



# Reducing Labor Costs

From hiring to retention





# Table of Contents

Introduction .....	3
How to Calculate Labor Costs .....	4
Tips for Managing Your Recruiting Budget .....	10
How to Reduce Your Cost of Hiring an Employee .....	16
Highly Effective Strategies for Employee Retention .....	25
Conclusion .....	30

# Introduction

As an award-winning and nationally recognized professional staffing agency, we understand the importance of managing labor costs for businesses of all sizes. The costs of hiring, training, and retaining employees can quickly add up, but with the right strategies in place, you can minimize these expenses and improve your bottom line.

In this eBook, we provide practical advice on four key areas to help you reduce labor costs.

**First**, we cover how to calculate labor costs, which involves understanding the various components, such as wages, benefits, and taxes. By gaining a comprehensive understanding of your labor costs, you can identify areas where you can potentially cut expenses without sacrificing the quality of your workforce.

**Next**, we dive into managing your recruitment budget. We offer advice on allocating your resources effectively, such as determining where to spend

money on job postings or recruitment agencies, and how to use technology to streamline your recruitment process.

**Third**, we discuss how to reduce the costs of hiring an employee, which can encompass everything from sourcing candidates to conducting interviews, negotiating salaries, and offering benefits. By implementing the right strategies and processes, you can reduce the costs associated with hiring while still finding the best candidates for your organization.

**Finally**, we explore how to improve retention, which is crucial for reducing labor costs over time. We offer tips on

creating a positive workplace culture, providing competitive benefits, and implementing effective employee development programs to keep your employees engaged and motivated.

At 4 Corner Resources, we believe that relationships, resources, responsiveness, and results are the keys to providing effective workforce solutions. We hope that this eBook provides you with valuable insights that you can use to reduce your labor costs and improve your organization's performance!



01

# How to Calculate Labor Costs



Knowing how to calculate labor costs is essential to running a profitable operation, since labor is by far the largest expense most businesses face.

Specific costs vary by industry, but in some fields, they account for as much as 70% of total expenses. According to the [latest BLS data](#), the average non-government worker costs employers \$45.38 per hour worked. For government workers, that number jumps to \$64.00 per hour.

If you do not have a reliable labor cost formula, there is no way of knowing how much each additional employee actually costs your organization. Without this information, it is impossible to accurately project your current and future hiring capabilities.

You cannot properly price your goods or services if you do not know the labor cost associated with producing them.

While calculating labor costs may seem straightforward, many businesses take an approach that is too narrow, merely accounting for the cost of employee wages. This is part of the labor cost formula; however, your true labor cost encompasses the *full* range of expenses associated with attracting, onboarding, training, and retaining your employees. This also includes payroll taxes, benefits packages, and other expenses associated with employees, such as office space and equipment.

Here, we will discuss how to calculate labor costs thoroughly and accurately, along with a breakdown of all expenses you should account for.

## Why Calculate Labor Cost?

You wouldn't sign a contract for new office space without doing the math to see if you could afford the monthly rent, right? Likewise, you should not hire a new employee before you fully assess whether the benefits of hiring them will outweigh the financial cost.

As companies grow, many run into trouble when they overestimate their staffing needs or underestimate the true cost of labor. In the best-case scenario, this hurts profits, and in the worst-case scenario, it results in layoffs.

Using a labor cost formula gives you a precise dollar figure for what every hour of labor directly costs your organization. With this number in mind, it is much easier to work out how many full-time and part-time employees you can afford to bring on board, rather than guessing.

Knowing your labor costs helps you set optimal prices, which maximizes your profits. If you underestimate your labor costs, you will set prices that are too low and wind up with margins that are not feasible to stay in business. If you overestimate labor costs, you will set prices that are too high and will not be able to compete in the marketplace effectively. Labor costs should be considered alongside the cost of goods sold when you are deciding how much to charge.

Finally, calculating your labor costs helps you pinpoint revenue leaks that are eating into your earnings. Some examples include employee cell phone usage, company vehicle mileage, and hiring costs. Monitoring spending trends in these areas can also help you flag potential fraud.

## How to Calculate Your Labor Cost

Now that we have established why getting an accurate read on your labor cost matters, here are six categories of expenses you need to factor into your labor cost formula.

### Recruitment

You begin accruing labor costs before you even hire your first employee. After all, maintaining a website, promoting job listings, participating in job fairs, and conducting other recruiting activities all cost money. Some niche roles will likely cost more to fill, while other roles, like entry-level positions, cost less. The average amount it costs to attract an employee for any role is known as the **cost-per-hire**.

