

Employee retention: keeping the right people, saving money doing it

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Employee Retention

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Retaining a good employee is one of the most cost-efficient practices a company can employ.

The cost of replacing an employee is always more than the cost of recruitment. In fact, the cost of replacement in all cases is several months' salary – sometimes as much as 18 months' worth. And when my recruiting company, Recruiting Nevada, began its work in 2001 to solve Nevada's nursing shortage, the cost of replacement was \$37,000 – which we hear is much higher now.

Oftentimes, by the time an employee quits his or her job, hundreds or thousands of dollars and hours have been invested into that employee – just so that investment can walk out the door. When you retain, you remove many unforeseen costs, including the cost of recruitment, cost of training, the loss of productivity and the cost of replacement materials.

However, even with so much to lose, companies lose valuable employees all the time and, in the end, are often left scratching their heads wondering what went wrong. Although blaming that employee is the easiest alternative, next time try a different approach to analyzing the situation.

Here are a few questions to ask yourself when an employee quits:

- Did that employee ever feel like an important part of the company?
- Did you or a manager at the company ever ask for that employee's opinion?
- Was that employee adequately compensated – through gifts, bonuses, raises or days off – for the work he/she performed?
- Was his/her manager supportive and helpful?
- Did that employee know what was expected of him/her at all times?

At first, it's easy to answer, "Yes, of course." But is this really the case? More times than not, the true answer to one or more of these questions is "No."

I have a friend who used to work in retail. After the first few times new employees were shown how to do something, her manager yelled at them any time they made a mistake. Finally, new employees would start coming to my friend instead of the manager for help – causing my friend to lose sales, and thus, commission. And because employees no longer came to the manager for help on anything, the manager thought she had trained them well, which was far from the truth.

Not only did this situation make any new employee feel inadequate, but the manager's attitude had the whole staff walking on eggshells. In this case, although the manager was a top-notch saleswoman and seemed like the perfect mentor, she was a terrible manager. And in turn, her store had a higher turnover rate than most of the company's other stores – costing the store time and money.

To solve this problem in its early stages, exit polls should have been given to employees who quit or transferred to another store.

Exit polls – which ask simple questions inquiring the reasons motivating the employee to quit – provide valuable feedback on what’s really going on in your company, especially if you see repeat reasons for leaving.

At this same retail store, a respected woman and dedicated employee who had been with the company for four years – and had a college degree – was passed over by a new hire for the position as assistant manager of her store. This caused the veteran employee to feel unvalued, and the new assistant manager, who quit soon after, was not respected by any of the existing employees.

In this case, although the company owners thought they were doing the right thing by bringing in a fresh viewpoint, they simply created an uncomfortable workplace where no one – including the new assistant manager – was satisfied. If employees spend enough time feeling unvalued, they will go somewhere else.

Another way to make employees feel valued is through raises, bonuses, gifts and days off. Although monetary reasons are not at the top of the list of reasons employees quit their jobs, it is on the list. Even if you can’t afford to give large raises, small raises, periodic bonuses or a free day off from work lets employees know they are valued. And when employees are happy at work, they will be your best cheerleaders, which in turn, will ease your recruitment efforts later on.

These are just a few ways employers can retain valuable employees. Some tactics may work better for different organizations depending on the clientele. Just remember, a good retention program equates to saving money and easier recruitment.