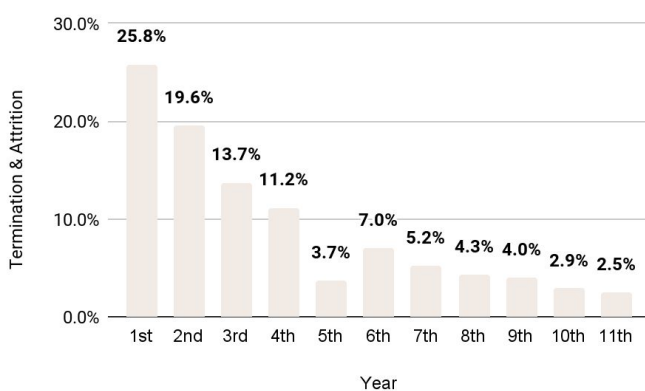


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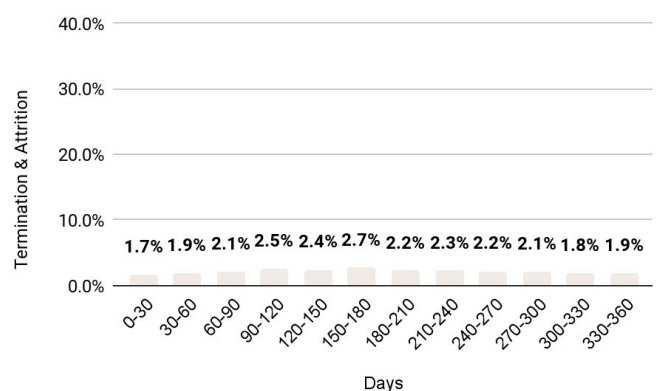


Managers Only:

Yearly Attrition Rate



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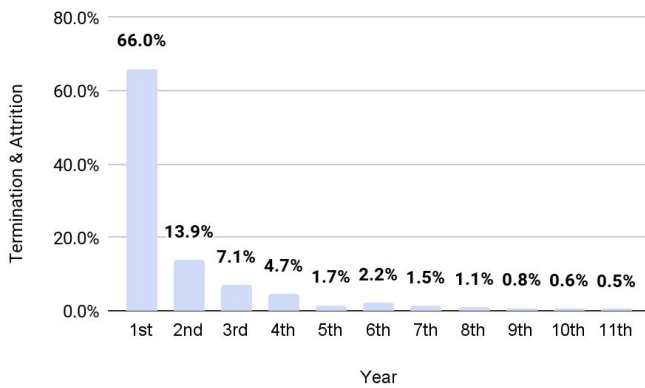