Recruiting costs are calculated by summing all of your internal and external recruiting expenses. Some common recruiting expenses to include in your calculation are job board fees, background checks, drug testing, career fairs, setup and maintenance of your careers page, and fees paid to recruiters.

### Wages

This is the most obvious employee expense, and it is pretty straightforward. This is the total cost of salaries or hourly wages you pay to all of your employees.

Make sure that whatever unit of time you are using to measure wage costs—typically looking at the cost of employment for a full year is the simplest—you use the same time frame for all of the other categories outlined here.

### Benefits and health insurance

Employee benefits are another major labor-related expense. Of the \$45.38 hourly employee cost mentioned earlier, \$13.49 is comprised of benefits. That is roughly 30%.

Generally speaking, the more employees you have, the less your benefits will cost per employee. Health insurance premiums, employer retirement contributions, retirement program administrative fees, paid time off, and supplemental pay like overtime should all be included in your benefits calculation.

### Employment taxes

For every person you employ, your company bears a tax burden. This is comprised of federal income tax, Social

Security and Medicare taxes, and unemployment taxes. Federal income taxes are withheld from the employee's wages, so we are not including them here (as they are already covered as part of the wages category above).

Social Security and Medicare taxes are also withheld from employee wages, but the employer is responsible for paying a matching amount on top of that. Federal unemployment taxes are paid strictly by the employer. To calculate your portion of the expense for each of these taxes, use the guidance from the IRS [outlined here](#).

## Training

New employees are not typically productive right out of the gate. Rather, you are going to spend some time and money training them, and these costs should be factored into your labor expenses. According to a recent [report by Training magazine](#), U.S. businesses spend an average of \$774 annually per employee on training.

When calculating your training costs, consider the expenses for travel, training materials, equipment, software, and other digital programs, as well as payment for outside assistance. If you want to get even more precise, you can also include the loss of productivity, i.e., the amount of money you are not earning because the employee is not yet fully productive. These figures may be more readily available in certain fields, such as sales, while they are less quantifiable in others, like service-based businesses.

## Overhead

You are probably familiar with overhead expenses like rent and utilities, and you might think these are separate expenses from labor costs. In fact, though, your overhead is directly tied to the number of employees you have. The more people you hire, for example, the more desks you need and the more square footage of space you will require, so it makes the most sense to include overhead as part of labor costs.

Some items to factor into your overhead costs include the cost of your physical workspace (such as mortgage or rent), property taxes, utilities, office supplies, equipment, and maintenance. If you provide company vehicles, cell phones, laptops, or other devices for employee use, these should be included as well.

## Additional costs to consider

In addition to the regular, recurring costs covered above, do not forget to work in flexible costs, like seasonal or temporary labor, and one-time costs that only come up occasionally, like holiday bonuses.

Also, consider the cost of contractors like freelance graphic designers or consultants, keeping in mind that these expenses might actually go down as you add employees (like if you bring on an in-house graphic designer to eliminate the need for outsourcing).



## Labor Cost Formula

Once you have dealt with all of the categories above, it is time to add them up.

**01** To calculate your true labor cost, total the expenses in the categories above and divide the sum by the number of employees you have. This will provide you with the cost per employee annually (or your chosen unit of time).

**02** Next, you want to break this cost down by hour. To do this, divide the cost per employee from step 1 by the number of hours worked per year. Assuming a 40-hour workweek with two weeks of paid vacation, most employees work about 2,000 hours annually.

