

OEM PRIORITIES

EMPLOYEE TURNOVER HURTS ALL BUSINESSES' PROFITABILITY

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For many business owners employee turnover is just a part of the game; you keep some, you lose some. But, what many are unaware of is the negative financial impact turnover has on a business's profitability.

True turnover costs are more than simply figuring out the average cost of replacement. When an employee leaves a business, whether it was voluntary or not, wanted or unwanted, the method to hire a replacement is the same and the costs are staggering.

When trying to determine the true cost of turnover, three areas of employment need to be examined:

Pre-Employment involves but is not limited to, advertising, search fees, interviewing (staff compensation), referral bonus, internal recruiting-staff compensation and incidentals, drug screens, background checks and credit checks.

During employment there is employee orientation that includes material and staff compensation, the learning curve productivity costs and ongoing training.

Post - employment costs include, exit interviews, paperwork processing, material costs, severance pay and vacancy costs. As you examine each step you can

start to measure what it costs when an employee walks out the door and new employee must start the learning process at the beginning.

So what does it cost? To replace supervisory, technical and management personnel it can run from 50% to several hundred percent of their salaries. In addition to lost money, when an employee leaves they take with them internal knowledge and experience, external client contacts and sources. You can also face the possibility that the employee will use their skills to work for a competitor.

The effects of a lost employee resonates throughout a company. There is the impact on productivity that also costs businesses lost money. Work has to be reassigned, increasing workload and stress on other employees, and the new hire has to start at the bottom of the learning curve, needing time to learn his/her new job.

"Companies are recognizing that the only true source of long-term sustainable competitive advantage is the people who work with them," reports Richard Galbreath, founder of Human Resources Growth Partners, Inc.



Every time you lose an employee, all the money that you have invested in them from compensation, to training and development, medical and health benefits walks out the door with them.

Now that you understand a little more of the impact that turnover has on your business, you can take steps in identifying issues and taking action to correct them.

Take advantage of OEM's free turnover cost analysis. Call a representative at 860.528.5555 ■

Questions or Comments?

We want to hear from you. Email the editor at sales@oemamerica.com

BULLETIN

401(k) adjustments - The limit on 401(k) contributions has been raised from \$15,000 to \$15,500. The catch-up provision for the over 50 crowd has been raised from \$20,000 to \$20,500.

Maximum taxable earnings for social security has been raised from \$94,200 to \$97,500.

New for 2007, HSA contribution limit increases - The contribution limit for anyone with HDHP coverage is \$2,850 for individuals and \$5,650

for family, regardless of the deductible amount under the HDHP.

Amounts are no longer pro-rated if you start the plan mid-year. Individuals age 55 to 65 can contribute an additional \$800 over the above limits. If both husband and wife are over 50, each can contribute the additional amount.

Special one-time rollover provisions - You are allowed a one-time rollover from a Health Reimbursement Arrangement (HRA) and Flex Spending

Account (FSA) into your HSA. You are also allowed a one-time rollover from an Individual Retirement Account (IRA) into your HSA.

State Minimum Wages. OEM clients, check to see if your state minimum wage increased.

CT-\$7.65	MA-\$7.50
NY-\$7.15	NC-\$6.15
GA-\$5.15	IN-\$5.15
TN-no state minimum	

OUT OF THE BOX BENEFITS

The war on talent is growing as over 76 million baby boomers are expected to retire and only 46 million workers projected to replace them. Businesses have to get creative for this changing workforce. With our lives busier than ever, advertising "competitive salary" alone is no longer a winning strategy. Traditional benefits will need to revolutionize to reflect customized options.

It will no longer be effective to provide one-size-fits-all benefits to meet everyone's needs. As more diverse households come about, it will be essential to offer more flexible benefits that appeal to the needs of all participants in the workforce. From the baby boomers who will stay in the workforce beyond retirement, to the Gen X's and Gen Y's as they work their way up the corporate ladder. Each generation seeks out something different from their work environment and it will be up to the company to provide the benefits that are attractive to each group.

With the high demands of a professional life and a busy personal life, quality of employee work performance and home life are decreasing. Many employers are turning to flextime options to help balance work and life. The main reason to consider flexible schedules is to retain key, dedicated employees. With the ability for employees to manage pro-

fessional and personal aspects you'll gain increased productivity and worker satisfaction. With decreases in absenteeism and turnover you'll save money as well.

There are many flextime options you can offer. From work from home programs to flexible work hours, either coming in earlier or later. Or, alternate between a four-day week to a five-day week so there is an alternating three-day weekend. With technological advances and the ability to stay connected 24/7 anything is possible. People no longer need to be physically at the office to work.

