BUS.HR6 Employee retention

AQA 8132 · Calculator allowed · about 60 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show your working for any calculation: method marks are available even if your final answer is wrong. Oakbridge Insurance, used throughout this pack, is a fictional business.

1 Which one of the following best describes 'staff turnover'?

- ☐ A) The total value of sales a business makes in a year
- ☐ B) The rate at which employees leave a business and are replaced
- ☐ C) The number of new products a business launches
- ☐ D) The number of hours an average employee works each week

(Total for Question 1 is 1 mark)

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2 Which one of the following best describes 'employee retention'?

- ☐ A) A business's ability to keep hold of its existing staff over time
- ☐ B) The process of recruiting brand new staff
- ☐ C) The amount a business spends on staff training
- ☐ D) The number of customers a business keeps buying from it

(Total for Question 2 is 1 mark)

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3 State two possible causes of high staff turnover at a business like Oakbridge Insurance.

(Total for Question 3 is 2 marks)

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4 State three costs to Oakbridge Insurance of high staff turnover, other than the direct cost of advertising a vacancy.

(Total for Question 4 is 3 marks)

5 Oakbridge Insurance employed 160 staff at the start of the year and 140 staff at the end of the year. During the year, 30 staff left the business.

(a) Calculate the average number of staff employed by Oakbridge Insurance during the year. **(2)**

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(b) Using your answer to part a, calculate Oakbridge Insurance's staff turnover rate for the year, using the formula: staff turnover rate = (number of staff leaving / average number of staff employed) x 100. **(2)**

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(Total for Question 5 is 4 marks)

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6 Explain why a staff turnover rate of 20% (question 5b) might concern Oakbridge Insurance's managers.

(Total for Question 6 is 3 marks)

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7 Oakbridge Insurance estimates that each staff member who leaves costs the business 3,500 pounds in total recruitment and training costs. Using your answer to question 5, calculate the total cost of staff turnover to Oakbridge Insurance for the year. Show your working.

(Total for Question 7 is 2 marks)

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8 The insurance industry benchmark staff turnover rate is 12%. Using your answer to question 5a, calculate how many staff would have left Oakbridge Insurance during the year if it had matched this 12% benchmark. Show your working.

(Total for Question 8 is 2 marks)

9 Using your answers to questions 5b, 7 and 8, calculate how much Oakbridge Insurance could save in a year if it reduced its staff turnover from 30 leavers to the 18-leaver benchmark level.

(a) Calculate the reduction in the number of leavers. **(1)**

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(b) Using your answer to part a, calculate the resulting annual saving. **(2)**

.....

(Total for Question 9 is 3 marks)

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10 Oakbridge Insurance is considering a new staff retention package (including career progression and flexible working) costing 25,000 pounds a year. Using your answer to question 9b, calculate the net financial benefit in year one if this package successfully reduces turnover to the 12% benchmark. Show your working.

(Total for Question 10 is 2 marks)

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11 Explain one non-financial retention strategy, other than pay, Oakbridge Insurance could use to reduce its staff turnover.

(Total for Question 11 is 3 marks)

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12 Explain one reason the retention package (question 10) might not achieve the full 42,000 pound saving calculated in question 9b.

(Total for Question 12 is 3 marks)

13 Explain how the recruitment and training costs described in question 4 make employee retention especially important for a business like Oakbridge Insurance.

(Total for Question 13 is 3 marks)

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14 Explain how a high staff turnover rate, such as Oakbridge Insurance's 20% (question 5b), could affect its customers.

(Total for Question 14 is 3 marks)

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15 Oakbridge Insurance's staff turnover rate of 20% (question 5b) costs it an estimated 105,000 pounds a year (question 7), well above the industry benchmark of 12%. A 25,000 pound retention package could save an estimated 42,000 pounds a year if it brings turnover down to the benchmark (question 9b), a net benefit of 17,000 pounds (question 10), although question 12 shows this saving is not guaranteed.
Recommend whether Oakbridge Insurance should invest 25,000 pounds a year in the new staff retention package. Justify your answer using the figures and points made earlier in this pack.

(Total for Question 15 is 9 marks)

Mark scheme · BUS.HR6 Employee retention

Question 1

- **B1** B cao
- **Answer: B**

Question 2

- **B1** A cao
- **Answer: A**

Question 3

- **B1** one acceptable cause, e.g. uncompetitive pay compared with similar employers
- **B1** a second acceptable cause, e.g. poor management, limited career progression, or a poor work-life balance
- **Answer: Any two, e.g. uncompetitive pay; poor management; limited career progression; poor work-life balance.**

Question 4

- **B1** one acceptable cost, e.g. the cost of training each new starter
- **B1** a second acceptable cost, e.g. lost knowledge and experience when an experienced employee leaves
- **B1** a third acceptable cost, e.g. reduced productivity while a role is vacant or a new starter is still learning, or the effect on remaining staff's workload/morale
- **Answer: Any three, e.g. training cost for each new starter; lost knowledge/experience; reduced productivity while the role is vacant or the new starter is learning.**

Question 5

- (a) **M1** (160 + 140) / 2 seen
- (a) **A1** 150 cao
- **(a) Answer: 150.**
- (b) **M1** (30 / 150) x 100 seen (ft from part a)
- (b) **A1** 20% cao
- **(b) Answer: 20%.**