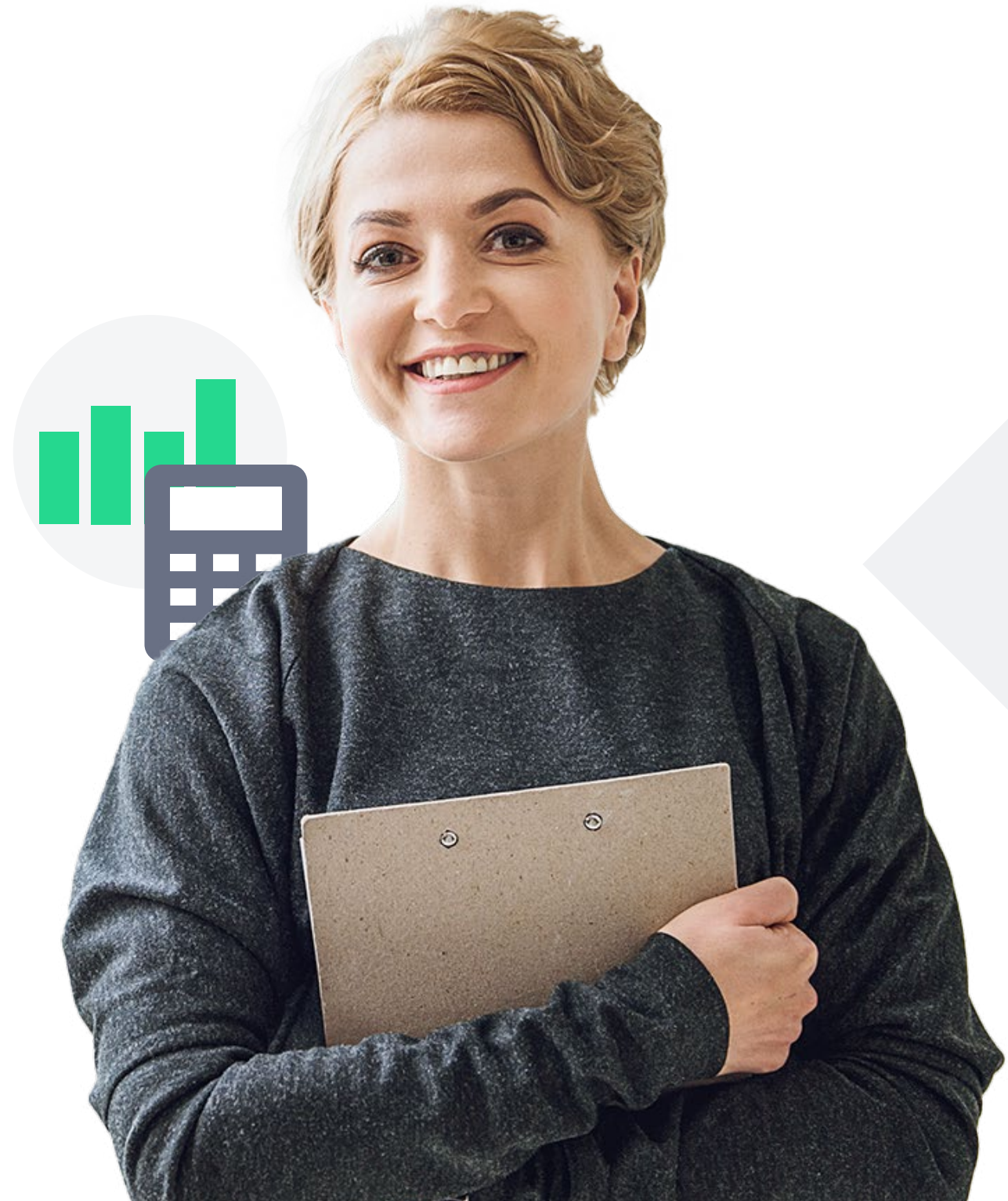
**03** This is your true labor cost per hour.

Using this figure, you can easily do the math to understand how much each additional full- or part-time employee will add to your expense sheet every year and, in turn, see whether it is a feasible expense.

QuickBooks offers a great free tool to help you perform this calculation digitally. [You can find it here.](#)

02

## Tips for Managing Your Recruiting Budget



Whether you're shopping for groceries, building a house, or running a company, you need a budget to do it successfully. We'll explain how to create and manage your recruiting budget in a way that minimizes waste, promotes high-quality hires, and helps achieve the company's goals.

## What is a Recruiting Budget?

A recruiting budget is a plan for allocating resources toward recruiting activities. It includes fixed costs, such as salaries for recruiting staff, and variable costs, including advertising, referral bonuses, and recruiting specialized employees.

Your recruiting budget will be based on the number and type of candidates you want to attract, although the organization's larger goals, like growth or cost reduction, may also come into play. Having a strategically designed recruiting budget enables recruitment managers to allocate funds effectively, supporting these goals.

## Importance of a Recruiting Budget

To understand why it's important to have a recruiting budget, we must understand the importance of recruiting itself. Your recruiting efforts directly impact the quality of the staff you hire, and the quality of your workforce defines the company's performance. Without a skilled, dependable staff, achieving the goals the company will be nearly impossible.

Having a carefully constructed recruiting budget ensures that funds are spent thoughtfully, where they will have the biggest impact, improving results year over year and eliminating waste where possible.

## What Should a Recruiting Budget Include?

Your recruiting budget should include all expenses you can plan for and leave room for miscellaneous expenses you might not be able to anticipate. Here are a few major line items in most recruiting budgets.

### **Labor/employee expenses**

For many companies, labor will be a significant recruiting expense. This includes salaries and benefits for internal staff, such as your talent acquisition and/or HR team, as well as third-party recruiters you engage.

The good thing about labor is that it's a very predictable expense. You should have a fairly solid idea of how much labor will cost you for the entire year. Barring any extraordinary circumstances, it shouldn't change much from your initial estimate.

