WHITE PAPER

KEEP YOUR TALENT FROM WALKING OUT

COMBAT RISING QUIT RATES BY HOLDING ONTO THE EMPLOYEES YOU VALUE MOST

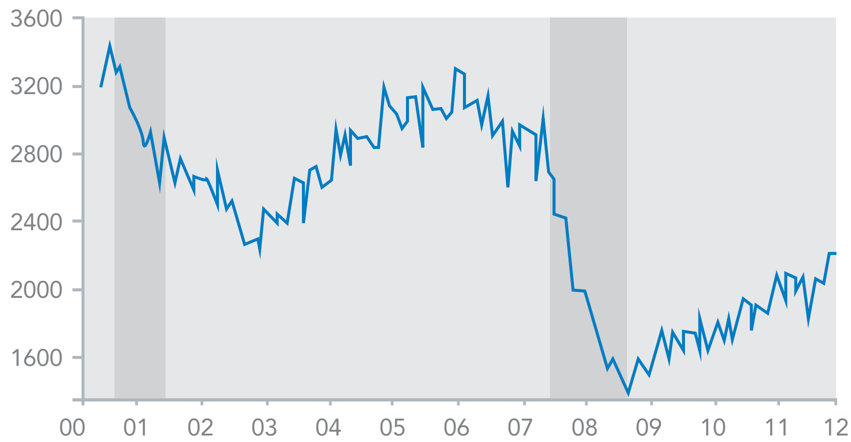
Quit rates are up. According to the Bureau of Labor Statistics, the so-called "Annual Quits Rate"—the rate at which employees voluntarily leave their employers—has been trending up since the height of the recession in July 2009. (Figure 1) Based on forecasts of an improving economy and historical trending data, this Annual Quits Rate will continue to rise, presenting formidable challenges to today's companies as they strive to hold onto their talent pool.

As the Society of Human Resource Management (SHRM) writes in its *Human Capital Benchmarking Report*, "Voluntary turnover will now reemerge as a critical component of workforce planning as high performers see opportunities to switch jobs and take their in-demand skill sets with them."

What can be done? Simply stated, employers must make staying more attractive for valued employees than leaving. Below are four key steps to creating a retention strategy that keeps those valued employees from walking out the door.

FIGURE 1

NUMBER OF PEOPLE QUITTING THEIR JOBS NEAR A FIVE-YEAR HIGH
United States: JOLTS: Quits (thousands)



SHADED REGIONS REPRESENT PERIODS OF U.S. RECESSION
SOURCE: HAVER ANALYTICS, GIUSKIN SHEFF

1 JUSTIFY YOUR **RETENTION SPEND**

If your organization hasn't felt the impact of more employees quitting, forecasts suggest it will soon. A 2013 survey by OI Partners found almost half of companies reporting higher turnover this year compared to last, and nearly three quarters expecting more employees to leave[1]. Fueling the forecasted increase, say economists, will be the length and depth of the past economic downturn, resulting in pent-up job search desire. As sectors expand, employees become more confident about securing jobs elsewhere, driving up industry quit rates.

Turnover cost estimates ranging from **30%** of the departing individual's annual salary to **200%** or higher.

Those departures come with a hefty price tag, with turnover cost estimates ranging from 30 percent of the departing individual's annual salary to 200 percent or higher. (Figure 2) The reasons for those high percentages are multifold. Vacant positions mean lowered productivity. Replacing workers can result in significant recruitment, hiring, and training costs. Recruiting can be time-consuming, leading to added loss in productivity. And well-trained workers may go work for the competition, adding insult to injury by taking business with them. Never mind that once those replacements are found, good fits are hardly guaranteed.

