

# It's cheaper to retain employees than to replace them

by David Peasall



It can cost 25% of an employee's annual compensation to replace someone who leaves your organization. And that doesn't include the indirect costs of lost productivity while you look for a replacement, lower-quality work by the newcomer as he or she ramps up, lost client relationships, lost revenues, deterioration of employee morale and even increases in on-the-job injuries.

It's clear that reducing employee turnover is a smart management strategy. Here are six ways to do that.

**1. Hire for attitude as much as for experience.** You'll have to worry less about retention if you hire people who are good fits their positions. That means considering applicants' qualifications beyond their ability to perform specific tasks. You can always teach skills, but you can't teach the right attitude.

The best employees are not just able, they're willing to do the work. If you're lucky, they'll be enthusiastic about it. They are coachable and manageable.

You can't discover these intangibles just by looking at a résumé. You need to ask interview questions that help you understand the applicant's attitudes and motivation.

**2. Offer competitive wages and attractive benefits.** Demonstrate that you value your organization's team members by paying them more than the bare minimum—even if the positions you're trying to fill are for low-wage earners. Compensation and benefits can make the difference in whether your preferred candidates come to work for you ... or a competitor. Sometimes you can be a hero by paying just a little more.

Be aware that it's not unusual for low-wage earners to switch jobs for as little as 15 cents per hour. And even though that's just \$26 per month, it can make a difference for someone living paycheck to paycheck.

Several studies have demonstrated that a combination of higher wages, health benefits and paid time off can significantly improve retention. In fact, in one study, employees with health insurance were twice as likely to stay as those without coverage.

**3. Train managers so they show their support for team members.** Regardless of position or industry, departing employees cite the difficult relationship they had with their managers as a primary reason for leaving. Thus, improving the relationship between supervisors and staff can make a real difference.

**4. Set the bar high.** Let employees know you expect high performance. Set high standards for individuals and teams. When high performance becomes a team commitment, team members will expect it from each other

and support each other in achieving it.

**5. Treat your staff with dignity and respect.** Treat your employees like you want them to return to work each day so they, in turn, treat customers with the same regard.

Three important ways to show employees your organization values and respects them:

- **Show them how they contribute to the organization's success.** Often, employees don't see the difference they're making—so supervisors need to tell them.
- **Ask them for their opinions and feedback.** Especially for employees who work directly with clients and customers, they see what works and what doesn't. Ask them to share that information with supervisors on a regular basis and to offer ideas for how to improve operations. Reward the suggestions that work.
- **Recognize them for a job well done.** Take the time to compliment and encourage employees individually, as well as through more formal employee incentive programs.

**6. Cross-train team members.** This helps engage employees while developing their skills. Cross-training will help them develop professionally as well as improve their performance and productivity. And it will prepare employees to help out in a pinch when the organization is short-staffed.

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