### **Job boards**

Consider how much you typically spend to post your jobs on third-party listing sites, whether you pay per job or a monthly or annual subscription fee. If you've been paying for each posting individually, this is a great time to assess whether a subscription might be a more cost-efficient option.

### **Advertising**

This includes any time you pay to promote your job listings outside of the fee to simply place them on job boards. Things like sponsored posts on LinkedIn or Facebook and ads in trade publications fall into this category.

### **Content marketing**

Content marketing covers your initiatives to attract candidates to your open jobs organically. This might include social media, blog posts, and videos that showcase your employer brand, among other things. Consider the cost of creating content marketing materials, as well as any necessary tools, such as professional recording equipment.



## Events

Recruiting events, such as job fairs and on-campus meet-and-greets, can be a great way to connect with active job seekers. These events come with registration fees and costs for branded giveaways, also known as “swag,” as well as free giveaways. Additionally, include the attendance cost of events such as industry conferences, which help recruiters expand their professional networks.

## Technology

Technology includes all the digital tools that make your job as a recruiter easier, like apps, candidate assessments, and applicant tracking systems. It also includes setups and ongoing maintenance of the careers section of your website, as well as any other online channels you use to collect and process applications.

This is an important category to examine closely, as seemingly small subscription fees can add up when you have several recruiting employees who are each using multiple apps.

## Referral bonuses

Referral bonuses are paid to employees whose referral results in a successful hire. Historical data is useful for anticipating recruitment bonus costs.

If you're launching a referral program for the first time, you can still use data from years past to help you make an accurate cost projection. On average, 30 to 50% of a company's hires come from referrals. If you know how many employees you're looking to hire this year, you can calculate how much that translates to referral fees.



**Related:** [How to Make Your Employee Referral Program a Powerful Recruitment Tool](#)

## Miscellaneous

While you can't predict the unknown, you can at least plan for it financially. Ensure your recruiting budget has a cushion for unforeseen expenses, such as travel incidentals and unplanned job openings resulting from resignations and terminations.





# How to Calculate Your Recruiting Budget

## Determine recruiting goals

How many people will you need to hire?  
Which departments will be growing?  
What new skill sets does the company's initiatives require?

Answering these questions is the first step in managing your recruiting budget, as your goals should serve as a guide for the expenditures you incur. Having clearly defined objectives will help you decide what needs to be scrapped, changed, or added to your budget.



**Related:** [How to Set Achievable Staff Growth Goals](#)

## Look at last year's spend

Conduct a careful examination of the prior year's recruiting expenditures. Where did you receive the greatest ROI from your efforts? What initiatives fell short and can be eliminated or overhauled?

Some costs, like subscription fees, will remain the same and will be easy to carry over from one year's budget to the next. Others will be subject to changes you can anticipate, like raises or bonuses for recruiting staff.

For the rest, analyze how your spending needs to change from the previous year. For example, if one of your recruiting goals is to improve the candidate experience, you might need

to add a technology line item for a helpful chatbot on your website. If your goal is to strengthen company security, you should plan for some events to help you connect with InfoSec candidates.

## Consider cost per hire

To find your average cost per hire, divide last year's total recruiting costs by the number of employees you hired. This will give you a good estimate of how every new hire impacts your bottom line. It can also give you an idea of how your budget needs to shift up or down based on whether you plan to hire more or fewer employees this year.

Having clearly defined objectives will help you decide what needs to be scrapped, changed, or added to your budget.

## Advice on How to Manage Your Recruiting Budget

### Track and analyze KPIs

Anecdotal evidence can be helpful, but monitoring your success metrics is the only way to know which recruiting efforts are working. Make it a practice to thoroughly document your spending and the subsequent results over time and analyze these numbers regularly to ensure your budget still makes sense.



**Related:** [How to Leverage Recruiting Metrics to Improve Your Hiring Process](#)

### Consider specialized software

Spreadsheets work for managing recruiting budgets, but only to a point. Once your organization reaches a certain size, it's incredibly helpful to use an app that's designed specifically for recruiting purposes. A platform that incorporates applicant tracking

and analytics, for example, can help you make more precise budgeting decisions based on the performance of each recruiting channel.

### Don't count out the cost of time

The cost of your time is often overlooked because it's not as tangible as a flat fee for posting a job ad. However, employees' time, especially at the managerial level, is a valuable resource that costs money.

It typically takes 30 to 40 days to onboard a new employee. The more time you spend on each hire, the fewer employees you can hire without upping your recruiting staff. So, when creating your recruiting budget, it's also wise to look for investments that will help you shave days off your time to hire.

By creating a thoughtful and thorough recruiting budget, you'll ensure that funds are available to hire the best possible employees while achieving your organizational objectives.



