
Your Guide to Improving Employee Turnover



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Edition By

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Introduction

Turnover costs are a constant concern and challenge for business owners and stakeholders. When an employee leaves a company, the cost to replace them can be more than a year's worth of their salary.

Companies with high turnover rates usually experience corresponding issues that can put them at a competitive disadvantage:

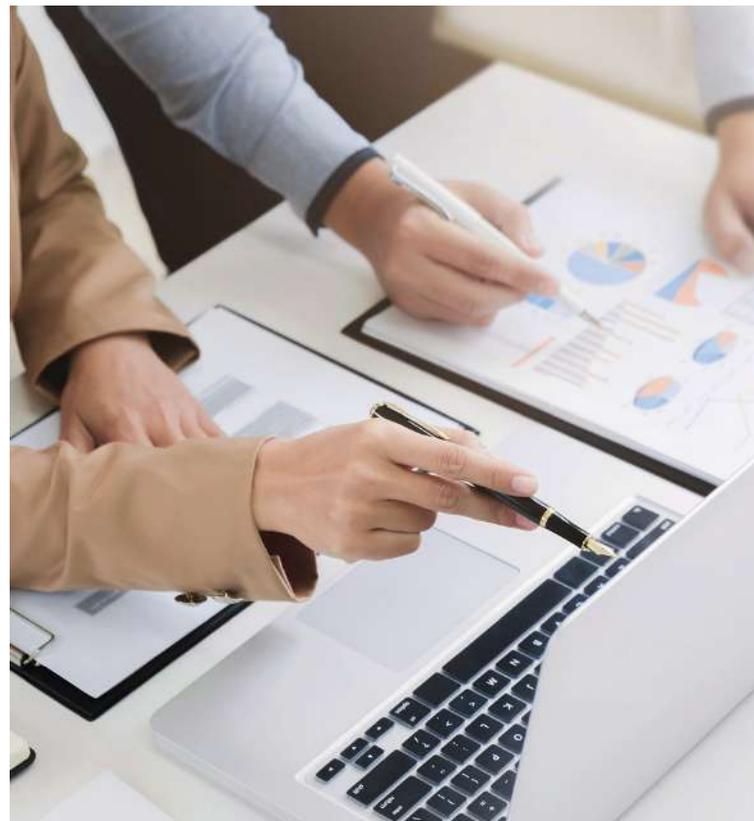


Getting to the bottom of what causes employee turnover is critical for employers to create an employee experience that others want to be a part of, rather than run from.

Unfortunately, solving turnover is notoriously difficult for employers, because there isn't a one-size fits-all solution. It demands a Total Rewards strategy that is flexible enough to meet the needs of several generations and demographics in your workforce.

On-Demand Pay should be an essential consideration in your Total Rewards strategy to reduce turnover and because of the effects it can have on your broader organization.

The goal of this eBook is to highlight key considerations regarding employee turnover and five ways that on-demand pay can play a key role in your Total Rewards strategy to help you improve the acquisition, engagement and retention of top talent and subsequently help you compete more effectively well into the future.



The True Cost of Turnover

The entire turnover conundrum comprises both hidden and visible costs for a company.



Hidden Costs of Turnover

Turnover is a byproduct of disengaged employees. As such, companies start to lose money on employees long before they actually jump ship in the following ways:

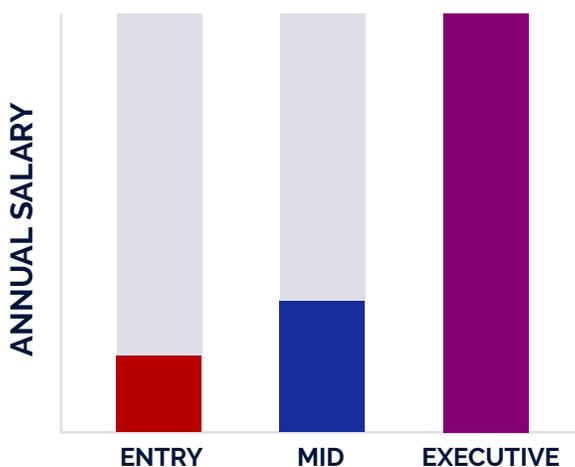
- ✓ Lost productivity
- ✓ Decreasing employee morale
- ✓ Increased absenteeism costs
- ✓ Costs of losing a tenured employee
- ✓ Decreased quality as employees care less



Visible Costs of Turnover

In addition to the costs that businesses incur prior to an employee's exit, there are the very visible costs to a company's bottom line:

- ✓ Recruiting costs to replace employees
- ✓ Productivity lost from vacant positions
- ✓ The cost to onboard and train new employees
- ✓ Time and money associated with ramping up new employees



16%

ENTRY-LEVEL

Entry-level positions cost approximately 16% of an annual salary to replace

20%

MIDLEVEL

Midrange positions, like a manager, cost approximately 20% of an annual salary to replace