Question 6

- **B1** identifies the point, e.g. a fifth of the average workforce left and had to be replaced within a single year
- **B1** develops the point, e.g. this creates repeated recruitment and training costs (question 4) and repeated loss of experienced staff
- **B1** links clearly to an outcome, e.g. this could disrupt customer service and put extra pressure on remaining staff, unless the rate is reduced
- **Answer: A fifth of the average workforce left and had to be replaced in a single year, creating repeated recruitment, training and lost-experience costs, which could disrupt customer service and pressure remaining staff unless the rate is reduced.**

Question 7

- **M1** 30 x 3,500 seen
- **A1** 105,000 pounds cao
- **Answer: 105,000 pounds.**

Question 8

- **M1** 150 x 0.12 seen (ft from question 5a)
- **A1** 18 staff cao
- **Answer: 18 staff.**

Question 9

- (a) **B1** 12 fewer leavers cao (ft from question 8)
- **(a) Answer: 12 fewer leavers.**
- (b) **M1** 12 x 3,500 seen (ft from part a)
- (b) **A1** 42,000 pounds cao
- **(b) Answer: 42,000 pounds.**

Question 10

- **M1** 42,000 - 25,000 seen (ft from question 9b)
- **A1** 17,000 pounds cao
- **Answer: 17,000 pounds.**

Question 11

- **B1** identifies a strategy, e.g. offering a clear career progression path, or flexible working arrangements
- **B1** develops the point, e.g. staff who can see a route to promotion, or who can better balance work with their personal life, are less likely to look elsewhere
- **B1** links clearly to an outcome, e.g. this can reduce the number of leavers and the resulting costs shown in question 7
- **Answer: Offering a clear career progression path means staff who can see a route to promotion are less likely to look elsewhere, which can reduce the number of leavers and the costs shown in question 7.**

Question 12

- **B1** identifies the point, e.g. some staff leave for personal reasons unrelated to pay or working conditions, such as relocating or a career change
- **B1** develops the point, e.g. competing insurance employers may respond by improving their own packages, reducing how much Oakbridge's package actually changes staff decisions
- **B1** links clearly to an outcome, e.g. turnover may fall by less than the amount assumed in question 9, so the actual saving in question 10 could be smaller than 17,000 pounds, or could even be a net cost
- **Answer: Some staff leave for personal reasons unrelated to pay or conditions, and competing employers may improve their own packages in response, so turnover may fall by less than assumed in question 9, meaning the actual saving could be smaller than the 17,000 pounds calculated in question 10, or even a net cost.**

Question 13

- **B1** identifies the point, e.g. every leaver has to be replaced through recruitment, which costs money and takes time, as seen in questions 4 and 7
- **B1** develops the point, e.g. the new starter then also needs training before they can work as effectively as the person who left
- **B1** links clearly to an outcome, e.g. so keeping existing, already-trained staff avoids paying these recruitment and training costs repeatedly, which is why retention matters as much as recruitment itself
- **Answer: Every leaver has to be replaced through recruitment, which costs money and time, and the new starter then needs training before working as effectively as the person who left, so keeping existing, already-trained staff avoids paying these costs repeatedly, which is why retention matters as much as recruitment itself.**

Question 14

- **B1** identifies the point, e.g. customers may deal with a different, less experienced member of staff each time they contact Oakbridge
- **B1** develops the point, e.g. this makes it harder to build an ongoing relationship, and a new starter may take longer to answer queries correctly or know the customer's history
- **B1** links clearly to an outcome, e.g. this can reduce customer satisfaction and make customers more likely to switch to a competing insurer
- **Answer: Customers may deal with a different, less experienced member of staff each time, making it harder to build a relationship, and a new starter may take longer to answer queries correctly, which can reduce customer satisfaction and increase the risk of customers switching insurer.**

Question 15

- **Level 1** (1-3): Makes simple, undeveloped comments about the retention package decision, with little or no use of the pack's figures and no clear recommendation.
- **Level 2** (4-6): Gives a developed argument for or against the retention package, using some of the pack's figures, but does not fully weigh both sides or reach a clearly justified recommendation.
- **Level 3** (7-9): Weighs the evidence for and against the retention package, using the turnover-rate, cost-saving and net-benefit figures from this pack, and reaches a justified recommendation supported by that analysis.
- **Indicative content:**
  - For investing: Oakbridge's current 20% turnover rate is well above the 12% industry benchmark and costs an estimated 105,000 pounds a year (question 7), so even a partial improvement toward the benchmark would generate a meaningful saving.
  - For investing: if the package works as intended, the net benefit is a positive 17,000 pounds in year one alone (question 10), and this benefit would likely recur every year the lower turnover rate is maintained.
  - Against investing: question 12 shows the full 42,000 pound saving is not guaranteed, since some staff leave for personal reasons unrelated to pay or conditions, and competitors may respond with their own improved packages.
  - Against investing: 25,000 pounds is a real, certain upfront cost, whereas the saving depends on staff behaviour actually changing, which is harder to predict than a straightforward calculation.
  - Judgement: given the size of the gap between Oakbridge's 20% turnover rate and the 12% benchmark, and that even a partial improvement would likely cover much of the 25,000 pound cost, a reasonable recommendation is that Oakbridge Insurance should invest in the retention package, while monitoring the actual turnover rate closely afterwards to check the assumed saving in question 9 is being achieved in practice.