Service & Distribution Sector

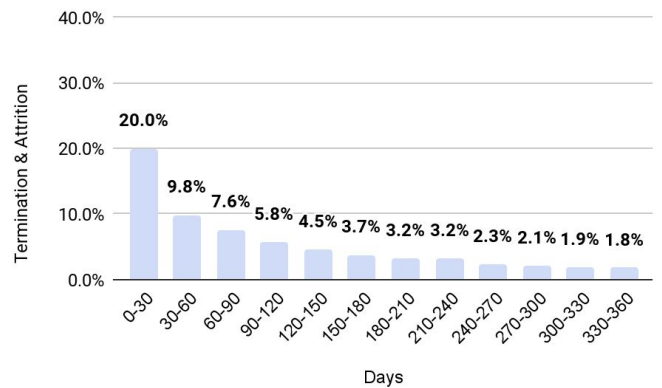


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Yearly Attrition Rate

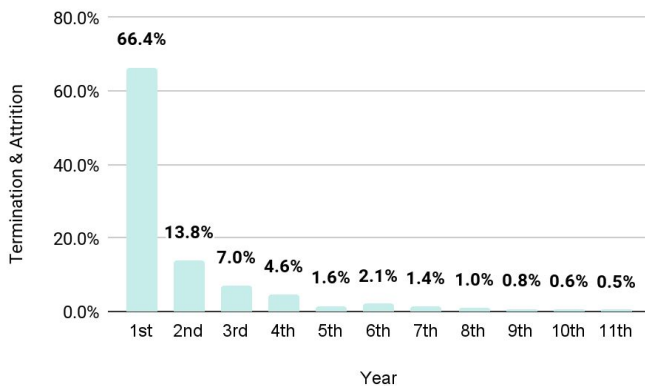


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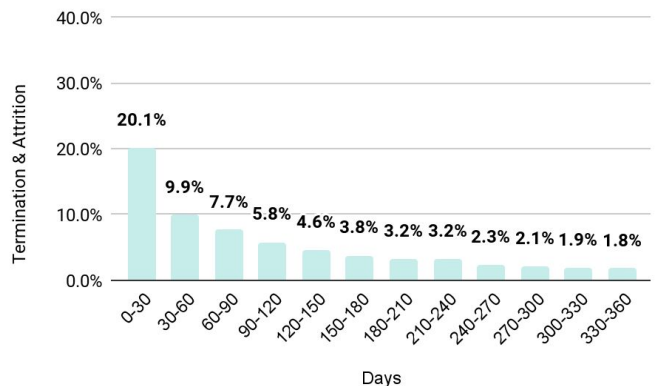


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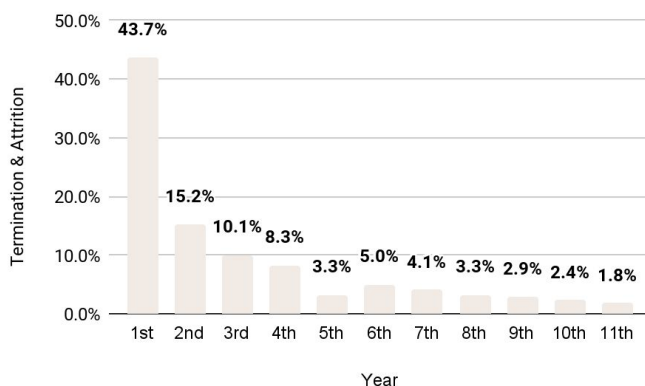


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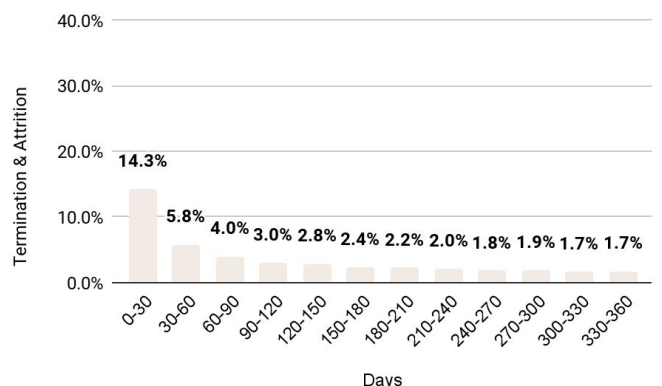


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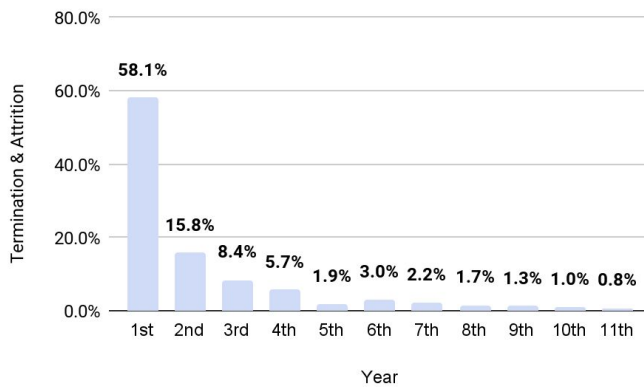