200%

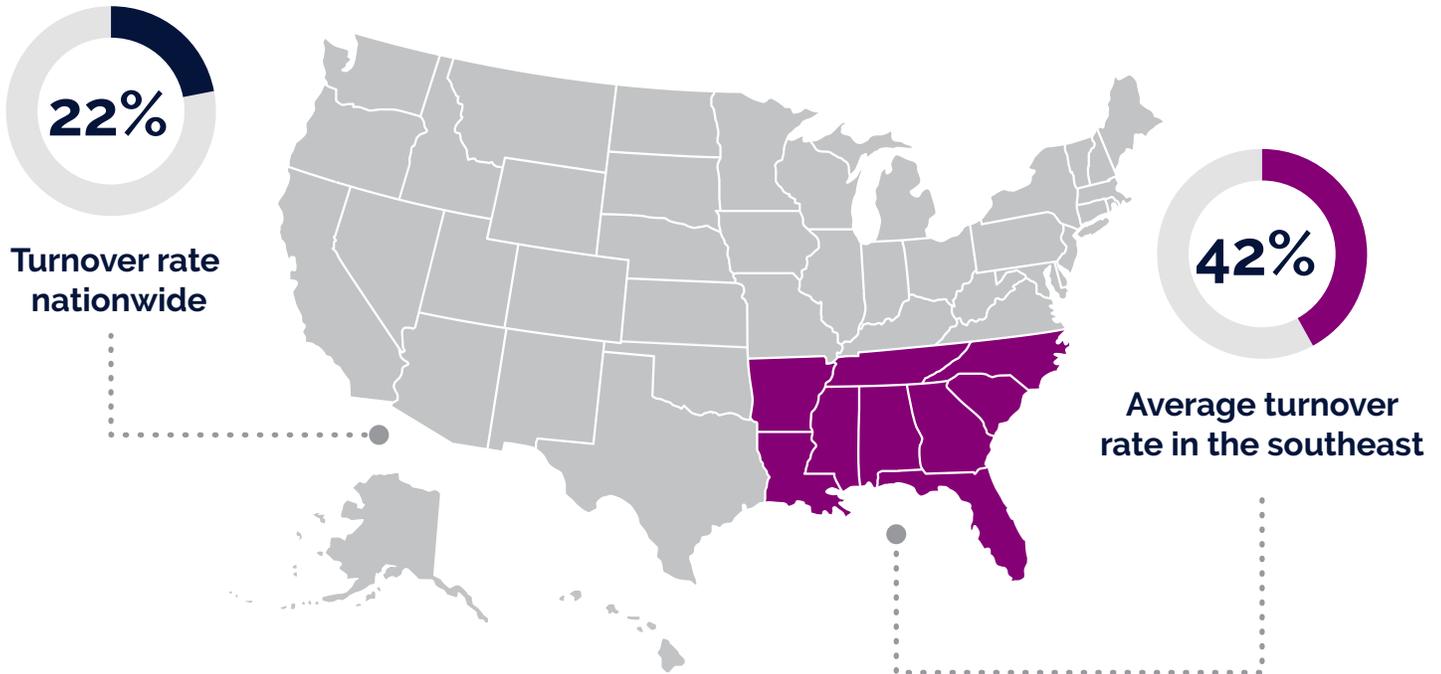
EXECUTIVE

For highly skilled or executive-level positions, it can cost over 200% of an annual salary to replace

Section Two

Turnover Statistics

The total cost of turnover for a company will depend on how many employees leave an organization each year. However, the average cost of turnover is over \$4,000 per new hire.



According to the North America Mercer Turnover Survey, U.S. companies had an average turnover rate of 22% in 2018; the Southeast had the highest total separations with an average rate of 42% throughout the year.

45%

average annual turnover

In 2019, nationwide, the average annual turnover was 45% with the average in the leisure and hospitality industry going as high as 79%

10 years

With turnover higher than it's been in 10 years, employers need to look for alternative solutions to deal with this issue.

75%

of turnover is preventable

75% of turnover is preventable, but companies cannot address the causes of turnover if they don't know what they are.

Turnover can also occur when an employee's psychosocial needs aren't met. These needs differ greatly for employees of different age groups.

Generation-specific issues are broken down as follows:



Baby Boomers

Baby Boomers are retiring at much faster rates than ever before since the start of COVID-19 pandemic. In the third quarter of 2020, 28.6 million Baby Boomers reported that they were out of the workforce due to retirement, a 13% increase versus the same quarter in 2019.

Keeping Baby Boomers on board longer requires offering schedule flexibility, engaging benefits and continued learning opportunities.



Generation X

Research has shown that Generation X (Gen X) employees look for organizations that respect the following characteristics:

- ✔ **Autonomy**
- ✔ **Independence**
- ✔ **Self-reliance**

If Gen X employees feel like they are being micromanaged, or that they have little say in workplace decisions, they are more likely to turnover. To keep Gen X employees around, employers must cater to their individualism and entrepreneurial spirits.



