

The hidden costs that reveal the value of employee retention

Our thanks to Business Advice for this article



The key to successful employee retention could be a combination of financial incentives and recognition

The departure of a staff member could cost small business owners **a quarter of that worker's salary**, according to a new study that reveals the benefits to investing in employee retention.

The research, from workplace benefits provider One4all Rewards, used insight from UK workers and business owners to calculate a potential £6,335 loss from a single resignation.

As well as the recruitment fees of hiring a replacement – a fifth of **the average employee's annual salary** – the calculation included drops in productivity once a staff member handed their notice in.

The average worker admitted their productivity levels dropped by over a third during their notice period.

According to the study, a positive working environment was the top reason for successful employee retention, followed by regular pay rises and workplace pension and health schemes. A closer look at different age demographics found career progression and training opportunities as the key to retention of younger staff members.

Small business owners with an unhappy employee should note that almost half of respondents said that a 25 per cent pay rise would make them stay.

The research also uncovered a worrying trend for employers of **“contagious resignations”**, with one in four workers admitting that a departing colleague made them reevaluate their own happiness. To combat escalating negativity within a small business, employers should ensure that increases to workloads are spread fairly around the company.

Commenting on the findings, Declan Byrne, managing director at One4all Rewards, said that the cost of losing of staff member could **come as a “shock” to employers.**

“Most employers know that having staff resign is not only inconvenient but also costly. But the combined total of the recruitment costs, productivity losses and more that are associated with this is no meagre sum.”

Byrne added: **“To avoid such costs mounting up, it is important that businesses take employee morale seriously, and actively take steps to ensure staff feel happy, motivated and appreciated. Even something as simple as an annual token of appreciation – such as a bonus – can go a long way.”**

Tips for ensuring employee retention

In a recent article, Business Advice recently provided crucial tips for employers looking to boost workplace satisfaction and the loyalty of staff.

Chris Rowson, managing director at HR consultancy Ecardshack, **warned against underestimating “reward and recognition” within a small business**, and highlighted the positive impact of sharing top line company information in boosting employee engagement.

“It goes without saying that financial rewards significantly impact job satisfaction levels. Input a process to evaluate employee performance and provide salary increases to top performers,”

Rowson advised.

“You can demonstrate recognition without offering a monetary reward as personal recognition from a superior can be a powerful tool in building morale and motivation.”

Rowson added that by regularly evaluating the happiness of workers, owners could reap the business benefits.

“The measurement of staff experience should be taken more seriously in business as high employee satisfaction drives loyalty, which encourages value, adding to customer satisfaction which promotes customer loyalty, increases investment and therefore top line profitability.”