



# Increasing Employee Retention

A GUIDE FOR COMPENSATION  
AND BENEFITS PROFESSIONALS

**workhuman®**

In 2018, employee turnover hit a frightening record high. According to research by the Work Institute, employers paid \$600 billion in turnover costs, and the researchers expect that number to increase to \$680 billion by 2020. Moreover, 40% of those employees left their jobs within 12 months of being hired – representing the highest first-year turnover rate the researchers had seen in eight years.<sup>1</sup>

This is particularly bad news for those in compensation and benefits, who work so hard to keep their employer brands compliant and strong, and attract new employees successfully into an organization. It can be incredibly frustrating to see those hard-won employees turn around and walk right out the door because of issues outside of your control – especially when competition for talent continues to grow. According to the U.S. Census Bureau, 2030 will likely mark the first time in U.S. history there will be more retirees in America than children under age 18.<sup>2</sup>

The causes of employee turnover are not usually a dissatisfaction with salary or benefits. According to 2018 Mercer research, promotional opportunities and career changes top the list of reasons for voluntary turnover.<sup>3</sup> And in the same 2018 survey, compensation and benefits were the least likely contributors to employee churn.



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## TOP REASONS FOR TURNOVER

- 21%** Career development (no opportunity to grow in a preferred job and career)
- 13%** Work-life balance (better work-life balance, which includes more favorable schedules, shorter commute times, and scheduling flexibility)
- 11%** Manager behavior (unprofessional or unsupportive managers)
- 9%** Well-being (personal or family health issues)
- 9%** Compensation and benefits (pay was cited more often than benefits)<sup>4</sup>



So, if benefits and salary are only 9% of the problem, does that mean compensation and benefits (comp & bens) leaders can't do much to positively impact retention rates?

Actually, no. Comp & bens practitioners can do a lot with just a few tweaks, by offering flexible, innovative benefits that really differentiate the organization – but also have the power to influence retention and keep it high.

In fact, many new programs that fall under the larger umbrella of total rewards have a profound ability to impact your retention numbers in the future because they affect employees in exactly the places that matter most to retention: emotional connections and sense of achievement. Even shifting a small percentage of discretionary budget into these areas can result in an exponential return on investment in the service of keeping your best employees.

Here are seven ways comp & bens can directly contribute to reducing flight risk:

#### ONE

#### Offer well-rounded, equitable, and competitive benefits.

This one is obvious, but since we're in the world of comp & bens, we need to include it! Be sure you're not one of the companies that 9% of people say aren't paying fairly or offering great benefits. Earning a reputation for equity and fairness will strengthen your employer brand and attract the right people to start with, getting you a long way toward retaining them over the long run.

#### TWO

#### Personalize total rewards more closely to employees.

According to Deloitte's 2018 Human Capital Trends report: "Employees are asking for more personalized, agile, and holistic rewards, including a focus on fair and open pay. While companies recognize this overall shift, only 8% report that their rewards program is 'very effective' at creating a personalized, flexible solution."<sup>5</sup> This reflects a widespread trend toward personalization that is going to continue impacting total rewards. The more you can invest in flexible, employee-led reward and benefit experiences, the better chance you have of holding on to great employees.

#### THREE

#### Shift another 1% of salary into pay-for-performance.

Moving just 1% of salary into a pay-for-performance program, specifically in the form of rewards linked to effort, can yield exponential ROI compared to that same percent buried in traditional salary schemes. According to studies by PayScale, "high-performing employees want to feel like they are getting rewarded for their performance, and that under-performers are not; it's part of their definition of fair pay."<sup>6</sup> Moving just a small percentage of compensation into a more pliable and fair pay structure can help employees feel their contributions matter, they can earn more when they work harder, and it is worth sticking with your company.

**FOUR**

## Establish and fund formal rewards and recognition.

That 1% of salary will perform best if rewards come as part of a peer-to-peer recognition program, rather than regular bonuses that will quickly be seen as entitlements. Recognition is more effective at driving behavior because it comes with a strong emotional boost and aligns employees most closely with your values. A study from the Cicero Group has also shown that recognition is more effective at increasing engagement, performance, and innovation than an additional bonus of 5% of salary, and we know that those factors are strong contributors to retention.<sup>7</sup> Pay-for-performance and recognition and reward programs are natural partners that ensure more fairness and positivity across the board. We recommend putting at least 1% toward your recognition programs for maximum impact.

