

Stop the Revolving Door – Keep Your Talent!

How to lower costs and improve employee retention in a tough economy.

Turnover Trouble

There's no column on the expense side of most business balance sheets labeled "employee turnover," yet replacing employees lost to voluntary turnover can add a tremendous burden to your total employment expense. Job advertisement, résumé review, interviews and vetting, acquisition and training, and periods of low productivity while new employees become proficient all combine to reduce results and sap profits.

Turnover costs are well worth your attention. Recent studies estimate that replacing a single employee can cost three times that employee's salary and benefits. Some examples of costs to replace particular positions are shown in the table below.

Replacing an employee can cost more than three times the position's annual salary and benefits.

Turnover Cost Estimates by Industry and Job

Job	Salary ¹	Turnover Cost ²	Turnover Rate ³	Total Cost ⁴
Biomed Sales	\$61K	150%	15.7%	\$1.44M
Engineer	\$59K	200%	15.9%	\$1.87M
Project Mgr	\$98K	300%	14%	\$4.1M
IT Developer	\$90K	300%	17.2%	\$4.64M

¹Source: Salary.com ²Industry revenues per employee source: Fortune.com ³Source: Compdata.com ⁴100-employee firm with industry-average turnover rate

The bottom line is this: Employee **turnover costs** are likely at least **10%** as expensive as your total salary and benefits outlay. And turnover costs might be as high as **50%** of your total pay and benefits expenditure.

Is there something your company can do to improve retention and lower the costs of employee replacement?

A brief background of the impact of employee turnover provides some insight.

What Is Turnover's Impact?

Because the real losses associated with replacing employees can be unexpectedly high, it is important to closely evaluate your company's current turnover cost situation.

A significant percentage of the American workforce voluntarily changes jobs every year. Compdata's figures suggest that the average voluntary turnover rate across all industries is 14.7%.¹

Businesses that earn low revenue per employee – a condition that typically corresponds to lower employee replacement costs – incur turnover expenses of around 10% of their total pay and benefits outlay. If your company's employee replacement cost estimate is 50% of the position's annual salary, the following equation shows the calculation for your company's approximate total annual turnover expense:

$$\begin{aligned} & \text{Total salary/benefits cost (entire workforce)} \times 10\% \\ & = \text{Total annual turnover expense} \end{aligned}$$

The picture is much bleaker on the higher end of the employee replacement cost spectrum. If your business produces high revenue per employee – which usually corresponds to high staff replacement costs – your turnover burden could reach nearly **50%** of your total yearly employee pay and benefits outlay. In the above equation, replace 10% with 50%... That can be a crippling business expense.

More businesses are exposed to high turnover losses than most executives realize. Average revenue per employee in **48 industry sectors** exceeds \$200K per year, suggesting employee replacement costs greater than 300% of the position's salary and benefits.² **This group includes millions of employee positions at thousands of companies nationwide.**

Nearly 1 in 6 employees will voluntarily leave their job this year.

On average, workforce turnover costs 10% to 50% as much as your salary and benefits outlay.

Reducing turnover by 1/5 can save the average 100-person professional firm over \$850K.

Because of the high costs associated with employee turnover, retention initiatives are lucrative revenue recapture investments. The average professional firm stands to **cut turnover losses by \$874K** with a 20% turnover reduction.³ Reducing turnover by 1/3 would garner savings in excess of **\$1.44M**.

Convincing just one professional to remain on staff for ten years can alleviate three or more individual turnover cycles.⁴ If her annual salary is \$75K per year, keeping that same employee on staff for ten years can save **\$675K** in turnover expenses during her employment tenure.

The economics are compelling. Employee turnover is a major source of employment expense. Is there a cost-effective way to improve your company's staff retention strategy? What would persuade your employees to remain with you?

What Works?

Your goal should be to foster an environment that encourages consistently high employee retention, as the direct productivity and profit benefits are exponentially higher year after year.

Salary.com reports that 20% of employees will remain with their employer primarily for an **attractive benefits package**.⁵ What if you were able to upgrade your pay package? An equally large group of employees – 20% – claim increased pay as their deciding retention factor.⁶

These survey results do not mean that salary increases and benefits package improvements contribute equally to employee retention. **Employees often perceive greater value in benefits package improvements** than in the same amount of additional pay, particularly when the benefit satisfies a perceived need.⁷

For example, an attractive and desirable employee benefit might cost \$50 per employee each month, an affordable outlay for most businesses under current economic conditions. But offering a direct pay raise of just \$50 per month might do more harm than good, as the pay raise amount is so small that it might be perceived as insulting

20% of employees cite benefits as their key retention motivator.

to your staff. For that reason, **employee benefits often have far greater retention impact per dollar than pay increases.**

That's good news for the many employers who cannot afford meaningful salary increases. But what makes a benefits package compelling as a retention strategy?

According to a recent survey by Salary.com,⁸ listed in order of importance, employees asked for:

Employees Want More

- Career development
- Work-at-home options
- Vacations

- Professional education and development
- The flexibility to work from home
- Vacations

While your ability to satisfy the first two employee benefit desires is largely dependent upon your particular industry and the individual employee's specific role within your organization, the majority of businesses stand to gain immediately by introducing a better vacation benefit package.