FIGURE 2

ESTIMATED TURNOVER COST BY JOB TYPE

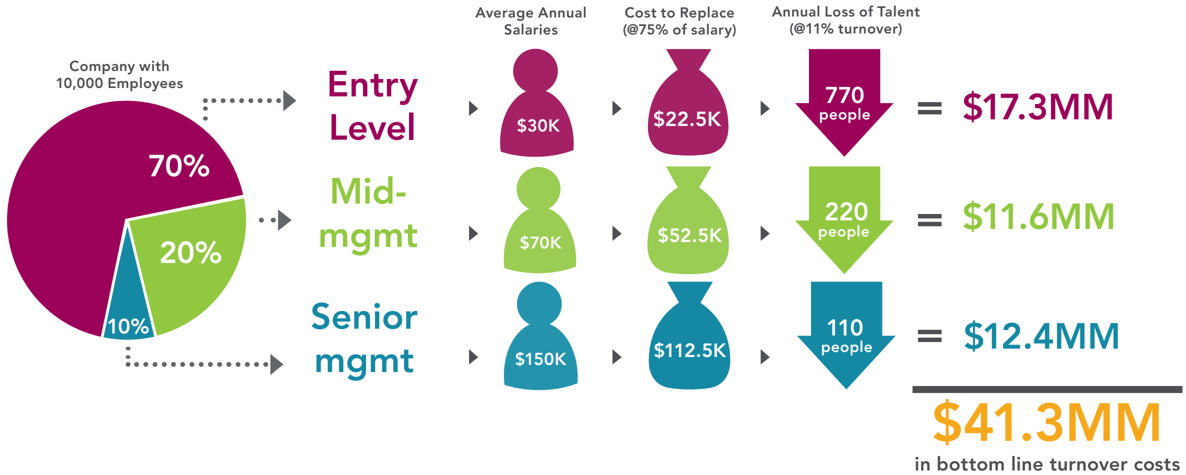
Job Type/Category	Average Turnover Cost (as of % of salary)
Entry Level - Hourly, Non Skilled (e.g. Fast Food worker)	30-50%
Skilled Hourly (e.g. Machinist)	70-100%
Technical (e.g. Computer Technician)	100-150%
Engineers (e.g. Chemical Engineer)	200-300%
Specialists (e.g. Computer Software Designer)	200-400%
Supervisors/Team Leaders (e.g. Section Supervisor)	100-150%
Middle Managers (e.g. Department Manager)	125-200%

Source: Case Study by Jack Phillips Center for Research, ROI Institute and Bloom Consulting, Inc. 2009

Human resource professionals can help contain these costs by developing programs that make employees more apt to stay. But before making the case for any retention program, organizations need first to quantify the need. Below is a simplified view of how those costs can stack up, based on a cost average of 75 percent of salary for a departing employee. (Figure 3)

FIGURE 3

TURNOVER BASED ON A COST AVERAGE OF 75% OF SALARY OF A DEPARTING EMPLOYEE



And for HR professionals, the importance of calculating turnover costs goes beyond increasing their own understanding of how lost employees impact a bottom line. To get buy in, management also needs to be put abreast of how turnover is affecting the company. A Reduced Turnover ROI calculator can help. The calculator allows for the input of data specific to an organization, creating a more compelling case for implementing programs that increase retention.

* Takeaway #1

Take time to build a business case to free up funds for retention programs that work. A Reduced Turnover ROI Calculator can assist in determining the cost of quitting and the return on investment that a well thought-out retention strategy will bring.

2 IDENTIFY WHY YOUR EMPLOYEES *REALLY* LEAVE

While opportunities may come knocking, employees don't have to open the door. To offset the pull of new opportunity, companies need to develop a retention strategy that addresses what is pushing their employees out.

Exit interviews can shed light on common misconceptions. Ask employers why people quit a company and many will answer money[2]. But research shows that with the exception of some low-income workers, many aren't leaving their job for more money, unless pay is disproportionately lower than industry or company rates[3]. To find out why many employees really leave a company, Leigh Branham, author of *7 Hidden Reasons Employees Leave*, looked at some 19,700 third-party exit surveys collected by the Saratoga Institute, supplementing that information with more than 1,000 surveys of his own. The Saratoga Institute found that 89 percent of employers believed that their employees quit because of money—but in reality 88 percent of employees quit for something other than money. Based on those interviews and his own surveys, Branham identified seven primary reasons[4].

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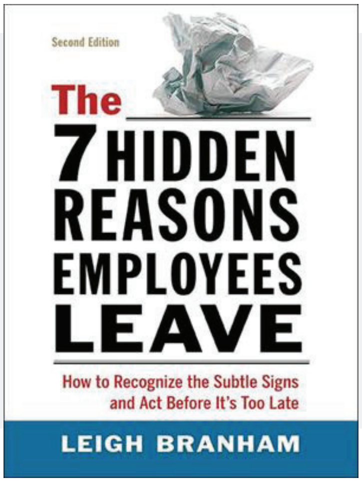


SEVEN PRIMARY REASONS

- Lack of trust and confidence in senior leaders
- Not feeling valued (which has the most dimensions, including pay, recognition, having your voice heard, being in the loop, having the right resources, and the like)
- Insufficient opportunity for personal career growth and learning
- Stress/burnout/work-life imbalance
- Ineffective manager, particularly lack of coaching and feedback
- Job-person mismatch/talent underutilization
- Disillusionment due to unrealistic expectations

And while exit interviews can be useful, a well-constructed engagement survey can identify frustrations among *current* employees rather than those who have already quit. These surveys then can be used to help develop a more effective retention strategy. When, for example, pharmaceutical company Quintiles began its employee engagement initiative, one of its first steps was to conduct an employee engagement survey. From the results of that initial survey, Quintiles identified ways it could increase retention and partnered with Globoforce to launch their "Work Worth Doing" recognition program. Soon after launch, employees reported managers were doing a much better job of recognizing their efforts, something employees had felt they lacked. Turnover was slashed by 50 percent in roughly a year.