03

## How to Reduce Your Cost of Hiring an Employee in 2025





According to a 2024 report from Deloitte, the average cost of hiring an employee for a U.S. company is approximately \$4,700. It is a necessary investment and worthwhile if you select a candidate who becomes a high-performing employee. Hiring costs are part of doing business.

Then there are the costs associated with hiring the wrong employee; these can be even steeper. When you have to let a bad hire go, you know all the work assigned to them is no longer being done. This means you may have to contract temporary or freelance employees, pay other employees

overtime to help make up their work, or fail to deliver on client deadlines. These can all result in lowered employee morale and negatively affect your bottom line.

However, there are also **hidden costs of a vacant position** that can be easily overlooked. When you make a new hire, you probably are not anticipating it to go wrong. After all, you would not have hired them in the first place if you knew they were not going to work out, right? When you have already spent valuable time and resources on interviewing, hiring, and onboarding an employee you thought was the right fit, it can be a shock to realize they actually are not. Now, you will have to repeat the whole process to find their replacement, which you likely did not factor into your budget or timelines.

# How to Calculate Cost Per Hire

You can't reduce your hiring expenditures if you don't know how much each new hire costs you in the first place. So, let's start with calculating your cost per hire.

To find your cost per hire, take the total dollars spent on hiring and divide it by the number of hires within that same time frame, like this:

Total hiring costs for Jan - Dec

---

Number of hires for Jan - Dec

The equation is the easy part. The trickier part is adding up all the expenses of hiring, both internal and external.

Here are some examples of items to include when adding up hiring expenditures.

## Internal

- Salaries of in-house recruiters
- Software (ATS, email marketing platform, etc.)
- Recurring fees (subscriptions, job board memberships, etc.)
- Employee referral bonuses

## External

- Third-party recruiters
- Ads on job boards
- Job fairs
- Candidate assessments
- Background checks
- Drug testing

Once you've factored in all of these costs and divided them by the number of new employees you onboarded during the same time frame, you'll have a firm understanding of exactly how each of those new hires impacts your budget.

## What is the True Cost of a Bad Hire?

According to a Harris study, 41% of employers reported that the cost of a bad hire exceeded \$25,000, and 25% stated it was greater than \$50,000. This was greatly dependent on the position—a role with a higher salary that requires more specialized skills and experience will have a greater cost of employee turnover because it will likely take you longer to find a qualified replacement.

Now that you know the true cost of a bad hire, you understand that hiring the wrong person for the job is not just a harmless mistake. You are probably asking yourself: “How can my business avoid these costly consequences and minimize our hiring costs overall?”

Turning to professional staffing agencies drastically increases your chances of placing the best candidate in the right position the first time around, effectively minimizing the risk of dealing with the cost of a bad hire. Between speeding up timelines and increasing cost efficiency, there are numerous benefits from a financial perspective as well.

While some companies may have the misconception that external staffing services are more expensive than in-house recruitment initiatives, utilizing professional recruiters or headhunters can actually help you reduce the high cost of hiring a new employee. Here are a few examples of how this works.



# Minimize Your Recruiting Expenses With These Insightful Strategies

## Avoid turnover

New hire turnover is incredibly costly, and it is often an expense that is not factored into your hiring budget. When a new hire does not work out, you have lost the money you put towards recruiting costs, such as interviewing, hiring, and training them. Then, you have to do it all over again. According to research by SHRM, it can take up to 50-60% of an employee's annual salary to find their direct replacement.

Professional staffing agencies and headhunters help minimize the risk of new hire turnover by utilizing their proven methods, vast resources, and staffing expertise to place the right

candidate in the right role the first time. This way, you are more likely to avoid having to pay the cost of hiring a new employee again.

## Recruit from within

Your existing staff roster is the first place you should turn when sourcing talent for an open role. Internal candidates require much less ramp-up time than brand-new ones, and they don't add any additional benefits or onboarding costs since they're already on the payroll.

Not only is it more cost-effective to recruit internally, but it's also great for morale. Promoting from within shows employees you're invested in their professional development, which in turn helps keep them from leaving the organization.



**Related: [Hiring From Within: The Dos and Don'ts](#)**

## Ramp-up referrals

Referrals are notorious for producing strong hires. Yes, they come with the cost of a referral bonus, but they eliminate much of the heavy up-front work of sourcing and screening. Plus, referred candidates tend to have more longevity than those who come to you without a connection to the company, which helps lower the potential expense of making a poor hire.