Healthcare Sector

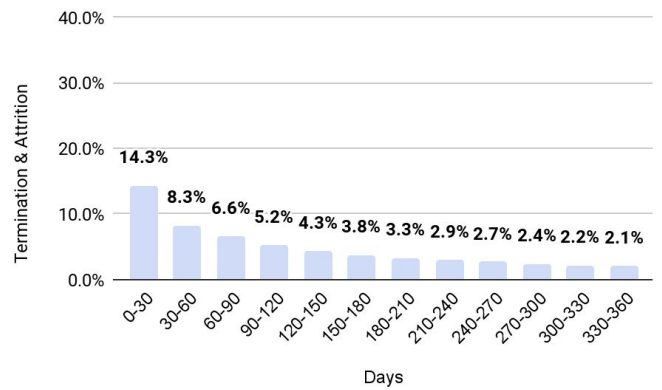


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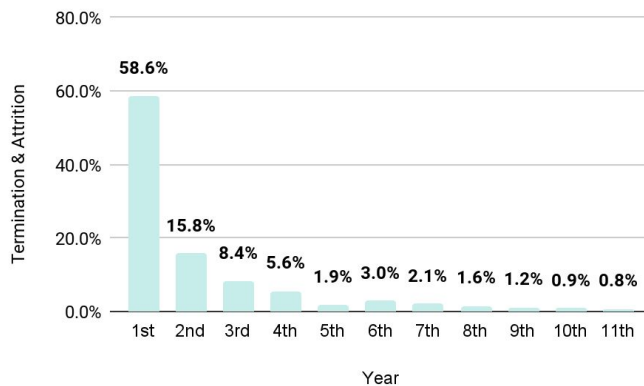


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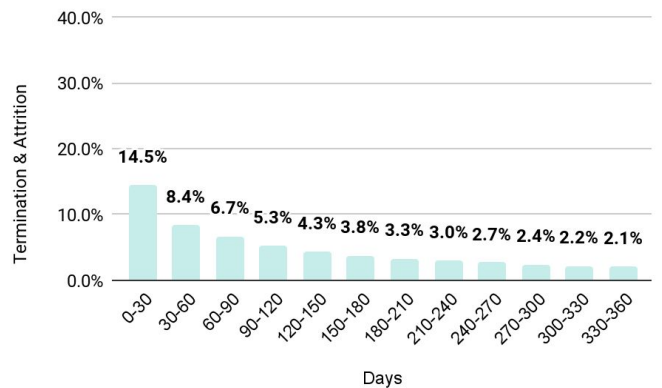


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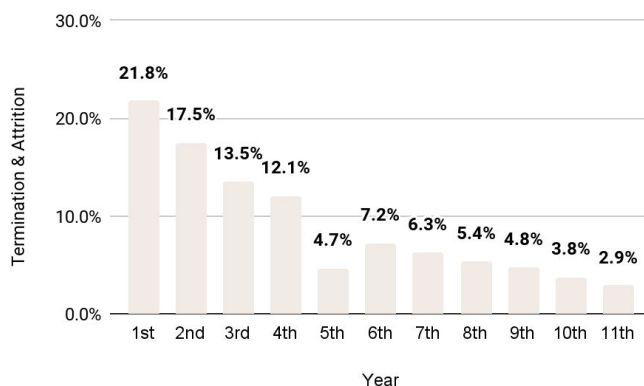


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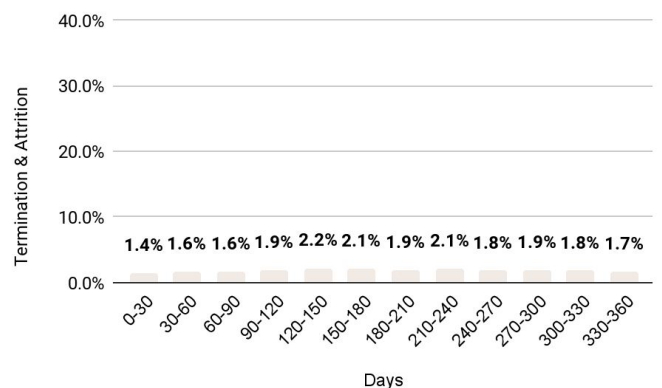


