

PLURALSIGHT

RECRUIT VS. RETAIN:

The real cost of hiring and turnover





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Does it make more financial sense for your business to recruit new employees or retain the valuable ones you already have? And which tools work best for encouraging employee retention?

Picture this: you manage a group of web designers. One of your top designers and best employees approaches you to say she's been offered an enticing position with a competitor.

WHAT DO YOU DO?

One option could be to let her go. While it's been great having her skills on the team, there's a lot of other web designers looking for work. You might even be able to find a recent college grad to do the job for less pay.

Alternatively, you can do everything in your power to keep her with the company. She's a high performer, knows the ropes and it'd be a shame for her to leave.

If you chose the second option, you're right. Retaining employees is the most cost-effective option and ensures that companies don't lose out on productivity and can maintain employee morale.

In 2015, research group EY set out to find the answer. They surveyed approximately 9,700 full-time employees aged 18-67 to understand who quits and why.

Their population was diverse and included individuals spread across eight countries and four continents, but the primary reason for leaving a position remained the same: minimal wage growth.

Other top reasons were a lack of opportunity to advance, excessive overtime hours, a work environment that didn't encourage teamwork and an inflexible boss.

While it's unrealistic to accommodate every employee wanting a raise, the cost of finding a replacement is encouragement enough for HR professionals and managers to consider the option seriously.

Replacing someone costs more than just their salary

Hiring a replacement can be expensive. First, you have to pay for actually finding a good fit, a process that can run upwards of \$1,400 per posting. Once the position is filled, you'll have to train the newcomer to learn your processes and to help them adapt to your company's unique culture.

A 2012 study conducted by the Center for American Progress found that costs of finding and training a new employee can be staggeringly high. The price varies for each position, from 16 percent of annual salary for low-salaried jobs, 20 percent for mid-range positions, to a hugely disproportionate 213 percent of salary for highly educated executive positions.

The bottom line? "You've (already) put a bunch of time and money into developing employees," says

Kalvin Davies, Chief HR Officer of Dohmen Life Science Services. "It's going to be a lot cheaper and more effective to retain."

What's the price for knowledge and productivity?

Training new employees is just one of the costs you'll incur when a good employee resigns. Dr. Heather Canary, Associate Professor of Communications at the University of Utah, says that employees take with them institutional memory, a collection of facts, concepts and experiences held by a group of people. Employees with institutional memory "remember the mistakes," Canary says. "When you have people who don't remember the mistakes that you've learned from, the chances of the company repeating those mistakes increases."

Accompanying the loss of institutional memory is a decline in productivity that happens while a replacement is found (between 24.9 days and 58.1 days depending on the size of your company). This continues through the onboarding process and as a new hire learns his or her new role. While a learning curve is almost guaranteed, some studies suggest that a new employee can take up to two years to reach the level of productivity of the worker being replaced.

Why do good employees leave?