## Optimize the interview cycle

Professional recruiters and headhunters can help get your ideal candidate sourced, placed, and started on work more quickly through an expedited hiring process. At 4 Corner Resources, we aim to have a fully screened and qualified candidate for any role within 48 hours. How do we do this? By:

- Maintaining relationships with passive candidates;
- Implementing the latest AI (artificial intelligence) tools for increased speed and efficiency;



- Leveraging our Applicant Tracking System (ATS) and resume database to maintain detailed records of all interactions with candidates and job seekers; and
- Staying up to date with a vast and constantly growing network of active job seekers.

This optimized hiring process results in top candidates being placed faster, which means your new hire can finish their training and actually start producing value for your business sooner. When the average company loses anywhere between 1% and 2.5% of its total revenue on the time it takes to bring a new hire up to speed, you definitely don't want to have to extend or repeat this costly process.

### **Go virtual**

Career fairs and similar recruiting events can be highly effective in spreading awareness about your company and generating leads, but they're also expensive to attend. You can reap many of the same benefits while dramatically lowering your event expenses by participating in virtual versions of these events.

Virtual career fairs and professional networking events spiked during the pandemic and have remained popular as many found they enjoyed the simplicity and low barrier to entry offered by online events.

### **Avoided a bloated or outdated tech stack**

Technology is a valuable recruiting

tool, but the cost of apps, services, and tools adds up. Each year, you should be doing a careful analysis of your recruiting tech stack to make sure you're still getting your money's worth from each component.

Also, shop around on a regular basis to make sure you're getting the best deal. With the rapid evolution and advancement of AI, this effort is more important and worthwhile now than ever before.

The same concept can be applied to other parts of your recruiting process, as well. For example, many companies are still doing routine drug testing even though their state's laws around recreational use have changed. Evaluating whether this type of testing

The average company loses anywhere between 1% and 2.5% of its total revenue on the time it takes to bring a new hire up to speed

remains a priority may yield cost savings that can be redirected to other, more critical candidate assessment tools. candidate assessment tools.

### **Free up your in-house resources to be used more effectively**

You and your employees are already incredibly busy. When someone in-house has to **post job descriptions** on 20 different platforms and rifle through an endless stack of resumes, it takes even more of their time and energy away from the day-to-day responsibilities of their role. In fact, it is estimated that small business owners spend around 40% of their working hours on tasks that do not directly generate income, such as hiring.

Instead, consider turning to professional staffing agencies to conduct these often tedious and time-consuming front-end recruiting processes. You and your employees will then be able to focus on other revenue-driving ventures for your business, positively impacting your bottom line.

### **Have access to professional recruiters**

Many businesses may have only one person (often only partially) responsible for talent acquisition and/or hiring, and recruitment is likely not their area of expertise. On the other hand, professional staffing agencies will have a team of dedicated recruiters on hand who are highly skilled, experienced, and knowledgeable.

They can help you address unexpected or volume-based needs that your in-house team may not have the capacity to handle, such as having to hire multiple people at once or bring on contractors immediately for a project-based need.

Consider utilizing professional recruiters or headhunters to **work in tandem with your HR professionals**, rather than having them work independently. This way, you can produce the best, most cost-effective results while taking the brunt of recruiting tasks off your HR team's shoulders. cost-effective results while taking the brunt of recruiting tasks off of your HR department's shoulders.



## How Staffing Agencies Can Help With Your Hiring Costs

### **Gain access to in-depth recruiting experience and expertise**

As a business owner or manager, recruiting and hiring can become a significant drain on your time, detracting from your ability to focus on your core business. Meanwhile, professional staffing agencies have extensive knowledge of recruiting best practices and hiring trends. Among the major **benefits of working with a staffing agency** is that they can bring these insights directly to your business.

Working with an external agency can help you identify your workforce goals to form a recruitment strategy that aligns with them. Then, the professional staffing agency will source and screen

candidates on your behalf who match your requirements and expectations. This way, you are not just making hires to fill open desk spots—you are making strategic hires backed by experience and expertise.

### **Have a partner that will solely focus on recruiting**

You and your employees already have a lot of day-to-day business responsibilities to worry about, meaning that certain internal recruitment tasks often fall by the wayside. This behavior may seem minor in the moment, but it can add to the cost of a bad hire later. For example, 11% of respondents in the Harris study claimed that a bad hire was made because the candidate's references were never checked.

In this case, it was likely a time crunch that prevented these employers from checking the candidate's references.

If they had taken the time upfront, they might have caught wind of an issue that would have prevented them from selecting this candidate in the first place.

Third-party recruiters can be a valuable partner for your business because they are solely focused on recruiting, unlike your internal employees, who are busy working on numerous other priorities. Professional staffing agencies will have the proper time and resources to dedicate to sourcing and screening candidates, ensuring that no necessary steps are missed simply due to time constraints.

