2017 RETENTION REPORT

Trends, Reasons & Recommendations

Insights from over 240,000 employee interviews

Report authored by
Lindsay Sears, Ph.D.

workinstitute.com/retentionreport

Work Institute

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— **DANNY NELMS**
President
Work Institute

FOREWORD

Over the past 17 years, Work Institute has been dedicated to collecting insights from employees to effectively inform changes that drive engagement, performance and retention in organizations. Through this work, we recognized a staggering lack of awareness around the real reasons people leave their jobs. Seeing this lack of awareness around the real reasons employees leave and the huge cost turnover poses for companies, we are excited to share the findings from our data in this unique report on retention.

Work Institute believes that effective changes start and end with data. However, not all data is created equal. The quality of your data can make or break your efforts to drive improvements. We see clients routinely try to solve turnover issues with survey ratings and scores, sliced and diced by department, age, gender and other common segmentation. These attempts are unsuccessful because ratings and scores require assumptions as to the areas that need improvement and don't get to the why, or real reasons, that drive employee attitudes and behaviors.

That is how we are different. Our methodology is focused on getting to the why and lets the employee tell us the real reasons, without assuming we know what's most important to them. When you have the real answers, you have deeper insights and more actionable data to make better business decisions that are more likely to drive the outcomes you want.

One of the biggest learnings in our 17 years of helping businesses optimize their human capital is that no two companies are alike in their workforce culture, context and reasons people are leave and stay. The data powerfully shows us how diverse companies really are, yet many companies are still using off-the-shelf, one size fits all programs and focusing on external benchmarks. With reasons for leaving being so different from one organization to the next, a single approach cannot possibly meet the unique needs of all organizations, nor can external benchmark measurements possibly gauge performance in an organization. The most effective approach is one where you collect high quality data first to understand and diagnose the issues in your workforce, and then use that data to drive decisions and create solutions in your organization. Best practices come from within your organization. To do this, you must first ask *your* employees for feedback.

In this report, you'll learn why turnover is such big source of cost for organizations and why it won't get better on its own any time soon. We'll unveil findings that show why you should focus on your organization.

Ultimately, we hope that sharing these findings will open your eyes to a new way of looking at your workforce and lead you to take action to help drive key business outcomes in your organization.

Danny Nelms, President

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Table of Contents

THE TRUTH ABOUT THE EMPLOYEE MARKETPLACE

Escalating Competition for Workers

Trends in the United States illustrate a thriving economy in which the number of available jobs and the competition for workers are both sharply increasing.

Over the past seven years, job growth has been on the rise and unemployment has been on the decline. The changes since 2010 are significant as the unemployment rate has been cut in half and job openings have increased over 70%.[1] These trends remain strong as the unemployment rate held at a low 4.7%, and 235,000 new jobs were created in February 2017.

Along with job growth and lower unemployment, more workers are choosing to leave their jobs. Total separations have gone up 14% since 2010, largely driven by a 46% increase in voluntary quits. In fact, 2015 marked the first time in over 15 years that job openings were higher than total separations. This demonstrates that jobs are opening faster than employers can fill them and that workers can be increasingly selective in where they work.

Employment Definitions:

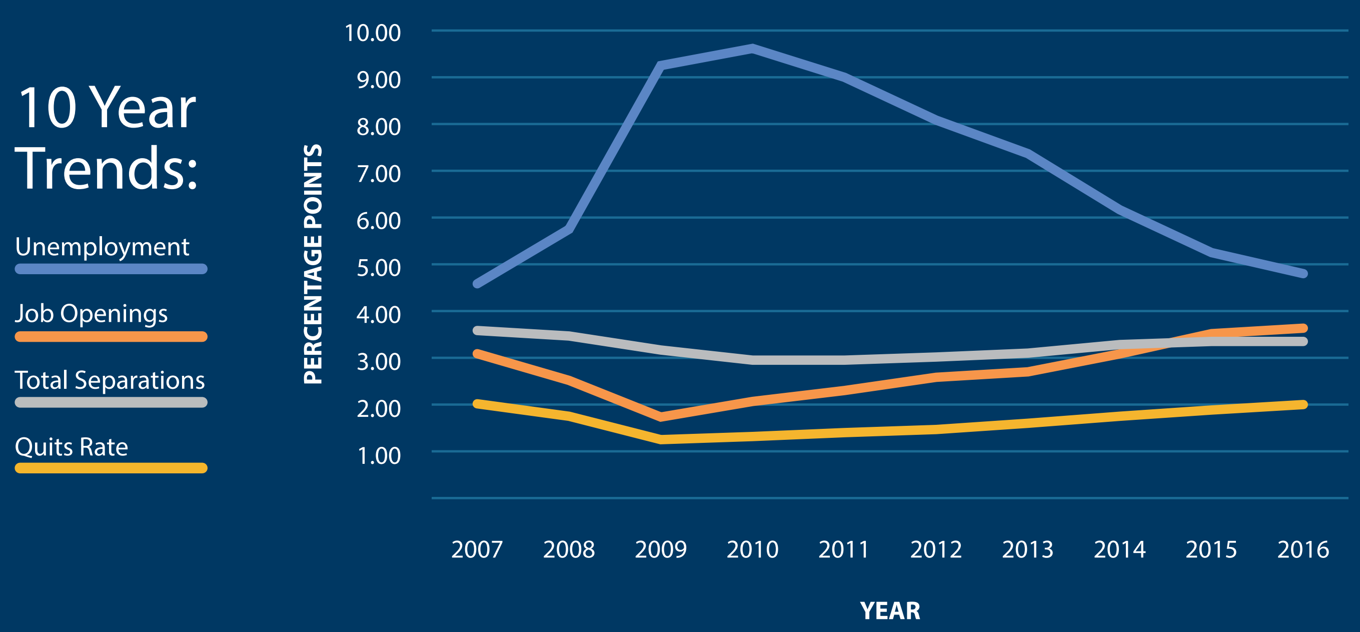
Job Openings Rate: percentage of all jobs that have not been filled by the last day of each month.

Unemployment Rate: percentage of people in the labor force who do not have a job and are actively seeking work.

Total Separations Rate: percentage of employees who ended their employment, including voluntary and involuntary turnover.

Quits Rate: percentage of employees who leave voluntarily, excluding retirement and relocation.

TRENDS in Unemployment, Job Openings, Total Separations and Quits Rate over the past 10 years point to a thriving economy in which competition for top talent is growing. [1]



THE TRUTH ABOUT THE EMPLOYEE MARKETPLACE

Shrinking Talent Pool

The need for educated and skilled workers is growing faster than their availability.

