

What Really Matters to Improve Employee Retention

By: Sheri Ferguson



With current unemployment rates remaining at historical lows, businesses around the Northwest say their number one challenge is finding and retaining employees. For a business with an existing team, it is vital for them to retain their employees and increase engagement.

Not only are the costs of finding, hiring, and training new employees (if you can find them) high, a team of passionate employees often leads job seekers to your company. Investing in the happiness of your existing team will generate a big return on your investment.

Employment Figures Are Still Booming

Despite evidence that the economy has slowed, U.S. employers posted a near-record [7.6 million open positions](#) in January 2019, which is a signal that companies are still hungry to bring on new talent. The Labor Department said that hiring continued to go up as did the rate of people quitting their jobs, presumably to head for better opportunities.

In the Seattle-Tacoma-Bellevue market alone, unemployment has dipped to [4.2 percent](#), below the 4.4 percent figure reported the prior year. Recent government figures also show that a strong labor market is pushing wages higher, with hourly wages rising at their fastest pace in nine years. With more people willing to quit their jobs, this forces employers to re-evaluate the costs associated with new hires.

The True Cost of Hiring a New Employee

Whether the economy is tight or not, your company wants to show the best bottom line results possible, and high turnover isn't going to help it achieve this goal. The costs of employee turnover are astronomically high - more than simply the employee's salary.

Unfortunately, it's difficult to pinpoint the exact cost of hiring a new employee because this depends on a variety of factors. But several studies have taken a crack at putting a dollar figure on this process.

- The National Association of Colleges and Employers released a [study](#) estimating that the cost to hire a new employee was an average of \$5,054 for a company with 0-500 people.
- The Society for Human Resource Management (SHRM) concluded in their [study](#) that it takes an average of 42 days to fill an open position at an average cost of \$4,129.
- Online search engine Glassdoor [reports](#) that the average U.S. company spends about \$4,000 to fill an open position.

Other studies are more general based on the position and salary level of the employee. For example, SHRM estimates that it can cost a business from 6 to 9 months' salary to replace a manager. If you lose a manager that makes \$50,000 a year, that's a cost of up to \$37,500 for a new hire.

These costs have nothing to do with what you'll be paying the new person. So, where do these alarming figures come from? The true cost of losing talent and hiring a new employee includes these factors:

- Cost of a talent search (advertising, screening, interviewing, hiring)
- Cost of onboarding the new hire
- Training costs over time
- Lost productivity
- Lost engagement among the remaining staff
- Cultural impact

One of the most important things to understand about people is that they are an appreciating asset for your organization. This means that, the longer they are with you, the more productive they'll become (in theory) as they learn the systems, products and services, and become engaged with their co-workers. There is economic value and other benefits associated with holding onto your talent.

Benefits Gained by Retaining Employees

If you wait until the exit interview to determine why a valuable employee has decided to leave, you're missing a valuable opportunity. Beyond just holding onto the talent you have, there are a number of benefits to retaining employees.

- **Cost Savings.** Employee turnover is not only a hassle for your company, but it's also expensive. The costs related to separation packages, recruitment and acquisition, and lost productivity can be mind-boggling. According to the [Center for American Progress](#), the cost of turnover averages 21 percent of an employee's average salary, although this can reach much higher.
- **Culture & Morale.** Higher employee retention is a surefire way to improve the internal culture and morale of a business. When there is high turnover, it creates anxiety among existing staff and threatens longstanding relationships.
- **Customer Experience.** Employee retention also creates experts within your company, which helps improve productivity and the customer experience. Having your positions filled with engaged staff is one of the best things you can do for your business reputation and bottom-line results.

Are Your Current Employees About to Jump Ship?

If you were asked to rate your relationship with your employees on a scale of 1-10, how would you do that? If you answered with an 8 out of 10, do you have confidence that they would do the same? Measuring engagement is a tough call because it involves emotion.