**FIVE**

## Treat development and feedback as a benefit.

Employees see development as a benefit. According to the SHRM 2018 Employee Benefits Report: "The majority of employees (86%) indicate that professional and career development benefits are important to overall job satisfaction, making investments in these types of benefits pertinent to a strong benefits strategy."<sup>8</sup> It's also clear from the statistics shared above that career development is the biggest contributor to voluntary turnover, so comp & bens cannot afford to overlook it. Ensure that your organization is paying close attention to employee development – not just as a function of annual performance reviews and salary increases, but also on a day-to-day basis. Feedback should also be treated as a fundamental part of your total rewards package. Advocate for your teams to get the tools they need to power employee-requested peer and manager feedback, advanced mentoring, objective-setting, and regular check-ins.



**SIX**

## Invest in strong connections among employees.

People don't stay with companies. They stay with teams, managers, and most especially, co-workers.<sup>9</sup> Gallup has directly linked having friends at work to engagement and retention.<sup>10</sup> So to create a truly sticky culture and get the most impact for employee spend, comp & bens teams should be investing some money into initiatives that help to emotionally connect people at a human level. This includes allocating funds to employee-driven events, team building, team recognition, and anything that helps create a layer of positivity and good will that will help productive relationships flourish. This may include supporting affinity groups and ERGs in your organization, or giving employees the opportunity to celebrate one another's personal milestones and life events.

**SEVEN**

## Don't put loyalty on auto-pilot.

Onboarding isn't the only time when we are in danger of losing great employees. The median number of years that wage and salary workers have worked for their current employer is 4.6, according to the Bureau of Labor Statistics.<sup>11</sup> When we look closer at the data, studies show that employees get restless at just about every anniversary – with spikes in turnover not only around five years, but also at one, two, three, and four years of service.<sup>12</sup> Invest in milestone programs that actually renew employee commitment by reminding them of the difference they've made. That means funding anniversary experiences that are not simply handing over a letter and a catalog gift, but that actually leverage the power of peer-to-peer shared stories and memories to remind people why they stay and encourage them to renew that commitment every year.



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Comp & bens organizations have a tremendous influence on the employee experience, and the power to drive real employee commitment and engagement in every organization – so be sure you're exploring all the innovative solutions you have available to drive retention. Remember, you don't need to solve the talent crunch by always throwing top-dollar offers on the table. Even the allocation of a very small portion of your budget to an employee recognition program could see a huge ROI impact on your turnover rates.

## ENDNOTES

- 1 <https://www.businesswire.com/news/home/20180501006594/en/Work-InstituteReleases-National-Employee-Retention-Report>
- 2 <https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html>
- 3 <https://www.businesswire.com/news/home/20180501006594/en/Work-Institute Releases-National-Employee-Retention-Report>
- 4 <https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2018/introduction.html>
- 5 <https://www.payscale.com/compensation-today/2017/07/7-tips-moving-pay-for-performance-culture>
- 6 <https://docplayer.net/18667331-The-effect-of-performance-recognition-on-employee-engagement.html>
- 7 <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2018%20Employee%20Benefits%20Report.pdf>
- 8 <https://smallbusiness.chron.com/importance-relationships-workplace-10380.html>
- 9 <https://www.gallup.com/workplace/236213/why-need-best-friends-work.aspx>
- 10 <https://www.bls.gov/news.release/pdf/tenure.pdf>
- 11 <https://blog.entelo.com/new-entelo-study-shows-when-employees-are-likely-to-leave-their-jobs>
- 12 <https://blog.entelo.com/new-entelo-study-shows-when-employees-are-likely-to-leave-their-jobs>

**Want to learn more about how we can  
help impact your retention numbers?**

**Let's talk.**

## ABOUT WORKHUMAN

Workhuman® is the world's fastest-growing integrated Social Recognition® and continuous performance management platform. Our human applications are shaping the future of work by helping organizations connect culture to shared purpose. With a consistent stream of gratitude fueling unparalleled, provocative workplace data and human insights, Workhuman® Cloud is a critical software engine for global companies seeking to motivate and empower their people to do the best work of their lives. Workhuman (formerly known as Globoforce) was founded in 1999 and is co-headquartered in Framingham, Mass., and Dublin, Ireland.

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