In forward looking projections, the Bureau of Labor Statistics expects even further job growth and a talent pool that cannot keep pace. A large portion of the population is reaching retirement age, [2] while not enough workers are obtaining the skills required to fill growing occupations.

It's important to note that the trends around job growth apply to some occupations and industries more than others. Almost 95% of the job growth between 2014 and 2024 is expected to come from service-related sectors, 41% of which will come from healthcare and social assistance industries. [2]

We also need to pay attention to trends around types of workers we will need to fill these roles. Healthcare and technical occupations will realize the largest growth and together account for about a quarter of all new jobs by 2024. Within this growth, of the 15 occupations expected to grow the fastest, 11 of them will require education beyond a high school diploma. [2] Experts have questioned whether there will be enough educated workers to meet the tidal wave of demand. [3]

Redefining Education

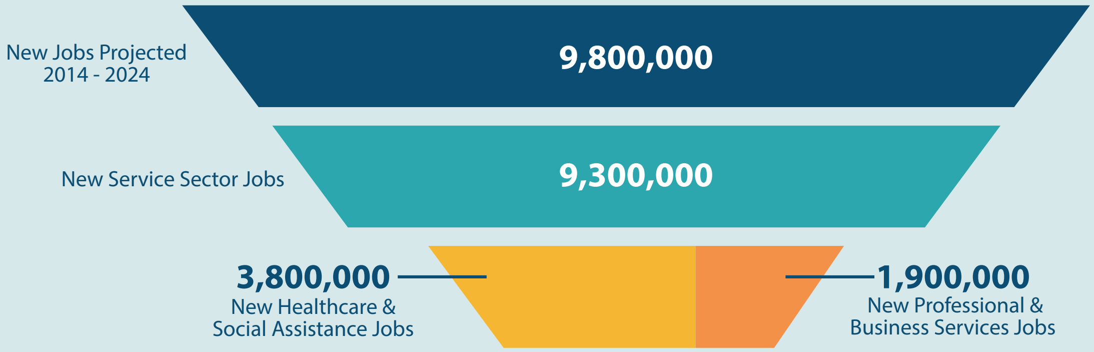
The most in demand occupations will require an education beyond a high school diploma to include: Associate's Degree, some college, Bachelor's Degree, Master's Degree and Doctoral or Professional Degree. [2]

Our Labor Pool is Aging and Shrinking

In 2014, the average worker was 42, four years older than the average worker in 1994.

The annual growth rate of the available labor force is projected to slow 17% by 2024. [2]

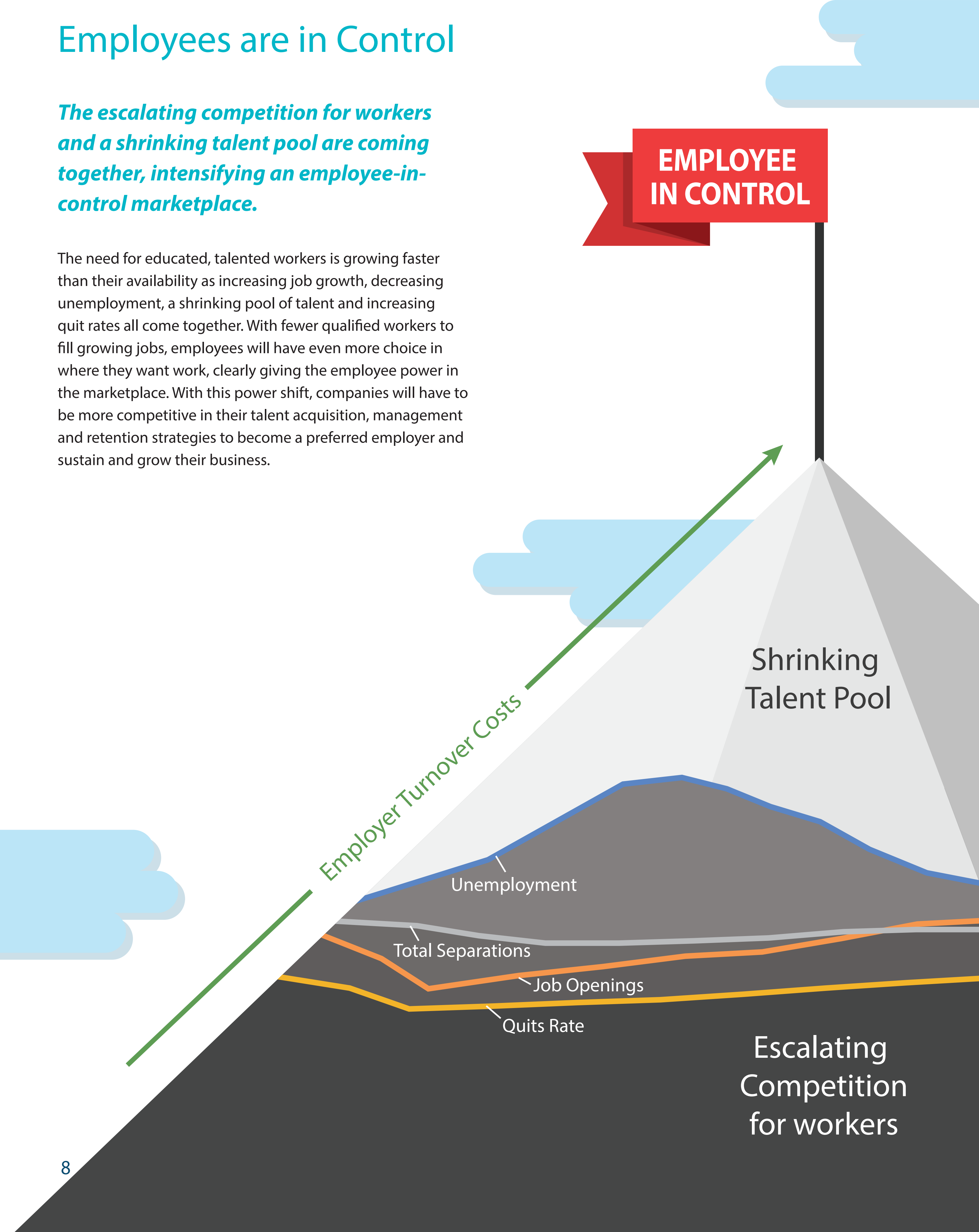
2014-2024 JOB GROWTH PROJECTIONS BY JOB TYPE



Employees are in Control

The escalating competition for workers and a shrinking talent pool are coming together, intensifying an employee-in-control marketplace.

