

The Economics of Retention
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One of the benefits of developing passionate, loyal employees is that they are more likely to remain with a company for many years. From an economic perspective this just makes good business sense.

The Incentive Marketing Association has published a paper entitled “The Economics of Retention” which addresses some of the reasons for retaining a loyal workforce.

<http://www.incentivemarketing.org/associations/2592/files/Employee%20Retention%20with%20PIC.pdf>

The study considers not only the obvious costs of losing an employee, such as the time and money associated with interviewing, evaluating and selecting new employees, training of new employees and not having an employee in the job when needed, but also examines some of the hidden costs of turnover. These include pre-departure costs (reduced productivity of an employee who is discontented and using company time to search for another job), termination costs (exit interviews, security precautions, pay calculations, unemployment benefits, severance, vacation, retirement and extended benefits pay) and vacancy costs (lost sales or productivity while the position remains vacant).

The paper also considers the theory that some CEOs secretly like turnover because it keeps the employees on the low end of the pay scale, thereby saving money on higher salaries.

This study is only four pages, makes for great reading and reinforces my assertion that loyal employees not only maintain continuity in a business but also keep a business in the black.