1. Stagnant wages



2. Lack of advancement opportunity



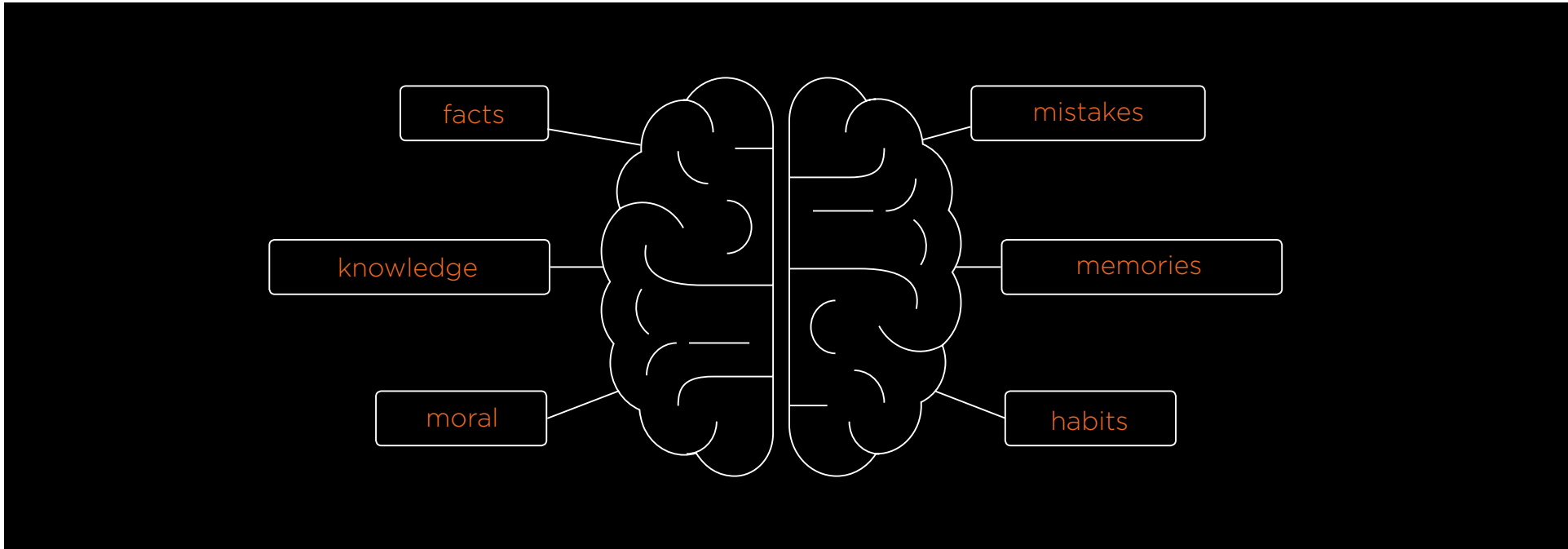
3. Too many overtime hours



4. Environment that doesn't foster teamwork



5. Supervisors who don't allow flexibility



Dipping into morale

In addition to the expense and decreased productivity, losing a valuable employee also often results in a decline in morale. According to Jason Alba, CEO of career management website JibberJobber.com and Pluralsight author, “When someone leaves a company, there’s always a jolt to morale. The people left behind wonder, ‘Should I leave too? Is the grass greener somewhere else?’”

While low morale may seem like a minor detail when compared to other priorities like revenue and customer experience, it has substantial consequences. The 2013 State of the Workplace from Gallup estimated that 70 percent of American workers are either not engaged or are “actively disengaged” from their work (a.k.a., emotionally disconnected), which means, says Gallup, those same workers are simply less productive than their engaged counterparts.

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How much does disengagement cost you?

According to Forbes: “Gallup estimates that these actively disengaged employees cost the U.S. between \$450 billion to \$550 billion each year in lost productivity. They are more likely to steal from their companies, negatively influence their coworkers, miss workdays, and drive customers away.”

How do workplaces improve sagging employee morale? Adam Sadler, HR Manager at Intermountain Farmers Association, says one way to ensure positive morale is to provide refresher courses and career pathing to existing employees.

“If [our employees] don’t have the tools or knowledge to do their jobs effectively, frustration happens and that’s when they don’t enjoy working here that much,” he says. He adds, “[Companies] have a much higher chance of success if they provide employees with the skills they need [to succeed].”

Research proves Adam right; when a company focuses on developing its employees, the effort is reciprocated. Researchers at the University of Pennsylvania found that spending 10 percent of a company’s revenue on employee capital results in an 8.5 percent increase in productivity.

Training goes further than just improving morale in the workplace. It can help retain employees too. In 2008, HR World reported that 61 percent of workers who received training or mentoring courtesy of their employer said they would likely remain with that employer for five additional years – or more.

How training works today

Training today doesn’t have to mean an on-site seminar or a formal, semester-long classroom experience, although both remain good options. Countless high-tech and high-value courses are available to workers through subscription services, which allow for greater scheduling and cost flexibility.

Let’s say you manage a team of developers looking to create new mobile apps. A formal class can bring your entire team up to speed quickly. Or, maybe three of your developers want to participate in a coding class while you take a course on public speaking and presentations and another two team members focus on design. Subscription-style educational plans allow teams to work in tandem but still afford individuals the opportunity for a one-on-one educational experience tailored to their lifestyles.

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— Marissa Mayer

When reviewing the costs, training wins again over employee replacement. For example, the cost of a subscription-based learning plan can be less than \$30 per person per month. Group plans often include additional benefits for you, the employer, ranging from progress reporting, assessments and goals reached – so accomplishments are easily accessible whenever you need them.

Conclusion

Each of your employees represent an investment of time, money and knowledge. While it may sometimes

seem like a challenge to retain your employees, the benefits are clear: you end up with a workforce of experienced, dedicated and driven contributors that function smoothly as a team.

Yahoo’s Marissa Mayer tweeted, “It’s about getting the best people, retaining them, nurturing a creative environment & helping to find a way to innovate.” While training itself won’t guarantee your workforce will stay put, it’s certain that companies that take steps to develop their workforce reap the benefits of improved workplace morale, productivity and loyalty.



A dark, moody photograph of a desk. In the foreground, a wooden desk holds a stack of papers and a notebook. In the background, two small potted plants are visible. The lighting is soft and focused on the desk.

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