The need for educated, talented workers is growing faster than their availability as increasing job growth, decreasing unemployment, a shrinking pool of talent and increasing quit rates all come together. With fewer qualified workers to fill growing jobs, employees will have even more choice in where they want work, clearly giving the employee power in the marketplace. With this power shift, companies will have to be more competitive in their talent acquisition, management and retention strategies to become a preferred employer and sustain and grow their business.



Employer Costs will Increase with Rising Turnover

The total cost of employee turnover for businesses is high, even by conservative estimates, as it can take a toll on company profits and organizational performance. Employers are at risk of increased turnover costs in a job market where employees have the power.

Turnover encompasses employees who are leaving their job, whether it be a voluntary decision made by the employee or involuntary based on a choice made by the company. Regardless of the type of turnover, when an employee leaves, the company incurs direct costs through financial expenses and indirect costs through decreased organizational performance and lost institutional knowledge.

Although most agree turnover is costly, there is not an agreed-upon standard for determining the cost of turnover. Some studies have calculated the direct cost of turnover by adding up costs across separation, replacement and training activities, while others consider percentages or multiples of the employee's salary in calculating the direct cost of turnover. Estimates have ranged from $4,000 per employee to 1.5 times the employee's salary. [4,5] Even the lowest cost estimate amounts to significant direct costs for an organization. Combining industry estimates with census data, Work Institute uses an estimate of 33% of a worker's annual salary to calculate the cost of turnover. When applied to the median U.S. worker's salary of $45,000, we arrive at an average cost of turnover per employee of $15,000.

The indirect costs of turnover are sometimes referred to as "productivity costs" that come from lost institutional knowledge, the time lag it takes to find a replacement and the time it takes for that new worker to become fully productive. [6] One study found a significant link between turnover and organizational performance, which was stronger for voluntary turnover, where companies with higher voluntary turnover were more likely to have lower organization performance. [7]

Turnover Costs Breakdown[10]

DIRECT COSTS

Separation Costs

- Exit Processing
- Administrative Time
- Separation/Benefit Pay
- Vacation/Sick Pay
- Unemployment Tax

Replacement Costs

- Communication of Vacancy
- Pre-Employment Administration
- Selection Interviews
- Testing, Background Checks & Exams
- Relocation Expense

Training Costs

- Orientation
- Formal Training
- Materials
- Equipment
- On-the-job Instruction

Lost Productivity

- Performance Differences
- Lost Business
- Lost Institutional Knowledge
- Decreased Survivor Productivity & Morale
- Risk of Legal Action, Labor Strikes
- Damage to Company Reputation

INDIRECT COSTS

Total Cost of Voluntary Turnover in the U.S. is $536 Billion

In 2016, BLS reported 35,746,000 voluntary separations (Quits), which would amount to $536 billion in costs to employers. This follows a cost of turnover estimate of $15,000 per employee.

Estimating Average Turnover Cost

Meta-Analysis found conservative turnover cost for $8 per hour employee [8]	= $5,506
Annual Salary of $8 per hour employee	= $16,640
Turnover cost per employee: $5,506 / $16,640	= 33%
Median U.S. worker salary [9]	= $45,000
Average cost of turnover per employee: 33% of $45,000	= **$15,000**

GETTING TO THE REAL REASONS EMPLOYEES LEAVE

We interviewed 240,000 former employees since 2010, then captured and analyzed the data to reveal the real reasons why employees left their jobs. We applied a methodology to specifically probe for the real reasons employees leave their jobs.

Clearly turnover is a huge cost to organizations, and it's a problem many are trying to solve. Researchers and academics have published countless studies and theories on the causes of turnover, showing that things like job satisfaction, organizational commitment and job searching are most predictive.[11] Previous research has largely revealed relationships and correlations. **This is the first definitive, comprehensive study documenting the most important root causes of turnover.**

The fact is that to learn the real reasons for leaving, we must ask employees in a way that will bring out the truth. Research shows that 63% of the answers will change by having a third party ask about reasons for leaving after the employee has departed.[12] Checkboxes and rating scales alone can be easily misinterpreted and provide limited information about how to act on the data. It is critical to ask general, open-ended questions and probe for more information so the employees open up with the issues that matter most and are not influenced by choices on a list. Following this impartial, qualitative-first approach to measurement is the best way to capture the real reasons.[13]

Over the past 17 years and over half a million interviews, Work Institute has developed a best-practice methodology to ask and capture the most important reasons employees leave their jobs. Our specialized researchers conduct exit interviews and categorize the results, which are analyzed into 65 distinct reasons for leaving that fall into 10 high-level reason categories. This classification system accounts for 98.5% of all the reasons employees have told us and allows us to quantify deep insights accurately and efficiently in large volume.

10 Reasons for Leaving

- **Career Development:** Opportunities for growth, achievement and security
- **Work Environment:** Physical and cultural surroundings
- **Management Behavior:** Positive and productive relationships
- **Job Characteristics:** Ownership and enjoyment in manageable work
- **Compensation & Benefits:** Total rewards promised and received
- **Work-life Balance:** Travel and scheduling preferences
- **Well-being:** Physical, emotional and family-related issues
- **Relocation**
- **Retirement**
- **Involuntary**

240,000
Employee
Exit Interviews

65 Reasons for Leaving

TEN
Categories
of Reasons
for Leaving

98.5%
of Reasons Employees Told Us They Leave

The Truth About the Reasons Employees Leave

TRUTH #1:
Nearly All Companies are Unique

The truth is that almost all companies are unique in the top reasons that employees leave. Companies cannot depend on market data and industry benchmarks to develop effective employee retention strategies for their unique organizations.

