



2nd Quarter 2015 Newsletter

Employee Retention

There are two main categories of initiatives that increase employee retention:

- Nonmonetary retention initiatives
- Monetary retention initiatives

Nonmonetary retention initiatives include items like:

- Improving organizational teamwork
- Increasing organizational flexibility (flexible work schedules, cross training, job sharing)
- Resolving employee-manager disputes
- Improving work and promotional opportunities in the company
- Upgrading leadership skills among the management team

Implementing nonmonetary retention initiatives often involve a cultural shift in the organization, and because of that they tend to “say easy and do hard”. They should be thought of as long-term initiatives. Full implementation of these nonmonetary retention initiatives can take considerable time, but they are very effective at improving employee retention at all levels of the organization.

Monetary retention initiatives include items like:

- Developing and implementing an overall balanced compensation program
- Developing and implementing a specific retention compensation plan
- Upgrading company perks and benefits
- Ensuring that the company retirement plan funding is competitive

Implementing monetary retention initiatives are quicker to get in place compared to nonmonetary items. Some items, like certain retention compensation plans, are focused on just a portion of the organization, such as middle and upper level management.

Examples of specific retention compensation plans include:

- A one-time retention bonus plan (different than an annual performance bonus)
- **Stock-based nonqualified, deferred compensation plan**; restricted stock, performance shares, phantom stock, and stock appreciation rights
- **Account balance nonqualified, deferred compensation plan**

This latter type of plan is a category of compensation plans that typically grant contributions to participants and each contribution is subject to some vesting schedule. Participants must meet all criteria of the vesting (such as staying employed at the company) to receive payment of the contributions. Otherwise, granted contributions are forfeited by the participant. This forfeiture possibility means that employees will stay at the company to receive their deferred account balance. Nonqualified, deferred compensation plans are powerful retention vehicles for select groups of employees.

Article Spotlight



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A Word from Rick Sharpnack



An effective retention program for a company uses both nonmonetary and monetary retention techniques. Nonmonetary techniques are often focused on Generation X and Y (Millennial) employees. These younger employees tend to value the retention initiatives more than Baby Boomers, and often the younger employees have not reached the organizational level where they can participate in a nonqualified, deferred compensation plan. I recommend to my clients to start with a quicker-to-get-in-place monetary retention program for management and then work on a longer-term nonmonetary program. Please contact me if you would like to learn more about retention programs for your company.