Clearly, **better benefits are better business.**

Introducing Vacation Wellness™

An effective wellness suite serves as a key retention tool. A World Economic Forum survey reveals that without an attractive wellness program, your employees are **four times** less likely to remain on staff.⁹ In contrast, among those employees who take a favorable view of the wellness offering, 64% plan to stay with their company for more than five years.¹⁰

An effective Vacation Wellness™ program creates a work culture that encourages employees to utilize all available vacation days, and also provides a vehicle that enables your workforce to take frequent **destination vacations.**

Because of the positive health and business results associated with frequent destination vacations, the concept is foremost a wellness offering.* Vacation

* See the ZōEScent white paper titled "Healthier Employees, Fatter Bottom Line" at www.zoescent.com.

Without attractive wellness options, employees are **four times** more likely to leave your company.

Wellness™ is designed to mitigate rising healthcare costs and improve retention by reducing employee stress, preventing depression (statistically the costliest employee healthcare issue), and lowering the risk of heart disease and other serious health problems.¹¹

Vacation Wellness™ is especially powerful because of the enthusiastic employee participation it engenders. While traditional wellness offerings that focus on smoking cessation, weight loss, blood pressure reduction, and fitness activity each garner single-digit employee participation, the Vacation Wellness™ membership program offered by ZōEscent enjoys an 89% retention rate over the program's lifetime.¹² Nearly **nine out of ten** employee participants remain loyal members.

**Vacation Wellness™
is an easy, affordable
retention strategy.**

Those numbers elevate the Vacation Wellness™ concept from a mere wellness benefit to a strategic retention asset. Employee benefit programs with such a high degree of popularity are emblematic of a company's commitment to its employees, and become a lasting hallmark of high-quality business management. The retention impact is powerful.

How Does It Work?

How does Vacation Wellness™ achieve such a high level of desirability among employees? Unlike other wellness programs, which focus on difficult and often uncomfortable behavior changes, Vacation Wellness™ offers enjoyable activities. No arm-twisting is required to get your employees excited about an exotic vacation.

The membership program offered by ZōEscent provides a vehicle for your staff to experience premium destination vacations at wholesale prices or better. This strategy is an attractive benefit option for three reasons:

1. **Permission.** A Vacation Wellness™ program demonstrates that your executive team endorses healthy employee work-life balance. Employees often feel that managers view vacations as a necessary evil. Instituting a Vacation Wellness™ program shows your staff that you view employee vacations as a strategic business investment.

2. **Price.** A Vacation Wellness™ membership benefit makes premium vacations affordable for your staff. Members gain access to 4- and 5-star vacation packages at wholesale pricing or less. Our unique travel provider relationships allow member employees to save substantial sums on their vacations, encouraging them to take more and better trips than they could otherwise afford.¹³
3. **Planning.** Members enjoy hassle-free vacation planning by choosing from over 250 professionally planned trips annually, covering a wide variety of vacation interests and removing the difficulty and frustration of a lengthy search for quality, affordable accommodations. Trip genres range from sporting event packages to exotic luxury destinations.

Employees perceive a Vacation Wellness™ program as a **high-value benefit**. As a result, a Vacation Wellness™ program can be an elegant, cost-effective employee retention solution. Discover how Vacation Wellness™ can become the centerpiece of your talent retention strategy.

For more information, write info@zoescient.com, or call 800-646-7403

About ZoEScent

ZoEScent is a pioneer in the business profit enhancement arena. We devised Vacation Wellness™ as a simple approach to workforce performance and health improvement, yielding powerful second- and third-order profitability and cost mitigation effects. Our strategic, holistic approach to healthcare cost reduction, employee retention improvement, and productivity enrichment generates elegant solutions with immediate impact.

ZōEScent

Save time. Save money. Live well.

Notes

¹Bares, A. 2008 Turnover Rates by Industry. Compensation Force. March 31, 2009. http://compforce.typepad.com/compensation_force/2009/03/2008-turnover-rates-by-industry.html.

²Fortune 500 2007. CNNMoney.com. April 30, 2007. http://money.cnn.com/magazines/fortune/fortune500/2007/performers/industries/revenues_per_employee/index.html.

³A 100-employee firm with \$91K average salary, 16% turnover rate, and 300% employee replacement cost suffers \$4.37M in annual turnover expense.

⁴Sasha Corporation. Compilation of Turnover Cost Studies. January 2007. <http://www.sashacorp.com/turnframe.html>.

⁵Salary.com. Employee Job Satisfaction & Retention Survey 2007/2008. http://www.salary.com/docs/resources/JobSatSurvey_08.pdf.

⁶*Ibid.*

⁷Atchison, T.J., Belcher, D.W., and Thomsen, D.J. Benefit Programs in the Internet Age. ERI Economic Research Institute. 2010. <http://www.eridlc.com/onlinetextbook/index.cfm?fuseaction=textbook.chpt07>.

⁸Salary.com. Employee Job Satisfaction & Retention Survey 2007/2008. http://www.salary.com/docs/resources/JobSatSurvey_08.pdf.

⁹Right Management and the World Economic Forum, "The Wellness Imperative: Creating More Effective Organizations." 2010. <http://www.right.com/thought-leadership/articles-and-publications/the-wellness-imperative-creating-more-effective-organizations-world-economic-forum-in-partnership-with-right-management.pdf>

¹⁰*Ibid.*

¹¹Chapman, L.H. "Does Wellness Work: A Look at the Evidence for Worksite Wellness." April 19, 2007. www.awcnet.org/healthacademy/agenda040407.pdf

¹²Schick, S. Are You Ready to Commit to a Wellness Program? January 2010. <http://sueschick.blogspot.com/2010/01/are-you-ready-to-commit-to-wellness.html>.