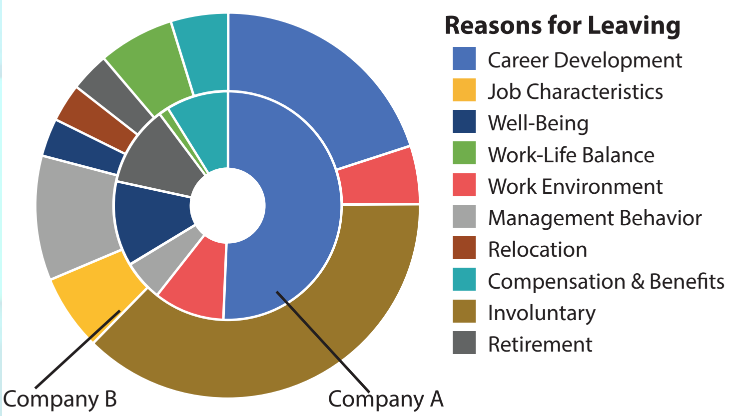
Chances of Your Company Having the Most Common Turnover Profile Are Less Than 8%

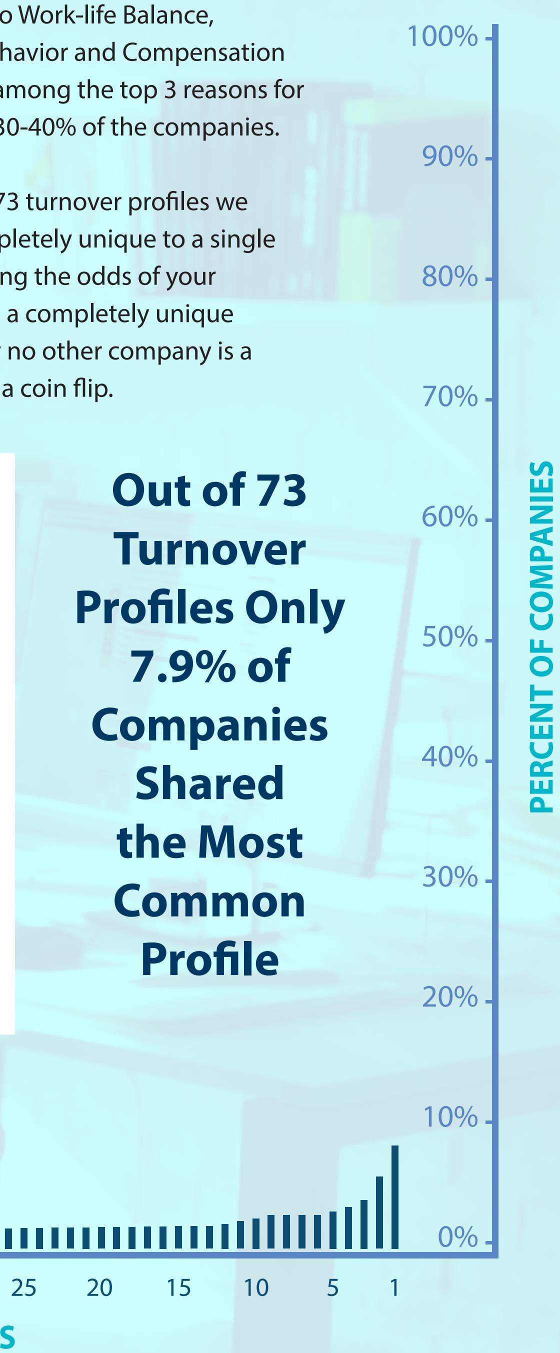
Across 173 companies in 2016, we looked at all possible combinations of the top 3 reasons employees cited for leaving (in any order) to find the most common turnover profiles. The research revealed that **only 7.6% of companies shared the most common turnover profile.** This clearly demonstrates that companies are incredibly diverse in the reasons employees leave, emphasizing the need to understand reasons for leaving in your company's unique workforce and context.

Across the organizations, 86% of companies had Career Development reasons show up in their top 3 reasons for leaving, while reasons related to Work-life Balance, Management Behavior and Compensation & Benefits were among the top 3 reasons for leaving for only 30-40% of the companies.

Over half of the 73 turnover profiles we found were completely unique to a single company, meaning the odds of your company having a completely unique profile shared by no other company is a little better than a coin flip.

Reasons for leaving remain vastly unique across companies, even within the same industry.





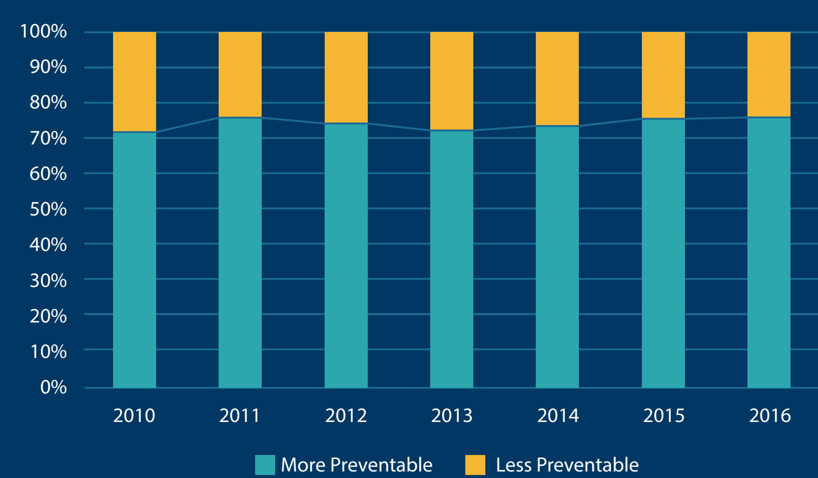
TRUTH #2:
Most Turnover is Preventable

Trends reveal that the more preventable reasons why employees are leaving their jobs are on the rise and reflects the employee marketplace.

Macro trends from Bureau of Labor Statistics cannot tell us why employees are leaving or how businesses can prevent it. We have analyzed over 240,000 exit and employee interviews since 2010 which provides insightful data to tell us why employees are leaving their jobs and why employees are staying in their jobs to help further explain top-level economic trends.

Comparing the more preventable reasons for leaving, including Career Development, Work Environment, Management Behavior, Job Characteristics, Compensation & Benefits, Work-life Balance and Well-being, to the less employer-controllable reasons for leaving, including Relocation, Retirement, and Involuntary, over 75% of the reasons employees leave could have been prevented by the employer. The more controllable reasons have risen 6% over the past 7 years. This makes sense considering the economic data suggesting that employees have more job options and can be more selective.

More Preventable Versus Less Preventable Turnover



More Preventable vs. Less Preventable Reasons for Leaving

More Preventable Reasons for Leaving

Reasons related to modifiable conditions of the Company, Leadership, Team and Job.

