

Defining Employee Retention Strategy

Employee retention refers to the strategies and processes a business develops to keep its top talent and mitigate turnover risks. Employee retention and turnover is *a* leading workforce management challenge for many businesses and human resources (HR) professionals, creating significant operational costs for employers and compromising their growth and profit

Average employee turnover rates vary by industry, from less than 20% in public-sector roles to more than 60% in professional services and construction, according to the South Africa Labor statistics. Certain sectors that tend to employ many first-time, part-time, seasonal and student workers such as retail, restaurants and hospitality are particularly prone to extreme attrition

Individuals leave their employers for many reasons, among them, they may find a different or better job, they move, they go back to school or they retire, some are fired or laid off while all of these are examples of turnover, employee retention focuses on voluntary turnover as opposed to involuntary turnover (e.g., getting fired or being dismissed)

Importance of Employee Retention relating to HR

A comprehensive human capital management strategy includes a well-thought-out plan for retaining valuable employees any business took time to recruit, onboard and train. It makes sound business sense. The cost to replace an employee can range from one-half to two times the employee's annual salary. The business culture, employee satisfaction and other soft costs add up to it too

Businesses that fail to prioritize employee retention clearly pay a steep price, however, those that invest in improving employee retention and addressing turnover risks reap significant rewards. They report sales growth, improved productivity and work quality, as well as higher employee morale

Employee retention initiatives and related data can most efficiently be managed with a human resources management system (HRMS). The set of HR software applications helps with every

step of the employee lifecycle from candidate management to onboarding and employee engagement. The tools will help and assist any business to understand turnover rate, and track the progress of any measures you take to address possible issues

Benefits of Excellent Employee Retention Strategy

1. Cost Reduction

   Large South African employers spend over of R5 million on finding and recruiting replacement of employees annually, costs include advertising, interviewing and screening. Onboarding expenses, like training and management oversight, also add up

2. Morale Improvement

   A revolving door environment can dampen employee morale. Aside from lost connections, employees who remain may have to take on heavier workloads or responsibilities. As a result, their motivation and satisfaction can also nosedive

   Just as concerning is the contagious nature of turnover. Employees may decide to leave because they notice others are job hunting, talking about quitting or actually leaving the business

   Businesses with successful employee retention programs can lift employee morale, enable greater connectedness and engagement, and create contagions of positive emotions in the workplace

3. Experienced Employees

   One crippling cost of high turnover is the loss of institutional knowledge, skills and relationships within the business and with customers and partners that disappear when an employee exits. The business also loses the potential value the employee could have delivered, also known as the opportunity cost. When senior employees depart, the loss can impact succession planning as well. These employees particularly top performers or those with core or scares skills are often at risk for turnover even in times of high unemployment. Businesses that focus on retaining more senior or experienced employees see significant returns as these professionals are opted to solve complex issues on their own, which benefits the business

4. Recruitment and Training Efficiency

   Replacing an employee carries significant costs., when a business finds qualified employees and successfully recruits and onboards them, they have to be trained. Should a new hire leave, all that money goes down the drain

   By focusing on employee retention, recruiting costs can be dramatically reduced. Another consideration is to recruit internally. The cost to train and reskill an employee from within can save business tens of thousands of rands per person

5. Increased Productivity

   Persistent turnover causes a host of issues for employers. The most immediate impact is loss of productivity and on average, it can take a new hire one to two years to reach the productivity of an existing employee. In addition, new hires need time to build relationships with co-workers and customers. An understaffed environment also causes problems of its own — among them, employee overtime and burnout, lower work quality and delays

   Effective employee retention can save a business from productivity losses, while high-retention workplaces tend to employ more engaged workers who, in turn, get more done. Engaged employees are more likely to improve customer relationships, and teams that have had time to coalesce also tend to be more productive

6. Better Customer Experience

   Customer experience is a customer's perception or opinion about their interactions with a business, from their first interaction to post-sale support. These interactions depend on employees whose own experiences can impact how they engage with customers.

   This is where turnover can take a toll, for example, new employees might take longer to get things done, may be less adept at problem-solving and are more prone to customer service mistakes all of which can damage the customer experience. In turn, customers might share their negative experiences, putting the business reputation at risk. On the other hand, satisfied employees typically have higher morale and capabilities that shine through when working with customers

7. Improved Corporate Culture

   The perceptions, preferences and behaviours of people who work at a company form its corporate culture, which plays an indisputable role in recruiting and retaining the right people. When an employee leaves, others will often wonder why and perhaps start to question their own loyalty to the business or conversely, when engaged employees who are aligned with business culture stay, they strengthen the business ethos and environment

8. Better Employee Experience

Employee experience is an employee's perception of their interactions within a business from when they first applied for a position to when they leave. It also takes into consideration each person's relationships with co-workers, managers and customers. A positive employee experience often fuels productivity and fosters more positive customer experiences, which can lead to greater customer loyalty

*NB Please do reach out to us for information on how we can fuel your Business on Retention Strategies