Whether you're concerned about the possibility that your current employees are about to head for the hills, the reality is that many of them probably are. According to global research released by [Gallup](#), just 30% of the workforce can be defined as "engaged." Even more disturbing, over half (51%) of employees are actively looking for new jobs or keeping an eye open for new opportunities.

Now that you're sufficiently concerned, how do you measure employee engagement? Remember, you can't improve it if you don't measure it first, so take a look at these factors:

- **Define "employee engagement."** The first thing your company should do is define what it believes employee engagement is for the organization. To some, this means happiness and others see it as productivity. Once you've put your unique spin on this term, you can more readily measure it.
- **Conduct surveys.** The best way to gauge how engaged your employees are is to ask them. Create simple and short surveys (just a few questions) that allow employees to answer candidly (this means anonymously).
- **Have individual conversations.** Individual and informal chats with staff can also help measure employee engagement. These aren't as effective if employees don't feel comfortable expressing their feelings. Another key source of information is employee exit interviews. Why are people leaving?
- **Track and analyze trends.** Things change, so this isn't a one and done process. Measure this often and track any trends so that you can head off trouble before your retention numbers plummet.

How You Can Improve Employee Retention

Highly engaged employees are not only more likely to stay put, but they will also be more productive. According to [Gallup](#), companies with high engagement levels see a 20% or better jump in productivity and profitability. If you want to boost your own numbers, here are some of the ways you can increase both your employee engagement and retention rates.

- **Recruit the right people.** Improving retention starts with recruiting and hiring the right people. As you screen potential employees, pay close attention to signs that you may be dealing with a job-hopper. It's also vital that you set expectations upfront and hire talent that is interested in growing with your company instead of accumulating experience that they plan to take somewhere else.
- **Offer the right benefits.** Turnover isn't usually about the money, although a competitive salary is essential. The benefits you provide to employees will let them know that management values them as people. A few that will help improve engagement include:
 - Flex-time schedule
 - Providing daycare or daycare cost assistance
 - Offering PTO (paid time off) for a variety of reasons, without a hassle
 - Generous healthcare and retirement packages
- **Provide clear paths to advancement.** Even if it's not a top benefit, employees often name the lack of a clear path for advancement as a reason to leave for greener pastures. According to recent research released by the [Consumer Technology Association](#), high-skills training (80%) and professional development programs (74%) are the top benefits that employees want related to training.
- **Don't ignore other perks.** If your employees are doing a great job, be generous with praise and recognition. Even if you don't do it with money, find ways to reward employees for a job well done and let them know that they are valued.

- **Remain open and transparent.** Creating an environment that fosters open communication between employees and management will improve retention. Does your company use cubicles or have a totally open office environment? If so, at least find areas of privacy for confidential and important conversations. Management is encouraged to have an "open door policy" that encourages employees to bring new ideas and speak frankly.

Different sized companies will need to use different tactics, but all organizations need to care about and respect their employees to be successful. Turnover is going to happen in any industry and within any company, but you can minimize this by paying close attention to employee engagement.

A CFO can help you design, upgrade and implement compensation and benefits packages that will help your company attract and retain employees. Whether you need a part-time or interim CFO or controller, or help with an executive search for a full-time financial executive, [contact CFO Selections](#) to learn more about how we can help your business overcome this challenging employment environment.

About the Author



[Sheri Ferguson](#) is a founding partner of Accounting Solutions Partners, LLC which has been providing accounting and bookkeeping services to small and midsize companies since 2006. She has served on the board of CFOS Foundation since 2010 and has been a partner at CFO Selections, LLC since 2013.

Sheri has over thirty years of experience in accounting and financial services. She has successfully owned and managed three accounting services companies in both eastern and western Washington. Accounting Solutions Partner's team of over 80 professionals has many satisfied clients in multiple industries including professional services, start-up technology, e-commerce, construction, non-profit, and healthcare.



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