Managers Only:

Yearly Attrition Rate



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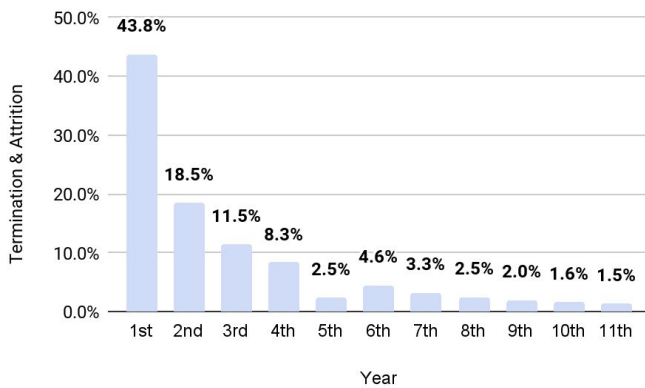


Public Sector

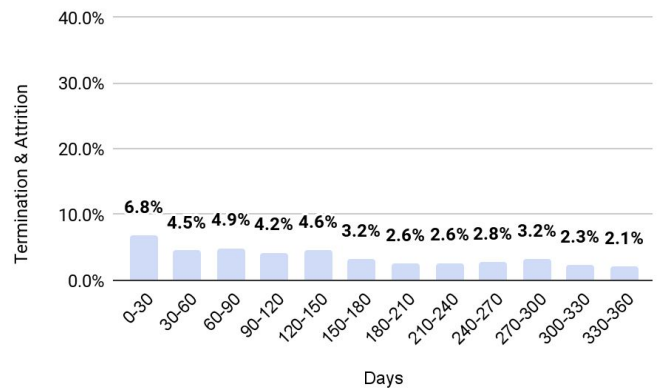


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Yearly Attrition Rate

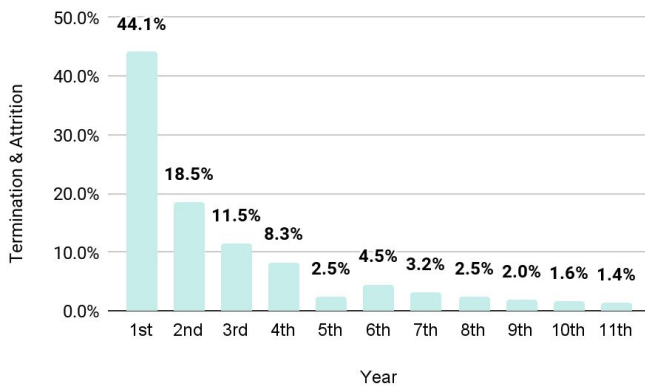


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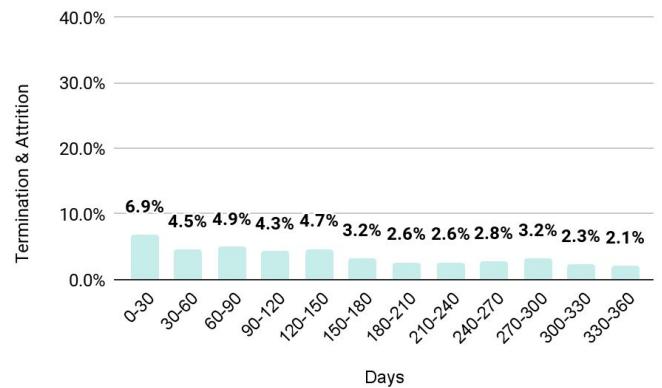