The caveat to employee surveys is that if nothing is done to address the identified issues, no survey is going to help. Employers need to honestly evaluate what employees are telling them and then take the necessary steps to address those concerns. If organizations are not willing to make the investment of time and finances, they run the risk of disengaging and disgruntling their employees even more.

* Takeaway #2

Examine your culture to identify common frustrations among your employees. Consider implementing programs that encourage emotional, rather than transactional engagement.

3 RECOGNIZE THE IMPORTANCE OF VALUE

Some degree of turnover is desired. Companies generally want low performers to move on and high performers to remain. One reason is that talent retention of top performers is critical to business performance. McKinsey & Company's "War for Talent" study found that high performers in operations roles are able to increase productivity by 40 percent; high performers in management roles increase profits by 49 percent; and high performers in sales positions are responsible for 67 percent greater revenue.[5]

Likewise, catalysts for quitting can vary among different talent groups. That's why identifying and understanding the needs and contributions of your talent base—such as whom your organization may categorize as high potentials, top performers, succession candidates or flight risks—can not only help an organization more effectively manage and retain those employees but also have a direct impact on a company's bottom line. While insufficient opportunity for personal career growth may be a driving factor for the resignation of a high potential for example, pay may be the catalyst for a low-income worker who's struggling to get by on an hourly wage. That OI Partners survey found that 45 percent of 153 responding companies listed flexible hours and schedules as a top retention method for high-potential workers, whereas only 31 percent of those companies listed it as a top retention method for front-line workers.

> High Performers in management roles increase profits by **49%,** and high performers in sales positions are responsible for **67%** greater revenue.

An effective talent management system can better meet the professional needs of an employee base by: helping to identify opportunities for personal career growth and learning; facilitating more effective management; bolstering confidence in leaders; and better matching the utilization of talent against employee expectation—in short, satisfying many of those frustrations that Branham lists among the primary reasons for quitting.

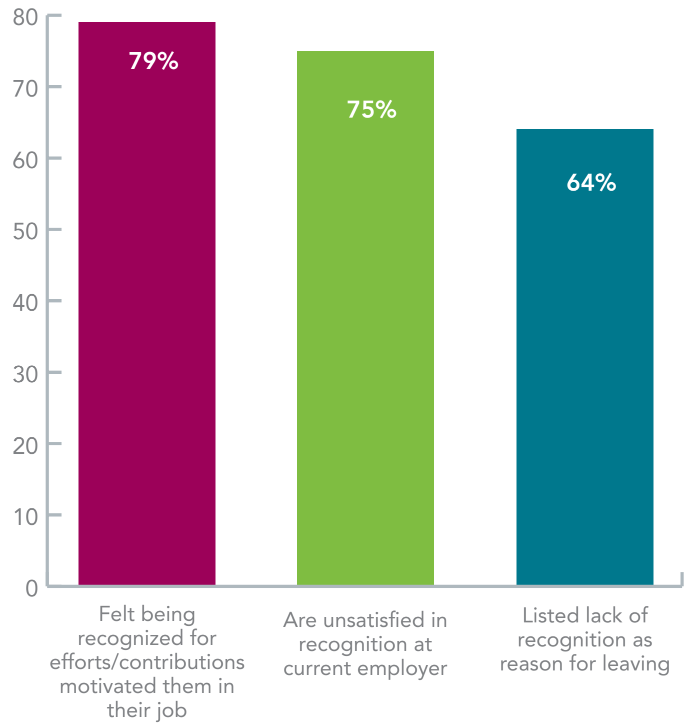
The ability to supplement performance-related information with ongoing, company-wide feedback also can make for more effective talent management because it can provide a more comprehensive picture of employee achievements. The contributions of many employees, including those of so-called "hidden influencers" and "cultural energizers," otherwise may be overlooked, leaving employees feeling undervalued and dissatisfied. According to the 2013 Globoforce Workforce Mood Tracker survey, 79 percent of those actively looking for a job said being recognized for their efforts and contributions motivated them in a job. Seventy-five percent were unsatisfied in the level of recognition they received at their current employer, while 64 percent listed lack of opportunity for advancement or lack of recognition/appreciation as reasons for leaving their current job. (Figure 4)

The impact that an effective recognition program can have on retention is significant. A 2012 report from Bersin by Deloitte found that organizations with effective recognition programs experience 31 percent less turnover than organizations without them.