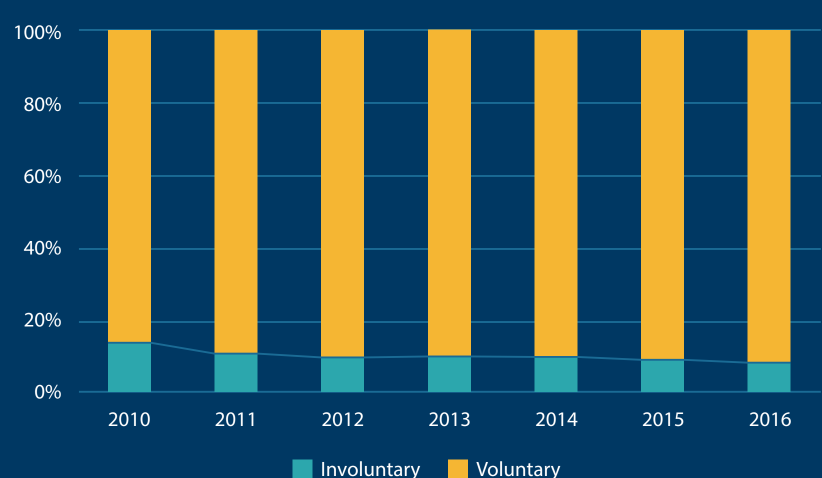
- Career Development
- Job Characteristics
- Well-being
- Compensation & Benefits
- Work Environment
- Management Behavior
- Work-life Balance

Less Preventable Reasons for Leaving

Reasons that are more strongly driven by uncontrollable factors.

- Involuntary Turnover
- Retirement
- Relocation

When we compare involuntary turnover to voluntary turnover trends from the past 7 years (excluding retirement and relocation), we see the same trend identified by the Bureau of Labor Statistics. Voluntary departures have grown 6 percentage points over the past 7 years relative to involuntary reasons for leaving. While the relative decline in involuntary reasons may be due in part to fewer layoffs in a thriving economy, there is a danger that in the context of such high demand for workers, companies are more lenient in enforcing policies around conduct and holding employees accountable for their performance.



Voluntary Reasons for Turnover are Increasing Relative to Involuntary Reasons

TRUTH #3:
Career Development Is The Top Reason Employees Leave

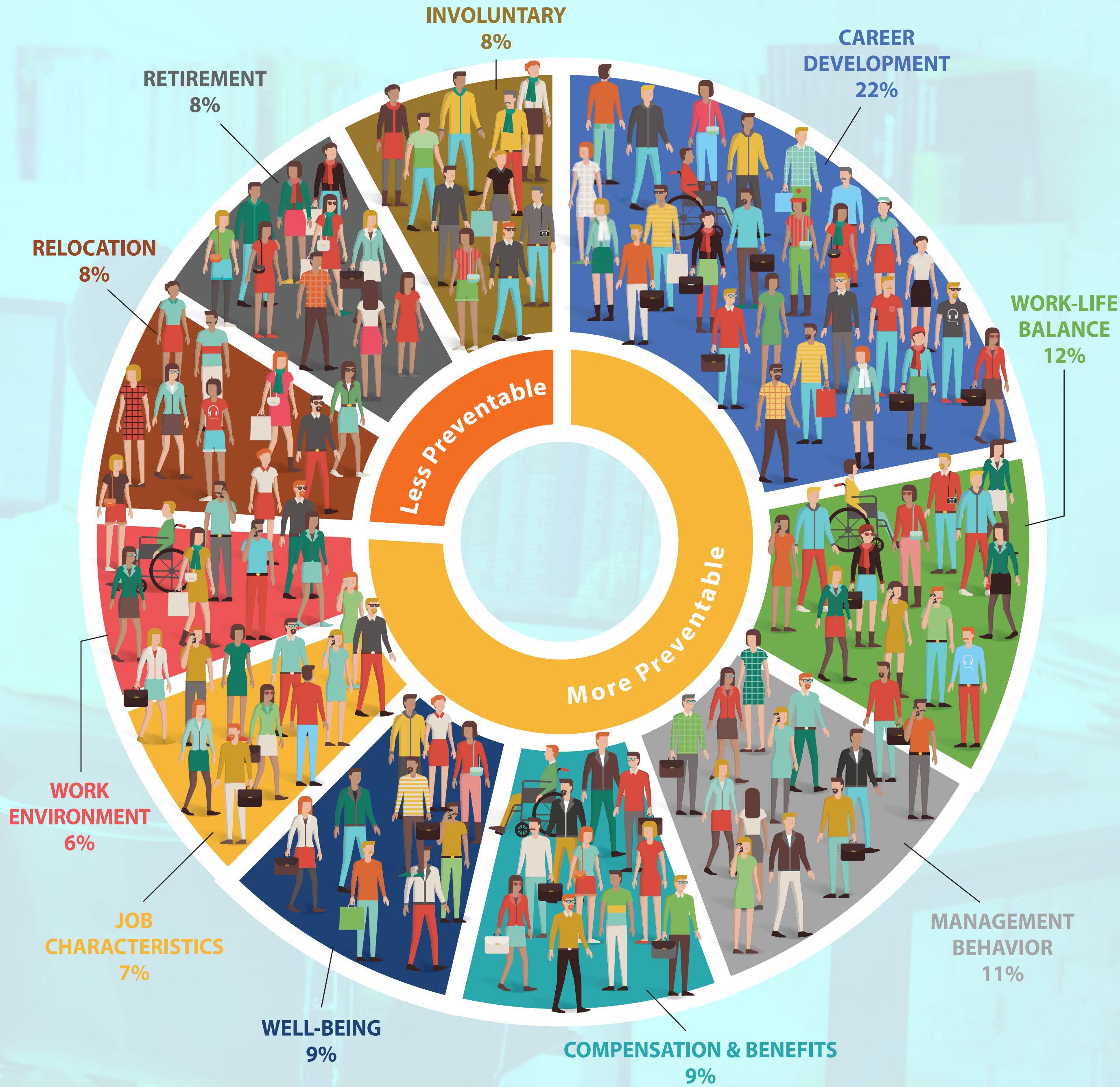
So what are the real reasons people leave?

One in 5 employees are leaving because career growth, achievement and security. Interviews with over 34,000 former employees from 2016 reveal the following "most important" reasons for leaving:

1. **Career Development (22%)**
2. **Work-Life Balance (12%)**
3. **Management Behavior (11%)**
4. **Compensation and Benefits (9%)**
5. **Well-being (9%)**
6. **Retirement (8%)**
7. **Involuntary (8%)**
8. **Relocation (8%)**
9. **Job Characteristics (7%)**
10. **Work Environment (6%)**

Career Development was the most popular category of reasons employees left their jobs. This accounts for 22% of what employees said were the "most important" reasons. It is also important to note that although there are common themes across this substantial group of employees, there are still differences across companies - 14% of organizations do not have Career Development in their employees' top 3 reasons for leaving. Career Development includes more specific reasons around opportunities for growth, achievement and security, which indicates that these are priorities for the workforce and are worth leaving a job. Work-Life Balance (12%) was the second most commonly cited category of reasons, reflecting travel and scheduling preferences that were not met. Management Behavior (11%) reasons were also common, which resulted from a negative employee-manager dynamic.