### **Choose from a wider pool of qualified candidates**

Reputable professional staffing agencies attract top-tier talent and therefore have access to a vast pool of qualified candidates. Working

with a recruiter who is constantly expanding their professional network and maintaining relationships with both active and passive job seekers means they can connect with those job candidates on your behalf.

For example, at 4 Corner Resources (4CR), we often source and screen hundreds of candidates' resumes for a single job opening to find the best fit. A job posted by an internal recruiting team may not yield nearly the same volume of applicants, meaning you could be missing out on your ideal employee simply because they never saw your job posting. When you are able to place the most qualified candidate in any given position the

first time around, there is no need for turnover or the costs associated with it.

**Experience an expedited hiring process (without sacrificing quality!)**

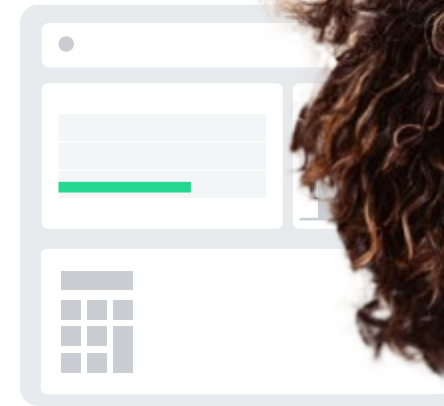
According to the Harris study, 38% of respondents who made a bad hire identified the need to fill the job quickly as the main reason behind hiring the wrong candidate. While your business wants to minimize the lost productivity from a vacant position, settling for just any replacement instead of the right placement can actually cost you more in the long run. If an employee is let go or leaves for another opportunity, and you rush to find their successor, who then has to be replaced again, you have now spent double on recruiting and onboarding costs.

Professional staffing agencies will have the proper time and resources to source and screen candidates, ensuring that no necessary steps are missed simply due to time constraints.



04

## Highly Effective Strategies for Employee Retention



In many ways, it feels like the pandemic is behind us, but the labor market is still feeling its crippling effects. Despite high unemployment numbers, companies across all industries report difficulty finding and hiring competent workers.

At a time when hiring is such a challenge, it's important to make retaining your top employees a key priority.

## What is Employee Retention?

Employee retention refers to a strategic set of actions taken by an organization to keep its employees motivated and engaged. The ultimate goal is to keep them engaged and focused on the job. A motivated staff is more productive at work, while engaged employees are more likely to stay at their place of employment longer; together, both of these things spell positive outcomes for any business.

## Impacts Retention Has On Organizations

First and foremost, losing employees is a costly endeavor. The voluntary turnover comes with a price tag of about \$1 trillion a year for U.S. businesses, according to Gallup. For an organization with 100 workers, this translates to a range of \$660,000 to \$2.6 million per year in costs associated with lost productivity, hindered innovation, and the recruitment and hiring of replacement workers. Taking steps to mitigate turnover can yield significant financial benefits.

Second, employees who enjoy their jobs are beneficial for both morale and business productivity. A survey from Gallup covered nearly two million employees across 82,000 business units and found that higher employee well-being is strongly associated with both higher individual productivity and overall firm performance. In other words, it pays to keep your employees happy.

Based on its research, the Society for Human Resource Management identifies five factors that are the biggest contributors to job satisfaction. They are:

- 01 Respectful treatment of all employees at all levels
- 02 Compensation
- 03 Trust between employees and senior management
- 04 Job security
- 05 Opportunities for employees to use their skills and abilities at work

It's with these factors in mind and our team's extensive recruiting expertise that we've outlined 10 top strategies for retaining your best and brightest workers.

## Decrease Your Employee Turnover With These Powerful Strategies

### Pay your employees fairly

It's a hot topic for employers and employees alike: money. While it's far from the only factor that influences a staffer's decision to stick around, it's definitely a major one.

If you want to retain top talent, you'll need to account for two aspects of the pay equation: equity and raises. Regularly evaluate your base salaries and assess how they stack up, both in your industry and your geographical area, and make adjustments as needed to stay competitive. With

raises, be prepared to offer more than just the annual cost-of-living adjustment. Performance-based salary increases can help show your best employees that you recognize their value and are willing to invest in them.

### Offer high-quality benefits

Societal and workforce changes in recent years have cast a spotlight on employer benefits packages and their usefulness to employees, forcing many organizations to reassess the services they offer, along with how they compare with what employees actually need. Programs that serve **employees' mental well-being** in addition to their physical care, for example, were particularly sought after at the height of the lockdown. Demand for virtual services is also on the rise.

The best employees want to work for companies whose benefits do more than just check a box. Retain them with high-quality health, retirement, and wellness benefits that are aligned with their lives and needs.