Millennials

Millennials are already known job hoppers, as 21% of millennials say they've changed jobs within the past year. This is 3x higher than generations outside of the demographic, which can be alarming, considering that they currently make up 50% of the workforce. As millennials search for better opportunities, they are looking for positions that offer:

-  **Health & wellness programs**
-  **Support & feedback**
-  **Social consciousness**
-  **Workplace flexibility**
-  **Coaching (but not micromanaging)**
-  **Strong workplace culture with collaboration**

Understanding millennials' need for a strong work-life balance is one way to cater to this demographic.



Generation Z

Generation Z (Gen Z) currently makes up about 25% of the workforce, and we know a bit about their expectations from employers. For this age group, it boils down to:

- ✔ **Money**
- ✔ **Job security**
- ✔ **Opportunity to advance**

By investing in Gen Z, you are investing in long-term employees who are unlikely to turnover due to their need for job security and desire to advance.

The Value of On-demand Pay In Your Strategy

When thinking about the most effective ways to reduce turnover, consider a solution that will fit into your Total Rewards Program, which generally consists of the following five pillars:



Compensation



Benefits



Employee Well-Being



Employee Growth and Development



Employee Rewards and Recognition

The solution that easily addresses all five pillars is on-demand pay and DailyPay is the recognized gold standard in the on-demand pay industry.





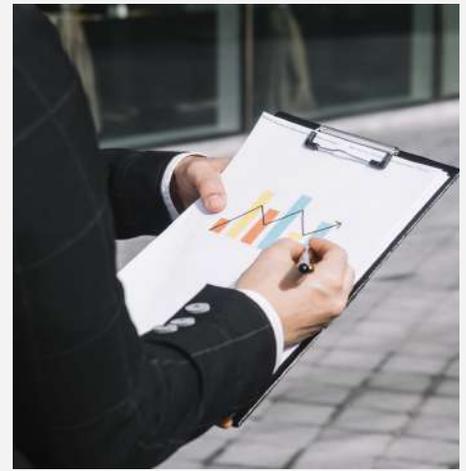
Compensation

Compensation not only involves how much an employee gets paid, but how often. Almost 80% of Americans live paycheck to paycheck, which causes financial stress and negatively affects performance and productivity.

How can compensation address some of these issues? By compensating differently. By providing employees with an on-demand pay benefit, you give your employees control over their pay, helping them to avoid racking up more debt and providing them a safety net for emergencies. 57% of employees say they would stay longer and work harder at a company that offers on-demand pay.

Benefits

Another key way to increase retention rates within your company is to provide a competitive benefits package. Offering your employees DailyPay dramatically increases employee engagement, productivity and retention — and it costs employers nothing to implement — something that is sure to please everyone from the top down. More than half of employees think that on-demand pay is a better benefit than paid time off. So why not give your employees the zero-cost benefit to you that will make them stay?



Employee Growth and Development

Empowering your employees financially sets them up for success and helps them to develop healthy financial habits. According to the same survey mentioned above, 50% of survey respondents stated that DailyPay has helped them be more disciplined about spending and 46% said DailyPay has helped them to save more.

DailyPay's SAVE product allows employees to move their earned income into a savings account before payday, encouraging them to start on a path to better financial wellness and to develop a sound savings habit.



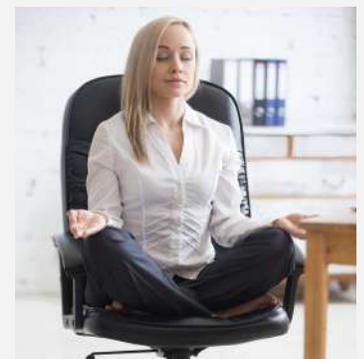
Rewards and Recognition

Recognizing an employee for their hard work or a job well done can be as important as compensation when it comes to retaining employees. According to Forbes, nearly 90% of employees who received recognition or thanks from their boss in the past month indicated higher levels of trust in that boss.

DailyPay's REWARD product allows managers to disburse compliant spot bonus awards immediately, inspiring employees to perform at their best and creating yet another powerful employee experience.

Employee Well-Being

Employees are looking to improve their work/life balance and reduce their stress levels. 12% of financially stressed employees have missed work because of their financial stress. When employees come to work stressed, they perform poorly and much less efficiently. These stats from a recent DailyPay user survey demonstrate how access to pay on-demand helps to reduce employee stress:



Conclusion



Turnover is a significant issue that directly affects not only your company's bottom line, but company culture and employee morale as well. DailyPay's on-demand pay platform provides, on average, a 45% reduction in turnover in DailyPay users, and it costs nothing to implement. It can add significant value to your Total Rewards Program and result in significant increases in retention rates.



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