Avoiding the high cost of employee turnover

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"Where have all the workers gone?"

If you own or manage a business or organization that relies on employees to operate, this question is likely repeating in your head.

Recent Bureau of Labor Statistics data reports that in 2021 on average over 4 million people per month quit their jobs — compare that to a decade earlier when just under 2 million people per month quit in 2011. In fact, we have experienced the greatest decline in over four decades.

There are a lot of complex factors that have led us to this point, but the bottom line is there are simply more jobs available than there are workers. Adding to this, as COVID restrictions ease and businesses reopen and expand services, the demand for workers will likely also rise. The result: employers are going to have to aggressively compete for employees — and this doesn't just mean focusing on attracting new employees. A lack of or poor strategy for keeping the valuable employees that you have now can be a big and costly misstep.

March 4 was Employee Recognition Day. If you didn't get a chance to celebrate your employees on this day, pick a day soon to do so — because your existing employees are your organization's greatest asset. Voluntary turnover, or an employee choosing to leave for another opportunity, can be extremely costly for your organization — especially when you consider that existing employees are one of the few assets that appreciate the longer you have them. Studies show that replacing an existing high-performing employee can cost upwards of one-half to two times the employee's annual salary, not including the intangible expense of morale issues among remaining employees or loss of customers as you scramble to fill gaps. So, as you consider your retention strategy, here's a few things to consider:

• **Communication:** When was the last time you asked your employee about their job satisfaction and what might keep them around? According to Gallup research, 52% of voluntarily exiting employees say their manager or organization could have done something to prevent them from leaving their job. Make time to meet with your employees one-on-one, even casually!

• **Compensation:** While not the only driver of retention, you should know what your employee's likely alternative compensation may be. This doesn't mean just looking at what your competitors are offering. It means understanding the value of your employee's skills and where they could go beyond your industry. For example, a high-value retail or customer service hourly employee may have skills that will qualify them for a salaried and benefited position in an entry-level administrative role at a larger employer. While you may not be able to directly meet that compensation, you may be able to explore alternative incentive programs such as profit sharing or paying a benefits stipend — or for very valuable employees, offering fractional ownership in the company.

• **Work environment:** Higher compensation likely will not overcome a poor work environment. Employers with the mindset of "my employees should consider themselves lucky to have a job" will likely be hanging out the "Hiring Now" sign more frequently. Owners and managers are responsible for setting the tone and ensuring that the work environment is one where employees feel recognized, engaged, supported and safe. Failure to do so will lead to higher turnover, and at worst, can lead to more costly challenges including litigation.

• **Your management style:** The days of top-down, authoritarian leadership are gone. As boomers retire and millennials and the younger generation move up, the expectations are for a more inclusive, diverse and collaborative work environment. This can be very challenging for small business owners who see themselves as the "owner" and the employees as "workers." If this is a problem area for you, don't hesitate or be too proud to invest in your own professional development.

• **Job design:** The pandemic caused seismic shifts in business and operational conditions and likely your employees experienced rapid shifts in job duties, responsibilities and some even up-skilled. Perhaps some took work home or shifted hours to ensure that the lights stayed on. Now, as restrictions ease, be careful in assuming that the pre-pandemic organizational chart, job descriptions and expectations of employees are going to revert. Instead, use this opportunity to really evaluate your organization's needs, talk to your employees about how they feel about their jobs and design the roles and responsibilities in your organization to ensure that there is harmony. While you shouldn't design a job around one individual, don't hesitate to get creative and keep a flexible mindset, particularly when it comes to hours or working location (if it meets the business or organization's needs).


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There is no doubt workforce management is incredibly challenging, especially in these times. However, if your organization depends on your employees then you must be willing to invest in them — including taking the time and energy to be the leader and manager they need. Remember, people don't leave jobs; they leave toxic work environments, poor management or situations where they do not feel valued or can no longer grow.

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