According to Mercer’s Inside Employees’ Minds Survey, nearly 40% of U.S. employees are considering other employment. This figure is up from 33% in 2011. So, four in ten employees could very easily say “Sayonara, sucker!” and take their skills and intellectual capital out the front door. Are you prepared?

There’s a shift underway in which employees are now the power players in a tight labor market.

Question: How would you describe today’s labor market?

We say, “It’s about time!” A little pressure never hurt anyone, right? Well, the best and brightest leaving (or preparing to do so) is catching employers off guard and mostly explains why we’re hearing from HR professionals that employee retention has become a mission-critical issue.

This guide is designed to provide leaders with tactical advice to hang on to their best and brightest employees. We promise you’ll walk away with at least one idea you can immediately use to amp up your employee retention efforts.

But first, let’s better understand the root cause of this employee retention crisis.
WHY ARE THEY LEAVING?

After weathering a long downturn in the economy, employees finally have opportunities to explore other options with new responsibilities and significant bumps in pay.

Moreover, Baby Boomers are leaving the job market at a steady pace and Millennials are job hopping at a rate never seen before; they can change jobs more frequently without the stigma associated with previous labor markets. This is due, in part, to increased mobility, a desire to fast-track their careers, and tools like LinkedIn that make it easier than ever to find a new gig (or be found by a recruiter).

Perhaps the most dramatic reason for lower retention has to do with a fundamental (and generational) shift in expectations about work. Millennials have a heightened need for connectivity and workplace friendships, real-time feedback, meaningful work, a sense of purpose, and frequent recognition. If these expectations are not met, they are inclined to move on, quickly.

And let’s not forget the risk of losing our top performers. Our very best employees are likely to look for greener pastures if their work is not stimulating and there’s no clear or compelling career path. They also need to know that company leaders appreciate and recognize their stand-out work.

A final factor, and one we hear all too often, is the vital role managers play when it comes to employee disengagement. According to Corporate Leadership Council, “confidence in managers and strategic capabilities are one of the strongest factors in the levels of engagement of top performers.”

Most people leave a job because of their managers, not the company.

“People don’t leave their jobs, they leave their managers.”
WHAT YOUR CFO ALREADY KNOWS

There are so many reasons why we don’t want to lose our best employees. But at the end of the day, it’s about the associated costs and hit on profits.

Real Cost of Losing an Employee

- **Hiring:** Advertising, interviewing, screening, and hiring
- **On-Boarding:** Training and management time
- **Lost Productivity:** Estimated 1-2 years for new employee to reach productivity of existing person
- **Lost Engagement:** Morale on other employees who see high turnover and disengage or lose productivity
- **Customer Service Errors:** New employees take longer and make more errors in solving problems
- **Training Cost:** Businesses likely to invest 10-20% of salary on training

For 150 employees at an average $50,000 income plus 30% benefits (total all-in cost = $65,000) plus a 90-day expected length of vacancy, the minimum estimated turnover cost per employee comes in around $10,000. And who says employee engagement doesn’t pay?!

How Engagement Impacts the Bottom Line

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<th>Percentage</th>
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<tbody>
<tr>
<td>65%</td>
<td>lower turnover (in low turnover companies)</td>
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<tr>
<td>25%</td>
<td>lower turnover (in high turnover companies)</td>
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<td>21%</td>
<td>higher productivity</td>
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<td>22%</td>
<td>higher profitability</td>
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<td>10%</td>
<td>better customer satisfaction</td>
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<tr>
<td>37%</td>
<td>lower absenteeism</td>
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<tr>
<td>28%</td>
<td>less shrinkage</td>
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<tr>
<td>48%</td>
<td>fewer safety incidents</td>
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<tr>
<td>41%</td>
<td>fewer patient safety incidents</td>
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For a 1,000 person company with 15% average turnover, you can expect about 150 employees to leave in any given year = $1,500,000 min. in annual turnover costs.

Fortune’s “100 Best Companies to Work For” generated 2.3% to 3.8% higher U.S. stock returns than their peers from 1984-2011.
As a final step before we dive into how we’re going to boost retention, let’s pull out a magnifying glass to better understand what to look for in disengaged employees. As a very important side note, keep in mind that many of these warning signs will start to appear well in advance of a resignation letter. So, there’s hope.

9 Telltale Signs An Employee Is About to Quit

1. A positive, team-oriented employee becomes more critical of other employees, impatient, and argumentative.
2. An all-star has a noticeable drop in productivity, performance, and overall work habits. Once passionate, she’s now missing deadlines and creating more errors suggesting she’s just going through the motions.
3. You see increased absenteeism in the form of more personal or vacation days suggesting an employee might be unhappy or burning out. Or worse yet, he’s interviewing for other opportunities. Note, too, if it’s happening at the beginning of the year. This may suggest an employee is cashing in on his time off before calling it quits.
4. Putting in the bare minimum (or less) time at work can be a sign that an employee isn’t invested in the company, job, and fellow employees. Is he arriving late and cutting out as soon as possible? Other employees notice this behavior so it’s important to pay attention.
5. An increase in new Linkedin contacts or profile updates might be a sign an employee is networking and sprucing up her value proposition for prospective new employers.
6. A previously engaged employee may start to opt-out of team functions and other discretionary social connections with coworkers and the company.
7. Major life events like the birth of a child, family health crisis, or a divorce may cause employees to rethink priorities and search for a job that will offset the challenges at home.
8. Any of the above along with a new year approaching. Most unhappy employees begin their job search in the new year.
9. Any of the above along with an upcoming work anniversary. Most people quit right on their one-year anniversary. Quitting continues to spike at every yearly anniversary.
EMPLOYEE RETENTION ACTION GAME PLAN

We’re now going to show you **12 applied talent management tactics for retention.** But first, a word about compensation. How much you pay is a factor in hanging on to your top talent. Make sure your top performers are recognized for their vital role in your company and compensated fairly. And we don’t mean in the democratic, everyone get’s a 2.5% raise kind of way. They’re your rock stars, right? Rock stars are great at what they do and have earned a higher market rate because of it. If they’re a vital part of your company growth and stability, compensate them as such. It’s cheaper and so much easier to just pay them well.