Top Reasons for Leaving in 2016

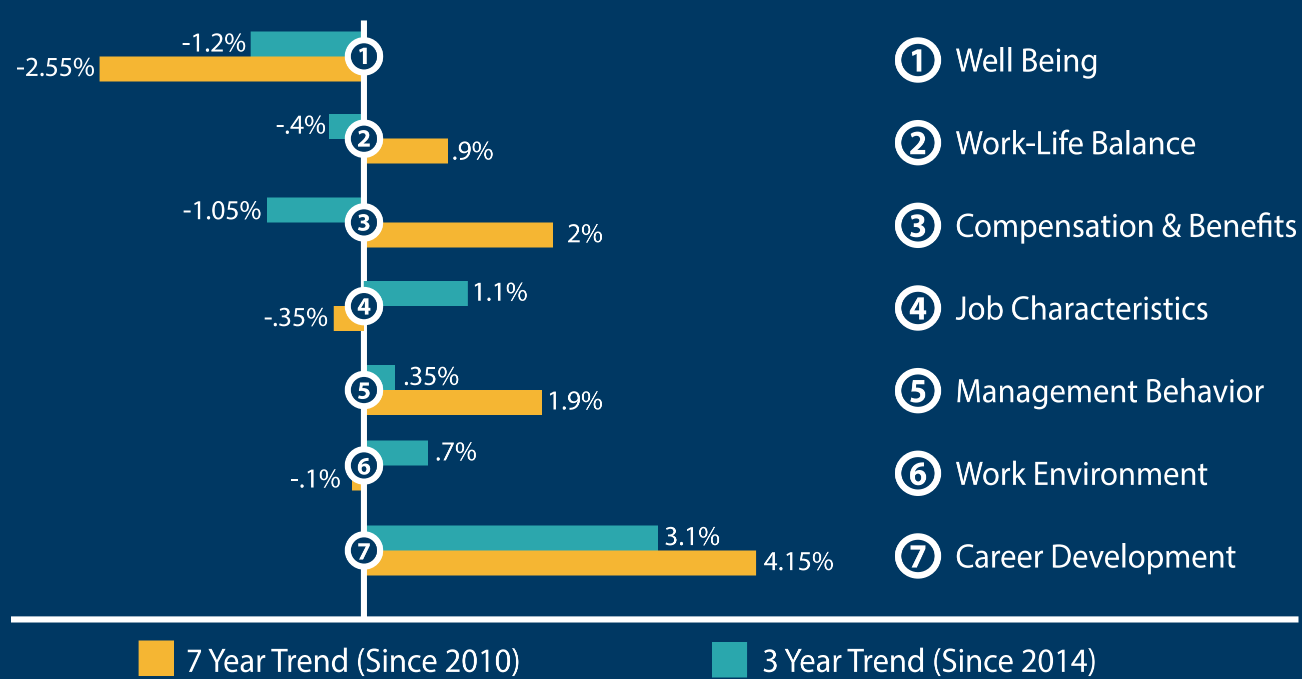


TRUTH #3 (CONTINUED):

Career Development Is The Top Reason Employees Leave

- Career Development reasons have been on the rise in the past 3-7 years more than any other reason.
- Management Behavior reasons have steadily risen relative to the other reasons.
- Compensation and Benefits reasons had risen coming out of the recession in 2008, but declined in just the past 3 years while Job Characteristics and Work Environment rose.
- Well-being reasons for leaving have been on a strong and steady decline since 2010.

Trends in More Preventable Reasons for Leaving



Reasons Within Career Development

TYPE OF WORK

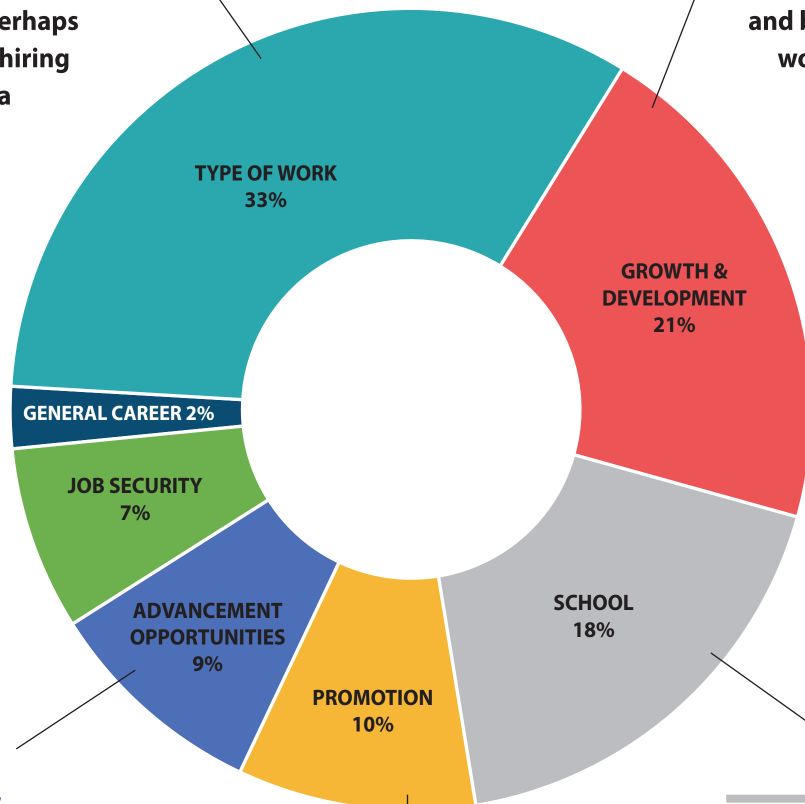
Employee expectations may not have matched what the type of work actually involved, where perhaps the educational system or hiring processes did not provide a realistic view of the job.

- "I started to realize that hospital nursing was not for me. The work setting was really lonely since I worked in the ICU department."

GROWTH & DEVELOPMENT

Employees often left because they wanted to learn, grow and be challenged in their work, and another employer offered better opportunities to do that.

- "I left to take a position elsewhere that offered me more growth opportunities."



ADVANCEMENT OPPORTUNITIES

Workers take a position where there is a clear path to promotion. We hear from frustrated employees who haven't been given the feedback they need to successfully advance and feel they have reached a "dead end".

- " I left because of the lack of growth opportunities. I felt I had gone as far as possible, but I would rather not have left."

PROMOTION

Employees receive an offer to step into a higher-level role. Often, employees had applied for promotions at their previous employer unsuccessfully before making the decision to leave.