There are other benefits your company can offer for little or no cost but in return gain huge ground on employee satisfaction:

Negotiate discounts with local merchants. Warehouse stores such as Sam's Club or BJ's allow discounted memberships to employees of their corporate members. Many hotels, restaurants and amusement parks also offer discounts through corporate customer programs.

Provide free pick-up and delivery of dry cleaning services. Local dry cleaning service providers may agree to free pick-up and delivery.

Interest free computer-loan program. While this will require you to make an initial capital outlay, it is quickly re-

couped by deducting payments from an employee's paycheck. The idea is, although the purchase is for personal use at home, any computer experience an employee can get at home will more than likely help their proficiency and technical knowledge in the workplace.

Casual dress code.

Gas plan-three free fill ups for employee of the month or top performers.

Payroll deduction programs such as, car insurance, home insurance or even pet insurance.

Personal-day allotment or holiday allotment. A traditional 8-hour day could be traded in for allotments of personal time that can be used in smaller chunks over a period of time. Or, consider letting employees determine their own holidays to accommodate the variety in religions.

Depending on how creative you want to get and how big your wallet is, other companies run the gambit from reward programs to travel packages. Super certificates from GiftCertificates.com are given out as rewards to employees. The certificates are (continued on pg 4).

"An organization's ability to remain competitive relies more and more on its people, companies must gain a better understanding of how they can attract, retain and motivate all the members of their workforce "

CAN I HAVE A RAISE...PLEASE?

Every employee hopes for a raise, some even expect it whether or not they earned one. Not too long ago, raises were just another part of being an employer, everyone got one from top to bottom regardless of their impact on the company's success. Today, we are seeing an emerging practice where raises are based on individual performance. If you ask me, this is how it should be. Why should the person next to you who is drooling on their desk by two o'clock get the same raise as you who is always plugging away at your work?



For employees this is a great motivator, and for employers this is a great way to keep your company aligned with goals and objectives, not to mention keep profits growing. But, you need to take the time to make sure your employees understand your method for raises. This initiative will only be effective if you are diligent in sticking with it. If you lose

focus, your employees will; thinking it's just another strategy with no backbone to it. Talk about a serious kill in employee morale.

A 2006 Performance Review Survey by salary.com polled 2,000 employees and 330 HR professionals. The survey results showed the difference between employee performance review perception and employers. 57 percent of employers believe that employees understand the guidelines for pay increases, while only 45 percent of employees say they do.

You need to properly communicate to employees how review processes are conducted and how it will impact the employee on pay and job responsibilities. Before we get into performance reviews, we need to take a step back. Employers need to sit down with each employee and *both* individually write down what each believes the

objectives and goals are for that position. Make a list one through ten, starting with the number one goal and working down. By comparing what you both have, you can then align them so you, as the employer, knows what your employee will be working towards, and the employee knows what he/she is responsible for in the position they hold.

After you both have a clear understanding of what the goals are, make sure to have touch points every so often, let's say every couple of months, to keep the alignment. By touch points, I mean take a few minutes with your employees and review the list of goals to make sure there are no deviations and if need be, make adjustments.

Now that you *both* have a clear understanding of what is expected and have touched (continued on pg 4)

PRECAUTIONS TO TAKE BEFORE IT'S TOO LATE

Identity theft has been called one of the fastest growing crimes in the country. According to the Identity Theft Resource Center, every minute approximately 13 people in the U.S. have their identity stolen. These thefts cost businesses and consumers an estimated \$53 billion each year. The cause of this alarming amount of identity thefts? Data portability, hackers, dishonest employees and security breaches.

Businesses need to take precautions to ensure they prevent any security threats. Listed below are several steps to help prevent the theft of valuable and private information:

- No more passwords on sticky notes. Passwords should be diligently managed to ensure that only authorized people gain access to systems. Terminated employees' access should

be immediately cut off.

- Educate and train employees on all of the security risks, policy and procedures.
- Escort your visitors throughout the office. Know your night-time cleaning crew.
- Desktops should be password protected and employees should log off of their system when they go to lunch, attend a meeting or leave in the evening.
- Secure the office when leaving in the evening.
- Keep non-public data off of PCs, portable devices and removable media.
- Determine if it's necessary to keep particular types of sensitive, personal information in a system or if it can be

pulled from a third-party source when needed.

- Implement the latest versions of anti-virus, anti-SPAM and intrusion software on desktops, services, PCs and other portable devices and continuously update them.