The Fall 2012 SHRM/Globoforce survey also found a link between investment in recognition programs and retention. Among surveyed companies that spend one percent or more in payroll on employee recognition programs, 61 percent reported improvement in employee retention rates.

FIGURE 4

THOSE ACTIVELY LOOKING FOR A JOB



SOURCE: 2013 Globoforce Workplace MoodTracker Survey

* Takeaway #3

Tools that allow managers to better identify and manage talent can go a long way in keeping them. A social recognition program that leverages those talent management tools by allowing talent groups – hidden or otherwise—to get recognized and rewarded for their efforts will render them less inclined to walk out.

4 ENGAGE YOUR EMPLOYEES IN A **POSITIVE WORKPLACE**

Better inner work life for employees yields tangible benefits for companies, their customers, and their shareholders.

-Teresa Amabile, co-author of The Progress Principle

Culture should not be taken for granted in developing your retention strategy. Research shows that employees want meaningful, engaging work as well as a positive work culture. Both, it turns out, have a direct impact on retention.

Again, the numbers speak for themselves. According to findings posted by the *Wall Street Journal* and the iOpener Institute, the happiest employees stay twice as long in their jobs as their least happy colleagues[6].

Happiness at work can be derived in part from a sense of fulfillment and accomplishment in one's job and that, too, has a positive impact on retention. A study conducted by researchers at the University of Alberta found that people who focused on the meaning and purpose in their work experienced a 75 percent reduction in turnover[7]. Career development opportunities, a chance to contribute directly to an organization, a sense of autonomy in one's job—again, many of those 7 hidden reasons that Branham notes in his work—all feed into that sense of inner purpose that can help cap company turnover, as well as fuel other key measures of an organization's success. Results of a 2010 study by James Harter of Gallup showed that employees' satisfaction and perceptions of their organization, their managers, their colleagues, and their work significantly predicted not only employee retention but sales, profitability, and customer loyalty[8]. "In other words," writes Director of Research at Harvard Business School and co-author Teresa Amabile of *The Progress Principle*, "better inner work life for employees yields tangible benefits for companies, their customers, and their shareholders.[9]"

* Takeaway #4

Creating a positive work culture where employees feel valued, supported, and engaged in their work will not only help retain your employees but also can impact your company's bottom line. Consider implementing policies and programs that cultivate happiness at work.

DON'T IGNORE YOUR **TALENT**

In short, companies in the current economic climate ignore turnover trends at their peril. Organizations need not only to be cognizant of these trends and whom they're losing, but also to calculate the associated costs. Such knowledge will better equip organizations to make a compelling business case for developing an effective retention strategy that meets their employees' needs. Active talent management is an important part of that strategy. Employers also must strive to create a positive work environment where employees are engaged, supported, and acknowledged for the contributions they make. An effective recognition program can help.

Next **steps**

Improving retention at your organization can save your organization millions of dollars. To understand how improving employee recognition can help, we've created a Reduced Turnover ROI Calculator to assist you. If you're interested in having a recognition specialist walk you through the calculator, email us at RecognitionROI@globoforce.com.

SEE SAMPLE EXCERPT BELOW

REDUCED TURNOVER ROI CALCULATOR		
Our Calculations show that turnover is costing your organization $5,520,153 a year.		
Based on your results...	Recognition could provide you with:	
	78	fewer employees exits annually
	$1,711,247	in reduced turnover costs annually
	$142,603.95	in savings every month

SOURCES

[1]http://www.oipartners.net/news-detail/13-06-18/Survey_Concern_About_Retaining_Talent_Growing_In_Improving_Job_Market.aspx

[2]The Saratoga Institute, as referenced in http://www.globoforce.com/interview-with-leigh-branham.

[3]http://www.employeeretentionstrategies.com/strategies/myths-success/myths/

[4]http://www.globoforce.com/interview-with-leigh-branham

[5]McKinsey & Company, "The War for Talent," 1998.

[6]http://www.iopenerinstitute.com/what-are-the-financial-benefits.aspx

[7]http://www.sciencedaily.com/releases/2008/11/081126122317.htm

[8]J.K. Harer, F.L Schmidt, J.W. Asplund, E.A. Kilham, and S. Agrawal, "Causal Impact of Employee Work Perceptions on the Bottom Line of Organizations," Perspectives of Psychological Science 5 (2010): 378-389.

[9]Theresa Amabile, Steven Kramer, The Progress Principle (Harvard Business Review Press, 2011): 58.

Contact us to learn more about our Reduced Turnover ROI Calculator and how social recognition can help you retain valued employees.

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