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## **Retention: Your Best Investment**

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What does it cost to replace an employee who is performing well and who leaves her or his position? Too often I find that companies take a rather lackadaisical attitude toward employee attrition. While this may have made sense (although not much sense!) when employment was precious and we were suffering with 6 - 8% unemployment, in today's tight job market it is plain crazy not to put effort into keeping your best employees.

So what does it cost? As I write this, the national unemployment rate is around 4% and in my area is 3.2%. So recruitment is more expensive now, in a tight job market. Here are some factors that you really should track to find out what is actually cost you to replace an employee who leaves.

Obvious and Hidden Costs:

- Lost productivity
- Lost intellectual capital
- Damage to morale (social network suffers)
- Damage to morale (fear for self)
- Overtime costs during recruiting
- Recruitment costs
- Retraining costs

*REPLACING A WORKER COSTS BETWEEN 30% AND 150% OF THAT WORKER'S ANNUAL SALARY!*

A production worker or a clerk may cost around 30% of the annual salary; replacing a manager or a senior technical person costs much more. And a top candidate can cost more than that, perhaps up to and above 200% of the annual salary. Figure it out for yourself, you will be surprised at what it costs you to replace a good worker.

So how do you keep the best people? Here are four solutions.

1. **Awesome Orientations:** As soon as you make the hire, make sure the orientation is a powerful experience, not a mind-numbing recitation of the benefits package. Tell stories about what makes your organization great. Bring in enthusiastic workers to tell their stories. Link the new hire up with a coach or trainer who will be a mentor and support during the first six months.

2 **Tailor Terrific Training:** The employee who is offered quality training and educational opportunities at a job is much more loyal to that job than one who doesn't feel he is going anywhere.

Almost everyone is interested in classes. They don't really have to be directly related to the immediate job. Offer a variety of learning opportunities and your attrition will drop.

3. Catch Them Doing the Right Thing: Management by exception (focusing on what is wrong) is a high cost method. Do you have a company tradition of high levels of rewards for positive behaviors? Do you have a range of rewards that are high cost / low cost / no cost? Do you make sure you are telling stories about the good things people do in the company?

4. Reward people for staying. When you run the numbers, it is a lot easier to give people a financial incentive to stay than to find someone to replace them. Do you know at which point you are likely to lose an employee? Set a bonus just beyond that time, so that if you lose people in the first five months, give a six-month bonus. And don't forget the low-cost and no-cost rewards. Recognition and appreciation are free and are highly motivational.

If you are having turnover problems, please contact us for practical suggestions about how to reduce that and keep your best people.