

THE REAL COST OF EMPLOYEE TURNOVER

and the role benefits play in retention





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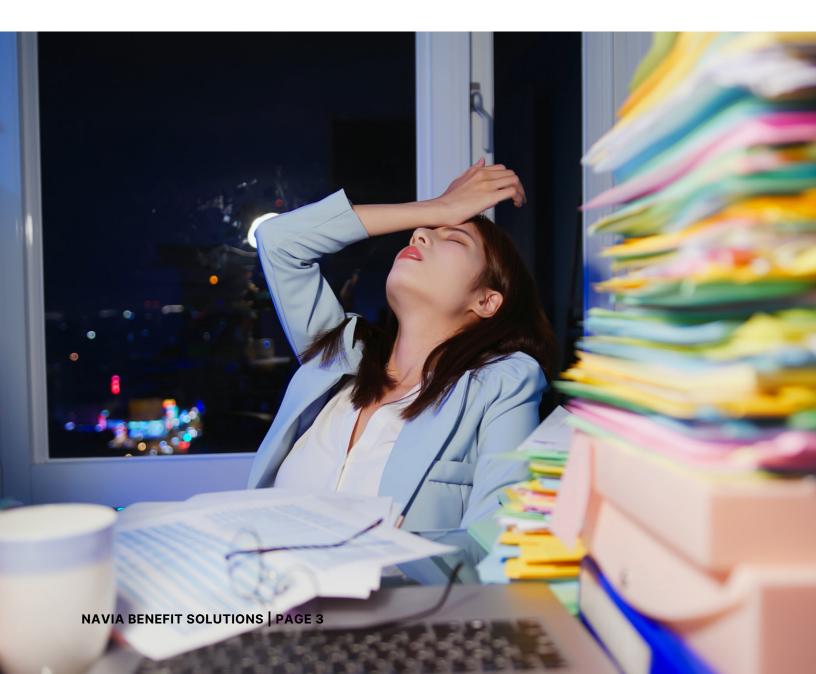
Open enrollment strategies





Introduction:

Employer costs to replace employees who leave are staggering. Every year companies spend billions to recruit, hire, and train new employees. What are the tangible and intangible costs of worker turnover, and can employers do anything to reduce those expenses?



Cost of employee replacement: High and getting higher

Employer costs to replace employees who leave are staggering. Every year companies spend billions to recruit, hire, and train new employees. What are the tangible and intangible costs of worker turnover, and can employers do anything to reduce those expenses?

There are many factors that contribute to the cost of replacing an employee. Here are just a few:

- Separation costs Exit interviews, benefits pay, admin time, and unemployment tax
- Replacement costs communication and advertising of open positions, interviews, background checks, exams, testing, relocation costs, and hiring bonuses
- Training costs orientation, job instruction, mentor time, materials, and equipment
- Lost productivity performance differences, lost business, loss of customer service, loss of institutional knowledge, and decreased productivity by current employees
- Overtime for other employees and temporary staffing
- Other risk of legal action, company reputation damage, and decreased morale among existing workers

Studies on how much it costs to replace an employee range anywhere from 15% of annual salary for lower paid positions to 50-125% for higher paid positions.¹

For example, a \$50,000 annual salaried employee costs an average \$7,500 to replace (assuming a 15% cost to replace).

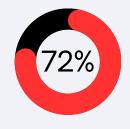


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Why do employees leave, what can be done about it?



Of new hires are running away from a job



Pay increase for job hoppers



Pay increase at existing company

Studies reveal 72% of new hires are running away from an old job. Reasons given for leaving include poor relationships with supervisors, lack of engagement, and excessive workloads.

A study by Pew Research discovered that the number one reason for leaving a company was the lack of opportunities to advance.²

It's interesting that money is not listed as the top reason for making a change, even though an employee who jumps ship often gains a 10% raise versus about 3% if they stayed. ²

The benefits companies offer can ensure a quality experience for employees and can help alleviate some of the reasons workers

The right benefit mix can foster **employee satisfaction**

give for leaving, thus keeping them fully engaged with the company and making it less likely they'll seek alternative employment.

Benefits that foster employee satisfaction and retention include any benefit that renders financial aid, promotes well-being, and helps the employee grow as an individual and worker. Below is a list of benefits that are proven to aid in employee retention and a description of why they work.





Financial Assistance: It never hurts to put more money in pockets

Benefits that speak to financial assistance ring loud and clear in these economic times. Ben Franklin was on point when he said a penny saved is a penny earned. Here are some of the most popular benefits that put more money into employees' pockets.

Flexible Spending Accounts, Health Savings Accounts

These programs eliminate 30-40% in income and payroll taxes on money spent for out-of-pocket family medical, dental and vision costs. When an employer sponsors and encourages these programs, it indicates that the company cares about the worker and his family.

A Day Care Flexible Spending Account allows workers to eliminate the same taxes on dependent day care costs. Since day care is one of the biggest items in the family budget, this can give parents the option to work.

Health Reimbursement Accounts

A Health Reimbursement Account (HRA) allows employees to be reimbursed for specific expenses. Often, an HRA is used to mitigate the company medical plan's deductible costs. Some HRAs emphasize wellness and reimburse the employee for family health costs.

The employer decides what expenses the HRA reimburses. A Scheduled HRA (SHRA) is closely linked to the company health plan and helps cover things like deductibles and copays.

GoNavia Commuter Benefit

To encourage mass transit, the GoNavia Commuter benefit eliminates payroll taxes when an employee takes mass transit to/from work or has work-related parking expenses.

Tax savings are also 30-40% and employees have found this program easy-to-use and fiscally sound.



Financial Assistance cont.