- " I left for a supervisory position with another company that offered advancement."

SCHOOL

Some employees only planned to work for a set timeframe before returning to school, and in other cases, their work experience caused them to rethink their career path and invest further in their education. The departure itself creates cost for the organization, but the company misses an opportunity to retain an employee whose skills and value will be increasing.

- " I started back to school and needed the time for my studies."

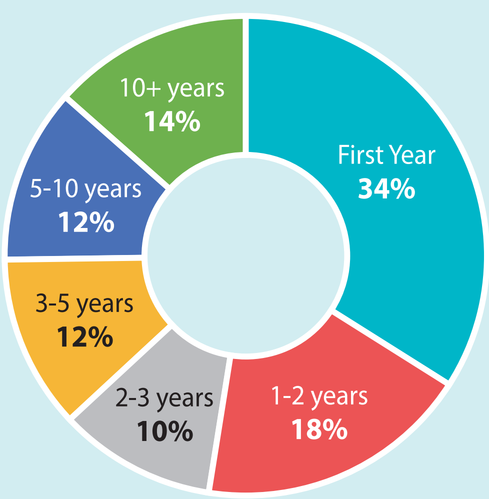
TRUTH #4:
First Year Employees are The Highest Risk for Turnover

The reasons for leaving are very valuable to understand for first year employees. Employees within their first year of employment in a company show a greater likelihood of leaving than any other segment and tend to have different reasons than other employee segments.

The length of time an employee has been with a company is important to consider when looking at turnover. In this study, about a third of all turnover occurred within the first year of employment in a company.

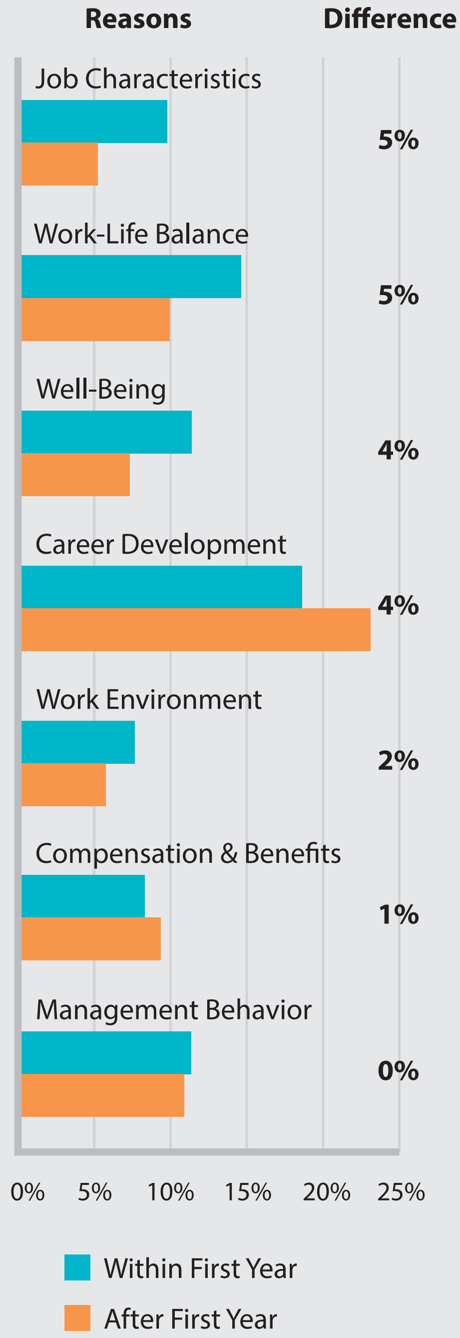
Employees who leave within their first year could cost companies more than employees who have been with a company longer before leaving. It may take employees up to 3 to 6 months on the job before they have added enough value to offset the cost of their hiring, onboarding and compensation and benefits. When employees leave within their first year of employment, employers may never realize a positive return on those hires.

Of the more controllable reasons for leaving, those who quit within the first year were more likely to cite Job Characteristics, Well-being and Work-life Balance reasons than those who quit after the first year. Companies should listen to their workers to ensure appropriate preferences are met and expectations are set beginning with recruitment and throughout the onboarding process into the job itself.



Turnover by Length of Time with the Company is Important to Consider when Evaluating Turnover

First Year Employees Leave for Different Reasons than Other Employees



TRUTH #5:
Common Stereotypes about Departing Employees are Myths

Simple demographic segmentation ignores the real reasons that employees leave, most of which are contrary to common stereotypes.

As we try to uncover the real reasons employees leave their jobs, it may be tempting to focus efforts on characteristics of the employee first to try to "select" and hire people who are more likely to stay. Focusing on employee characteristics related to turnover is ultimately short sighted. It follows a mentality that the type of employee is the problem and not the job, team, manager or organization. The economy has shifted to an employee-in-control marketplace, and we see that many workers are leaving for preventable reasons, such as career development. Companies would be wise to diagnose and change the aspects of their workplace causing any talented employee to leave.
Digging into our data, we see a number of demographic trends that go against popular thinking and some of the common stereotypes and reinforce the need to measure perceptions within each unique workforce.

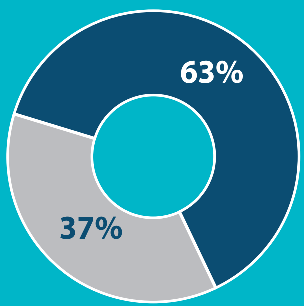
Stereotype #1: Women leave jobs for different reasons than men. When we take a closer look at gender in the context of life stage, we find that the reasons why men and women leave are most different for workers in their 20's and become almost equal among employees in their 40's and 50's.

Stereotype #2: Different generations require different workforce strategies. Research on generational differences has received a lot of attention in the media, though our data show there is much more variation and meaningful difference within generations than between them. In other words, assuming employees within generations require the same strategy could lead to wasted effort or ineffective initiatives. Ultimately, employees have unique points of view across the age and generation spectrum, and generational stereotypes have limited usefulness and risk misguiding retention efforts.[15]

Stereotype #3: Millennials are the "entitled" generation. Counter to the stereotype that Millennials are needier of their managers and have a higher sense of entitlement, Millennials cited proportionally lower reasons for leaving in Job Characteristics and Management Behavior categories than other generations. In fact, Millennials and GenXers are almost identical in the distribution of their reasons for leaving. This goes against the stereotypes that Millennials are so different from other groups in their attitudes and expectations. Their stage in life and career may have more to do with reasons for leaving (e.g., going back to school) than a sense of entitlement.

