PTO Exchange

WHITEPAPER

# How PTO Exchange Combats Employee Turnover

*PTO Exchange has helped companies across industries save $25.2 million annually in employment replacement costs and decrease employee turnover by 54.7%.*

Imagine you're a candidate choosing your next job. You've narrowed it down to two companies. Both offer the same salary and very similar benefits. However, after reading reviews on job sites, the candidate finds out that Company A has a reputation for high employee turnover. At the same time, reviewers of Company B indicate they've been there for several years, feel cared for, and are satisfied with their jobs. Which do you think the candidate will pick? If you answered Company B, good choice.

Companies are hyper-focused on attracting and retaining top talent while avoiding the T word: turnover. Turnover costs companies their good talent and millions of dollars in unforeseen costs. However, more engaged employees are more likely to stay with their companies and less prone to turn over. And convertible benefits can help companies do just that.

## Why is employee engagement important?

Employee engagement drives businesses forward. An engaged workforce is more productive than one whose employees are disengaged. Highly engaged companies have lower absenteeism, higher productivity, and lower turnover. Engaged workers also produce better work with fewer quality issues and safety incidents. Moreover, engaged workforces see higher customer success metrics and sales, resulting in higher profit.

But not every organization has highly engaged employees. In fact, according to a recent Gallup study, only 23% of the workforce is engaged at work, meaning most employees are disengaged. The more disengaged your employees are, the more likely you'll lose them.

Engaged employees save companies money in replacement costs. It costs a company anywhere from 1.5-2 times the employee's salary to replace them, not to mention the time and resources to train and onboard employees so they can perform up to speed.

## The impact of employee turnover

Employee turnover negatively impacts profitability and the company's ability to execute its business. Turnover can cost the business in the following ways:

- **Cost of reduced productivity of an employee during the time leading up to their departure**
- **Lost productivity during the search for a replacement**
- **Reduced productivity of those covering the tasks of the departed employee**
- **Overtime of backup employees**
- **Recruitment costs, including advertisements and time of the recruiters and the team doing the interviews**
- **Onboarding costs of the new employee and the trainers**
- **Costs of reduced productivity of the new employee until they are as productive as the person they are replacing**

Employee turnover can also damage your employee brand and give you a reputation for being a high-turnover organization. You'll also see a reduction in employee morale and satisfaction from the additional workload and loss of a colleague.

## How flexible benefits combat employee turnover

PTO Exchange helps mitigate the turnover ratio and increase employee engagement by offering flexibility and choice that allows personalized benefits packages by exchanging unused PTO. Employees of all generations and socioeconomic classes can put their unused PTO toward financial wellness and social well-being benefits.

Offering PTO Exchange distinguishes your benefits package and helps you become the employer of choice in your industry. When employees have to choose between two employers, the choice usually comes down to benefits. PTO Exchange gives you an edge with a non-traditional benefit not everyone pffers.

Lastly, PTO Exchange increases efficiency and drives profit through engaged employees and less turnover. Employees experience the full value of their PTO by using it to reach their financial goals, achieve better work-life balance, or donate to charity.

# What Current PTO Exchange Clients Are Experiencing

Case study: **Local credit union**

After accessing a local credit union's employee base from April 2022-April 2023, we found that it had a 34% decrease in turnover rate when comparing employees who used PTO Exchange before leaving versus those who didn't.

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|---|---|
| Total Employees who did not make an Exchange on PTO Exchange | **2,330** |
| Total Employees who left (terminated) who did not make an Exchange during that same period | **399** |

399/2,330 = **17.1% turnover** for employees who left not having made an Exchange.

| | |
|---|---|
| Total Employees who did make an Exchange on PTO Exchange | **407** |
| Total Employees who left (terminated) who did make an Exchange during that same period | **46** |

46/407 = **11.3% turnover** for employees who left having made an exchange.

(17.1-11.3)/17.1 = 34% decrease in turnover for employees who left having used PTO Exchange versus those who did not.

If we apply the 17.1% turnover rate to the population of employees who did make an Exchange (407), we get 407 * 17.1%, which results in 69.7 employees who would have turned over.

When we compare the 69.7 employees that would have turned over versus the 46 employees

Using the low end of the replacement cost referenced earlier of 1.5 times an employee's annual salary (recruiting, onboarding, training, etc.), the annual savings for this particular credit union is 23.7 employees * $143,271, totaling $260,6623,398,727

And it's not just in the financial industry. Clients of different employee counts and industries have seen similar results:

| Industry | Turnover Rate for PTO Exchange Users | Turnover Rate for Non-PTO Exchange Users | Decrease in Turnover | Total Annual Savings in Replacement Costs |
|---|---|---|---|---|
| Architecture & Engineering Firm (362 employees) | **15.8%** | **28.5%** | **44.6%** | **$1,687,739** |
| Defense Contractor (838 employees) | **19.2%** | **51.6%** | **62.7%** | **$3,916,449** |
| Healthcare/ Hospital (11,299 employees) | **14.7%** | **4.4%** | **70.2%** | **$13,346,170** |

Cumulatively, PTO Exchange has helped reduce turnover by 50.7% across some of our largest clients and saved companies $25.2 million in employee replacement costs.

## Employee engagement matters

When you give employees flexible and customized benefits, they are more productive and engaged. Moreover, companies experience less turnover and save money on employee replacement costs. Learn more about how PTO Exchange's benefits solution can help maximize your employees' PTO to increase employee engagement while reducing turnover.