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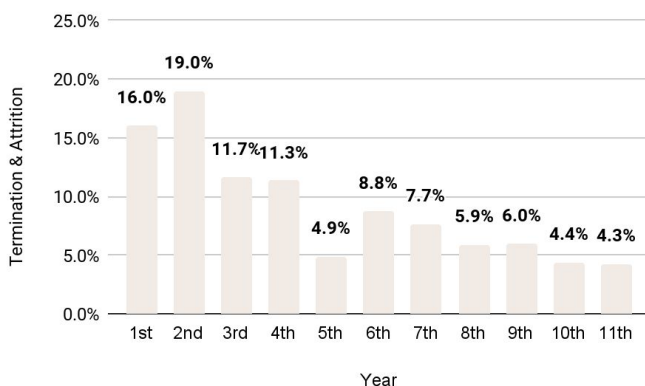


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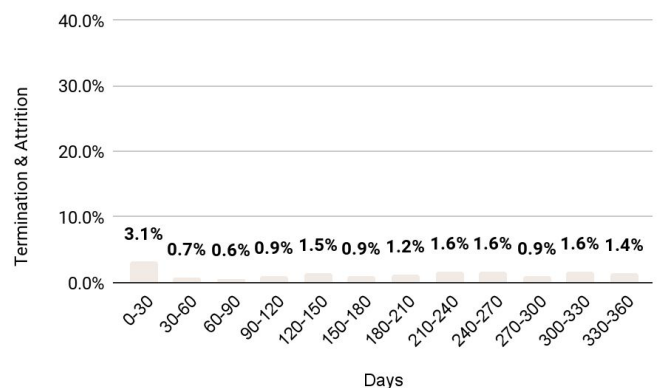


Managers Only:

Yearly Attrition Rate



1st Year Detailed Attrition Rate



Appendix B: Cost Saving & Productivity Increase

Methodology for Calculating Cost Savings & Productivity Enhancements

This appendix outlines the methodology for determining the cost savings achieved through an effective onboarding program and the anticipated productivity gains from a knowledgeable and well-trained workforce.

The cost associated with employee turnover is divided into direct costs (33%) and indirect costs (67%). Of the direct costs, onboarding training constitutes 85%. Implementing a well structured onboarding process can yield a 40% reduction in these expenses. As seen in the example below, from the \$1,841 allocated to direct onboarding costs, a 40% saving amounts to \$736.

The 5% decrease in turnover rate is derived from Bites' historically verified data.

Productivity metrics are established using industry standards.

In the provided example, a retail company is expected to maintain labor costs at 30% of revenue, implying that each employee should generate revenues that are 3.33 times their salary.

This approach not only quantifies the financial benefits of an optimized onboarding strategy but also underscores the importance of aligning employee output with broader financial objectives.

Assumptions

Company Size	5,000	Single Employee Replacement Cost	\$6,498
Industry	Retail	• Direct Cost	\$2,166
Average Annual Salary	\$32,489	• Onboarding Cost	\$1,841
Labor Cost Benchmark	30%	• Recruiting & Hiring Cost	\$325
Projected Productivity Per Employee	\$108,297	• Indirect Cost	\$4,332

Cost Driver	Before	After	Saving	Rational
1st Year Attrition Rate	74%	69%	5%	A 5% improvement in the general turnover rate mostly
Number of Replaced Employees	3,700	3,450	250	
Single Employee Replacement Cost	\$6,498	\$5,761	\$736	40% reduction in direct onboarding cost per new hire
Total Cost	\$24,041,860	\$19,876,770	\$4,165,090	\$4M Annual Cost Reduction!

Revenue Driver	Before	After	Increase	Rational
Employee Productivity	100%	102%	2%	Engaged employees = Productive employees
Revenues	\$541,483,333	\$552,313,000	\$10,829,667	\$13M Annual Revenues Increase

Annual Affect of Proper Onboarding and Training Program	\$14,994,756	!!!
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