Wealth Strategies

The Great Resignation

Patrick Crowley, CLU, JD*

Director of SFP Wealth Strategies

Since the advent of the COVID pandemic employers have experienced difficulties in keeping and hiring employees. The increase in the number of employees leaving employment has been so dramatic as to generate the title of the Great Resignation.

Gallup Research found 48% of the American workforce was actively looking to change jobs. Businesses are facing a staggeringly high quit rate -- 3.6 million Americans resigned in June alone -- and a record-high number of unfilled positions. And Gallup discovered that workers in all job categories, from customer-facing service roles to highly professional positions, are actively or passively job hunting at roughly the same rate.[1] Experienced employees between 30 and 45 years old have had the greatest increase in resignation rates, with an average increase of more than 20% between 2020 and 2021.[2]

Initially, some claimed that unemployment benefits, combined with additional assistance from the federal government, were encouraging people to stay home. To counteract employees working as lucid economic actors, 26 states ended federal benefits early while citing the need for people to get back to work as a key reason. Those benefits ceased months ago, but the Great Resignation and the subsequent employment shortages continue.[3]

So why are employees making life difficult for employers? It turns out that, while COVID did not necessarily create the ongoing labor problem, it did serve as a spark generating the conflagration of quitting. The research indicates that COVID accelerated long-running issues within an economy and workforce in transition, whether it be a switch to so-called jobs of tomorrow or changes in work culture.

The paramount concern cited consistently by employees is a workplace issue. The highest quit rate is among not engaged and actively disengaged workers.[4] Not only does the lack of engagement result in workforce shortages, but it also costs the employer in the lost productivity to the tune of 18% of the disengaged employees annual salary. The studies also show that these employees are less productive, absent more often, participate less in company 401(k) programs, have more on-the-job accidents, don't retire on time and are more likely to leave the company, causing higher turnover rates.[5]

For an employee earning $50,000 annually, that $9,000 of lost time. Replacing workers requires one-half to two times the employee's annual salary. So, it costs $9,000 a year to keep each disengaged worker and between $25,000 and $100,000 to replace them. The cause of the disengagement , according to Gallup,

[1] WORKPLACE July 22, 2021 (A Gallup publication)

[2] Who Is Driving the Great Resignation? Harvard Business Review, 09/15/2021

[3] The Revolt of the American Worker, New York Times, 10/14/2021

[4] WORKPLACE, July 22, 2021 (A Gallup publication)

[5] https://www.pwc.com/us/en/industries/private-company-services/library/financial-well-being-retirement-survey.html

1. Not seeing opportunities for development
2. Not feeling connected to the company's purpose
3. Not having strong relationships at work[6]

Employer Solutions

1. The myth about people not wanting to work is often actually a mismatch in the skill sets employers are looking for and what the local employee population can bring to the table. For others, it meant employees leaving jobs to make the switch to careers they find more fulfilling. For employers, this cast an even bigger spotlight on the importance of retraining and upskilling.

2. The employee base, when asked, regularly cite the desire for a work environment where employees feel safe and supported. COVID emphasized when employees felt safe and that their employer was just as concerned for their health and well-being.[7]

3. For people who work lower-income jobs, lower wages can influence the decision to stay at home. In some cases, the pay for a minimum wage job or a part-time position might not justify the cost of going back to work when factoring in needs such as childcare and transportation. As one employee put it, "'If the cost of childcare is equal to my work paycheck, I might as well stay home."[8] Increase wages to address the childcare and transportation offset for lower paid employees.

4. A U.S. Chamber of Commerce survey reflects that 4/10 Americans who are not actively looking for a job would be enticed to return to work if offered a $1,000 hiring bonus.[9]

5. Offer assistance understanding employee benefits (e.g., 401k and group benefits) and financial matters overall. In fact, 69 percent of adults who say they are financially stressed spend three or more hours each week dealing with financial matters while working.[10]

Strategic Financial Partners is available to discuss with employers the available strategies to overhaul employee benefit packages, as well provide retention plans for manager level employees and executives. Please call to have an in-depth discussion about your business related concerns.

---

[6] News Nation , 9/12/21
[7] Prevent Employee Burnout … or Face the Great Resignation, Forbes, 10/27/2021
[8] The Great Resignation Reno Gazette Journal, September 2,2021
[9] Hiring Bonuses …Potential to Bring Back America's Workers, Chamber of Commerce Publication, 06/29/2021
[10] https://hrexecutive.com/employees-are-stressed-about-finances-heres-how-employers-can-help/

STRATEGIC
FINANCIAL
PARTNERS