Student loan repayment plans

Student loans remain a big factor in many employees lives. There are millions of workers with outstanding student debt. With payments scheduled to restart in the Fall of 2023, some 40% of student loan holders say they aren't sure they can make their loan payments.

Employees who are struggling financially don't make the best employees, so many companies are looking to provide pre-emptive relief by offering student loan repayment programs. Employers can provide up to \$5,250 tax free per employee through 2025. Employers and employees share in that tax savings, with the employee receiving the bulk of the savings.

CASE STUDY

FSAs attract, keep quality employees at Westside Health

Westside Community Services, one of the oldest community-based mental health agencies in the US, offers Flexible Spending Accounts and the GoNavia Commuter benefit to attract and retain top-notch social workers, doctors, and other employees.

The Healthcare FSA helps ensure employees of the San Francisco area agency get the self-care they deserve after serving clients all day in high-stress situations.



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Lifestyle Spending Accounts gain in popularity as workers redefine work/life balance

Lifestyle Spending Account

Heavy workloads can force an employee to seek new employment. In addition to reshuffling work, companies can battle this problem by implementing programs that encourage a balance between work and home life.

To encourage work/life balance and overall well-being, some companies have rebranded wellness programs as Lifestyle Spending Accounts (LSAs), expanding the types of reimbursable expenses to include ski passes, weight management/reduction programs, personal trainers, stress reduction classes and nutritionists.

In addition, a growing trend is for employers to provide a pot of money for employees to spend on any number of categories.

For example, Uplift, a California-based financial institution, seeds its employees' LSAs with money at the start of the year. Employees spend that money in any of their six LSA categories: professional development, charitable donations, tuition reimbursement, vacation savings fund, student loan repayment, and home office extras.

CASE STUDY Uplift LSA promotes loyalty

Uplift, a financial services firm headquartered in Sunnyvale, CA, uses their Lifestyle Spending Account to promote employee loyalty and attract new workers.

"The work/life balance is embedded in our culture." Employees are provided with funds each year to spend on what's important to them.

Their choices include charitable contributions, professional development, tuition reimbursement, student loan repayment and a vacation savings fund.



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Professional development promotes 'sticky' employees

Professional Development, Tuition Reimbursement

Employees are more apt to stay when they see an upward growth path at the company. Human Resources departments can take advantage of that desire for advancement. They can reward affiliations and accomplishments seen as career enrichment programs.

Tuition reimbursement programs can be tailored to company goals with specific classes allowed. Since there are legal compliance rules regarding the tuition reimbursement program and the student loan repayment program, please consult a Navia team specialist for guidance.





Communication is key



Once you have a solid benefit solution in place, it's important to make sure your employees understand the value of their benefits package. Shockingly, about half of employees say they don't fully understand their benefits and compensation.

This woeful lack of understanding leads to a lack of appreciation. It's no wonder employees are finding the grass greener on the other side of the fence when they can't see the green in their own backyard!

59% of employees do not fully understand their compensation and benefits program and wish their employer provided better communication about it.³



Good education



Effective engagement

Two biggest contributors to increased enrollment

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Employee Benefit Statements emphasize the big picture

To remedy that lack of appreciation, employee communication is key. Smart employers are now providing Employee Benefit Statements, also known as Total Compensation Statements or Total Benefit Statements.

These are individualized benefit statements that clearly and colorfully summarize the significant contribution your company makes to the employee's well-being and financial security.

Often an employee simply sees deductions from their paycheck. They don't recognize the company contributions that take the form of social security match, retirement fund matches and much more. These contributions total some 30% of the employee's overall compensation.

Employee Benefit Statements are a transparent look at the pay and benefits that help increase job satisfaction, promotes company culture, and ultimately help retain talented employees.





Open Enrollment Strategies:

Employers are also using open enrollment strategies to educate employees on their benefits. Since the average employee participation rate in some of these benefits is just 20%, boosting that rate improves employee engagement and ultimately employee retention rates.

Extensive Navia research show what works--and what doesn't--to increase Open Enrollment participation in FSAs, HSAs, commuter, and similar benefits.

Navia sees an average 9-16% annual increase in FSA and HSA participation when employees participate in a benefit education activity.

Webinars see an average 16% increase and direct email campaigns see an average 9% increase.

Companies who do nothing see an average 5% increase. Worse, those who host a traditional, in person benefit fair see less than a 3% increase.

While there are many reasons workers choose to leave, companies can offer benefits that promote financial stability, worker well-being, and career growth to counter the high cost of employee turnover. Furthermore, the value of these benefits and the merits of participation should be effectively communicated with transparent Employee Benefit Statements and a robust open enrollment plan.

Money saved by reducing turnover rates can be poured back into employee benefits, expanded manufacturing capability, stockholder dividends, or simply retained as profits!

For details on Navia Employee Benefit Statements, <u>click here.</u>
For details on Navia Open Enrollment programs, <u>click here.</u>

Education webinars and email campaigns have the biggest impact on boosting enrollment



Benefit Webinars

16%



Email Campaign

9%



In-person event

3%



No activities

5%





Benefits help stem the tide of employee turnover

Overall, comprehensive and well-designed benefit packages have a significant impact on employee retention. When employees feel valued, supported, and rewarded by their organization, they are more likely to stay for the long term, reducing turnover and associated costs while fostering a positive and productive work culture.

Resources

- 1. Employee Retention: What Does Your Turnover Rate Tell You? https://www.business.com/articles/employee-turnover-rate/
- 2. 9 Reasons Your Best Employees Are Quitting, https://www.uschamber.com/co/run/human-resources/top-reasons-why-employeesquit
- 3. How Employers Can Maximize Their Benefits ROI https://www.metlife.com/workforce-insights/effective-benefit-communications/

Ready to boost your benefits experience?

Request a quote from Navia anytime and we will respond promptly with the help you need! Request a Quote here.