Related: [Attract Top Candidates With These In-Demand Perks and Benefits](#)

### Be transparent

Gone are the days of guarding insider information close to the vest. Today, such practices make employees feel distrustful and wary. Transparency, on the other hand, is essential to create a culture of trust, so much so that the workplace thought leaders at Slack called it “the new gold standard” for companies looking to succeed in our interconnected world.

When it comes to employee retention, transparency means the open sharing of information between company executives, managers, and their reports, with accountability at all levels.

**Search salary data in your area!**

[SEARCH NOW](#)

### Promote from within

Does your corporate ladder provide ample opportunities for advancement? A [2024 survey by the American Psychological Association](#) revealed that nearly 23% of American workers are dissatisfied with their opportunities for growth.

To help curb the appeal of outside job openings, map out a clear upward trajectory for ambitious employees within your organization. Prioritize internal promotions and transfers before seeking external candidates when you have a position to fill, and offer mentorship opportunities that will help younger team members envision their long-term future with your company.



Related: [Employee Promotions: Considerations & Best Practices](#)

### Offer cross-training and upskilling opportunities

Ongoing professional development goes hand in hand with promoting from within. It's an especially worthwhile pursuit for smaller companies that have a more limited range of upper-level positions available, and therefore fewer promotion opportunities, than larger organizations.

Providing such opportunities not only demonstrates an investment in your employees' continued tenure with your organization, but it's also a proven strategy for boosting engagement. According to Gallup, employee development is one of the seven critical stages of the employee journey that contributes to strong engagement.

### Provide clear feedback

Constructive feedback sets expectations and helps employees grow, which is necessary for their continued success within a company. What's more, it helps address any performance challenges before they become an issue that will cause an employee to leave. And yet, providing clear, direct, ongoing coaching is an area where many organizations fall short.

Keep your top performers on the job and help others grow into their full potential by setting regular check-ins for assessing performance, providing feedback, and setting future goals.



Related: [Tips for Conducting Successful Employee Performance Reviews](#)



### **Give recognition**

It may seem like a small thing, but sincere recognition for a job well done goes a long way to keep employees satisfied in their roles. A February 2025 [report from Nectar HR](#) shows that 71% of employees are less likely to leave their job if they are recognized frequently. The [data here](#) is undeniable, as 21% of organizations with effective recognition programs enjoy 21% lower voluntary turnover.

### **Allow for flexibility**

With millions of employees suddenly forced to cover work, childcare, and personal responsibilities simultaneously, Covid-19 has brought the need for flexibility to the forefront in the American workplace. According to a survey by Deloitte, nearly all professionals (94% of them) said they benefit from workplace flexibility, reporting benefits such as lowered stress levels, improved mental health, and a better balance between work and personal life.

Flexible options, like non-fixed work hours or the ability to work from home at least occasionally, are no longer a nice-to-have if you want to keep your best employees on board. For many top performers, flexibility is non-negotiable.

### **Build a strong culture**

A strong workplace culture helps employees thrive. Not only that, it can cement the firm as a positive element in its workers' lives.

In terms of retention, the greater danger is allowing a toxic workplace culture to run rampant. A negative culture leads to unhappy, disengaged staff members, subpar work, and higher turnover. What's more, it makes it all the more difficult to recruit new employees who will stick around.



Related: [How to Build and Maintain a Positive Work Culture](#)

### **Recruit to retain**

So far, we've talked about strategies to retain workers once they're already on your payroll, but the best employee retention strategies start before that, with recruiting. By recruiting candidates who are a precise fit for a role, they're more likely to excel in their jobs and remain with the company longer. Thus, it's important not to let the urgency to fill a role overcome the need for a strong fit.

# Conclusion

We hope we've made it clear how managing labor costs is a critical aspect of any successful business strategy. By implementing the best practices outlined in this eBook, you can develop effective strategies to reduce hiring and retention costs without compromising the quality of your workforce.

At 4 Corner Resources, we are committed to helping our clients optimize their workforce while reducing expenses. Our headhunters specialize in recruiting top professionals across various industries, including IT, finance, marketing, healthcare, HR, legal, and sales. With

our extensive resources and personalized service, we can help you streamline your hiring process and find the best candidates for your organization.


Whether you need temporary staffing solutions or direct-hire recruiting services, we have the expertise to provide tailored solutions that meet your unique needs. By partnering with us, you can reduce your hiring and retention costs and focus on growing your business.

**Contact us today to learn more about the staffing services we offer!**



 4CornerResources.com

 407.872.1521

 130 South Orange Avenue  
Suite 204  
Orlando, FL 32801