While many of these seem like common-sense, it is surprising how many businesses don't follow them. No one step will adequately protect you from a security threat but, taking some of these small steps will increase your safety against identity theft. ■

LEGAL REVIEW

Immigration and Nationality Act (INA)

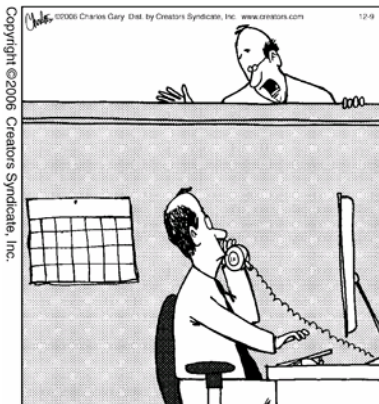
This is your wake-up call. The government's get tough policy against employers has caused many them to seek advice and counsel about I-9 inspections and workforce raids. Department of Homeland Security have raided worksites across the nation and will continue to raid businesses that are red-flagged. Employers should always make sure all I-9's are in order as good business practice. The law requires that I-9's be completed within three business days following the date of hire and updated before temporary work authorization documents expire.

Family and Medical Leave Act (FMLA)

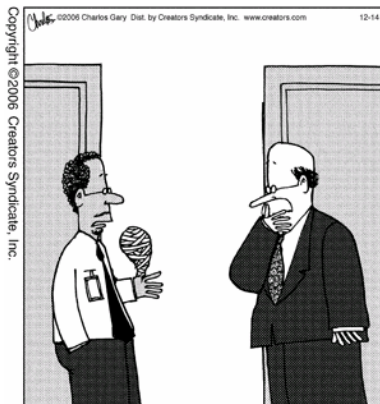
FMLA should be coordinated with state leave laws, which often go beyond FMLA's requirements. FMLA does not supersede any aspect of a state or local law that provides greater leave rights. If a particular aspect of an applicable state law regarding an employee's right to family or medical leave is more generous than a provision under the FMLA, the employer must apply that aspect of the state law. The employer may have to provide consecutive leave periods - some leave under the FMLA and then additional leave time under the state law for a type of leave not covered under the FMLA. Employers should familiarize themselves with state or local laws that cover family leave, not just FMLA.

"...every minute approximately 13 people in the U.S. have their identity stolen."

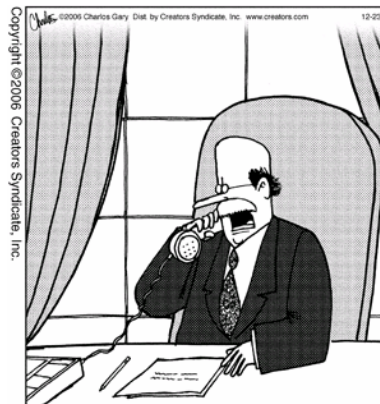
THE WATER COOLER



"Excuse me, but could you try to keep your voice down? I'm trying to sleep over here."



"Can I go early, sir? I injured my thumb during a nasty text messaging accident."



"You're calling in sick?! That's preposterous! You know you're not allowed to be sick!"

Out Of The Box Benefits con't...

redeemed online for a wide variety of merchandise from 500 vendors.

If you don't have the budget for such big expenditures, go to your employees and ask them what they would be interested in. The premise is to make it easier to attract top candidates and harder to lose them. "An organizations ability to remain competitive relies more and more on its people, companies must gain a better understanding of how they can attract, retain and motivate all the members of their workforce," states Doctor Patricia M. Buhler of American Management Association.

Corporations have been working on perfecting their own flex-benefits options for years. But it's no longer exclusive to big name companies. Small businesses have the ability to provide flexible benefit packages and options for employee work-life balance ■

Can I Have A Raise...Please con't...

base every couple of months, nothing will be left to interpretation when it's time for a performance review.

An interesting result in the survey included "82 percent of managers believe they provide clear goals to their employees prior to their formal performance review, but only 46 percent of employees say the same." Don't be the employer that assumes your employees know and understand your procedures. Most employees are not aware of how performance reviews work and how raises and bonus programs are arrived at. Communicating the process will remove ambiguity and leave employees feeling confident that performance reviews are not a waste of time.

Mark Albercht, vice president of talent management solutions at Salary.com offers his top two suggestions at helping employees understand the performance process:

1.) Establish clear and regular communication that not only explains when reviews will happen and how they will be structured, but also ensures that employees at every level understand how their individual performance can impact their ability to earn money.

2.) Provide reference material such as a calculation sheet that employees can refer back to or interact with to see the impact of a change in ratings.

A promise of a raise is great. However, employees are left with a cynical view of 'I'll believe it when I see it.' If they understand how bonuses, raises and promotions are decided upon, they are left with a much greater motivator for performing job responsibilities and exceeding expectations. Not to mention greater confidence in management ■

Editor
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