**WARNING:** It’s rarely just about compensation. Studies, including our own, show that compensation is not always the top driver for employee engagement. Other factors include more flexibility, meaningful work, recognition, career advancement opportunities, workplace friendships, and professional development. What else can you do to prevent a superstar from taking a job at another company?

“**The only thing that companies can do to increase retention rates is by creating a superior work culture where employees have friends, are engaged in their work and get perks.**”


It’s time to treat employee retention like any other important initiative or KPI and dive in. We’ve outlined a step-by-step process to help you retain your top talent. You can follow this process or focus on the steps that make the most sense for your company. Let’s get started.

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**Step One**

Drop everything. As a matter of priority, start by identifying your top performers on each team, division, or region and ask yourself if any of them exhibit the 9 telltale signs a resignation is looming.

**Tip:** Employees are most likely to leave at their annual work anniversary. Make sure to engage top performers a few months before their work anniversaries.

**Step Two**

Talk today. Pull at-risk employees aside and share your concerns. Be direct and actively listen. You may learn that they’re burnt out, experiencing a personal challenge, or that they are indeed unhappy and thinking about other options.

**Use these questions to help uncover their pain point(s):**

- How are you feeling about your job, co-workers, company? Are you dissatisfied? Are you engaged here? What are you working on that is meaningful to you?
- What would help you feel more excited about your work and likely to stick around? What can we start doing, and what should we stop doing? What is going well?

**Step Three**

Do it. To keep top talent, take action on things that are important to overall engagement and productivity, and yes, the culture as well. If you ask for the feedback, be prepared to act on it.
Here are 12 retention tactics based on the employee’s needs and key factors leading to dissatisfaction. We’ve organized them into three key employee needs: recognition, growth, and inclusion.

**Recognition Tactics**

1. Say thanks. Recognition is perhaps your most powerful and simple approach to retaining top talent. Recognize contributions, accomplishments, and behaviors aligned with core business objectives and company values. But, do it often and follow some simple guidelines for making your recognition more effective...

2. Publicly celebrate success of top performers. We recommend a public forum like company all-hands, intranet, newsletter or social recognition feed where employees and leaders see who’s giving and receiving recognition.

> “Feeling gratitude and not expressing it is like wrapping a present and not giving it.”

---William Arthur Ward

3. Link recognition with company values and business objectives for added impact. This makes it clear that employees’ work is meaningful and linked to a bigger picture.

4. Recognize employee’s desire for more flexibility by offering telecommuting/flexible work options.

5. Bring your existing recognition and reward programs (e.g. employee of the month, years of service awards, birthdays, peer-to-peer recognition, ad hoc rewards) into the digital age to appeal to a more tech-savvy workforce.

**Growth Tactics**

6. If the employee is bored or unfulfilled, consider offering more challenging projects that will stretch and expand her skills.

7. Provide more opportunities to learn and encourage participation in professional development training. Check out options by Udemy and Lynda.com if you don’t have a formal L&D program in place.

8. Don’t wait for bi-annual performance reviews to give feedback. Give it on a regular basis, in real-time, and be specific with actionable advice.
Inclusion Tactics

9. Allow top performers into strategy sessions with the executive team. Take it a step further by letting the employee help solve your company’s biggest problems by asking for their input after the meeting so they have time to share what they learned.

10. Further communicate strategies with top performers and link their role to the big picture.
   - Invite to meetings
   - Share email updates
   - Give access to company performance data and strategy portals and the opportunity to chime in

11. Provide other opportunities for employees to interact with executives or mentors, including:
   - Special assignments with coaching sessions
   - Assign a mentor—Offer monthly mentoring sessions over coffee where they can get feedback on their work and ideas
   - Encourage cross-functional team projects so employees can get exposure to more people and other groups

12. Encourage and open communications to allow employees to create stronger workplace friendships:
   - Explore social recognition programs like YouEarnedIt to ensure all employees are visibly recognized

It’s arguably easier and more cost effective to invest in employee retention efforts over recruiting, interviewing, hiring, training, and waiting for a new employee to provide the same value. With a little effort on your part, you’ll see improvements in your employee retention percentages. You’ll also see improvements in collaboration, performance, and profits.

We hope this guide is helpful and we encourage you to reach out to us if you have any questions, ideas, or suggestions. Or sign up for a quick tour of our software to see how we can help you with your employee retention efforts.

We love this stuff and have lots of experience!

Sources and further reading:
“When Your Employees are Most Likely to Quit.” Harvard Business Review.
“How to Keep Your Top Talent.” Harvard Business Review.
Brandon Rigoni and Amy Adkins, “As Baby Boomers Retire, It’s Time to Replenish Talent.” Gallup.
Tim Ryan, “Three Things To Boost Millennial Employee Engagement.” YouEarnedIt.

Enjoy this guide? You might also like our Ultimate Guide to Engaging Millennials

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