Clearly, solving turnover across a workforce will require a strategy that accounts for multiple reasons as different types of people appear to have different needs, preferences and priorities across life stages.

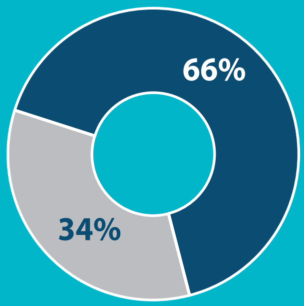
Exit Interviews are not just disgruntled employees.



After departure,

63%

of employees rated their employer as very good or excellent.



After departure,

66%

of employees rated their supervisor as very good or excellent.

THE TRUTH ABOUT THE REASONS EMPLOYEES STAY

TRUTH #6:
Turnover is Predictable and Preventable

It is critical to interview current employees to understand the real reasons they stay with a company to more powerfully predict the intent to stay and more accurately build strategies that increase retention and prevent turnover.

We have already established that companies are unique in their culture, history, workplace conditions and the preferences, expectations and intents of their workers. Looking at reasons for leaving among those who exit tells only half of the story needed to drive a comprehensive retention strategy. Stay Interviews and other research among those currently employed allow you to assess current-state turnover risk and analytically identify the strongest predictors of intention to stay.

Employee perceptions around 4 key drivers - Organization, Manager, Team and Job – become the conditions that create a sense of engagement and commitment within the workforce and ultimately lead to the outcomes of retention, performance and well-being.

Following the same robust qualitative-quantitative methodology applied to Exit Interviews, it is critical to let employees define the workplace conditions that drive their engagement and commitment to the company. This is very different from typical models of Employee Engagement and Retention, which impose a specific list of workplace conditions that employees must rate. Ratings on the 4 key drivers provide a starting point for probing deeper into the "why", bringing to light the real, most important workplace issues according to the employees themselves.

Stay Interview and Engagement Study data can be statistically analyzed to gain additional insights for retention strategies. Predictive models can be built to determine if higher ratings and certain groups of reasons are associated with intentions to stay longer with a company. Data indicate that ratings of key drivers are indeed predictive of intent to stay, most strongly for those who give an "excellent" rating.

Organization and Manager Retention Drivers

- **ORGANIZATION RATING:** Those who rate their employer as fair or poor are **9.7 times** more likely to look for a job within 12 months than those who rate their employer as excellent. Those who rate their employer as good or very good are **2.8 times** more likely to look for a job within 12 months than those who rate their employer as excellent.
- **MANAGER RATING:** Those who rate their manager as fair or poor are **7.6 times** more likely to look for a job within 12 months than those who rate their manager as excellent. Those who rate their manager as good or very good are **2.3 times** more likely to look for a job within 12 months than those who rate their manager as excellent.

TRUTH #7:
Reasons for Staying are Not the Same as Reasons for Leaving

It is equally important to understand the reasons people stay as it is to understand why they leave, and these reasons aren't always the same.

The idea of looking at reasons for leaving and staying follows the thought that the workplace conditions that cause job satisfaction are different from the conditions that cause dissatisfaction.[16] Factors related to the work itself that bring a sense of fulfillment have been found to drive satisfaction and retention when they are high. Factors from the job context, like pay and manager, lead to dissatisfaction and turnover when they are missing.[16] To optimize retention, you have to understand and address both satisfying and dissatisfying factors.

With data from Stay Interviews of employees still with their organization, we are able to capture and categorize the specific reasons employees intend to stay for a given length of time. For example, employees who only plan to stay for 3 months cite different reasons than those planning on staying for 1 year. To find the real reasons for staying, we studied the most important reasons given by employees who said they plan to stay for "a long time".

The most common reasons for staying were Career Development, Job Characteristics, or Work Environment. Interviews from those who had exited showed Job Characteristics and Work Environment as lower ranking reasons for leaving (6th and 7th on the list). On the other hand, Work-life Balance and Management Behavior ranked 2nd and 3rd in the average reasons for leaving, but aren't as important to how employees foresee staying with a company. This is in line with research that says reasons for satisfaction are different from reasons for dissatisfaction. Although these are average findings from many companies combined, it emphasizes that the need to understand current employees is equally important as understanding those who exited. Looking at just one of these pieces of information would have only told part of the story.

Top Reasons for Staying in 2016

1. **Career Development (27%)**
2. **Job Characteristics (26%)**
3. **Work Environment (17%)**
4. **Compensation & Benefits (12%)**
5. **Work-life Balance (9%)**
6. **Management Behavior (4%)**
7. **Retirement (4%)**

TRUTH #8:
Ratings and Benchmarks Don't Tell the Whole Story

Employee survey ratings, scores and external benchmarks are popular yet flawed methods for identifying the specific actions that will cause improvements to retention, whereas following a ratings-reasons approach based on internal standards will yield the most accurate, actionable information.

Many vendors and consultants will recommend a ratings-based engagement or satisfaction survey to diagnose and act upon the reasons for retention and turnover, but there are serious flaws with traditional approaches that will lead to wasted expense, investments in the wrong workplace changes, or worse, no action at all.

The Business Decision Chain: A flaw in the data leads to a break in the chain reaction leading up to good business decisions that are most likely to drive outcomes. [17]

FLAW #1: Pre-selected Rating Topics: Traditional methods risk missing the real issues because they force employees to rate topics that have been predetermined, usually based upon assumptions and not hard evidence. [18]

Solution: Ask employees to elaborate on broad concepts without prompting them and capture the range of issues and reasons in a quantifiable way.

FLAW #2: Lack of Actionability: Providing ratings and scores alone will tell you how levels compare to one another and over time, but used alone, ratings leave a lot to interpretation and do not provide actionable insights. [19]

Solution: Consider the details in employee perceptions and suggestions for improvements.

FLAW #3: Correlation does not equal Causation: Just because a score is correlated to a business outcome does not mean that it causes or drives that business outcome. [20]

Solution: Ask people directly about what is causing their behavior or planned behavior in a way they will be honest and overshare, whether it be an employee who has already left the company or someone who is planning on leaving soon.

FLAW #4: Keeping up with the Joneses: External or competitive benchmarks let you know little more than whether you are better, worse or the same than others in your industry. This tells you nothing about what you need to do in order to gain market share and sustain a competitive advantage. [21]

Solution: Focus on internal benchmarks that seek to discover where best practices are happening within a business so they can be reapplied in ways that work for that unique culture, context and workforce.

Benchmark Against Your Own Unique Goals, Standards and History, Not Someone Else's

WHAT DOES THIS MEAN TO YOUR ORGANIZATION?

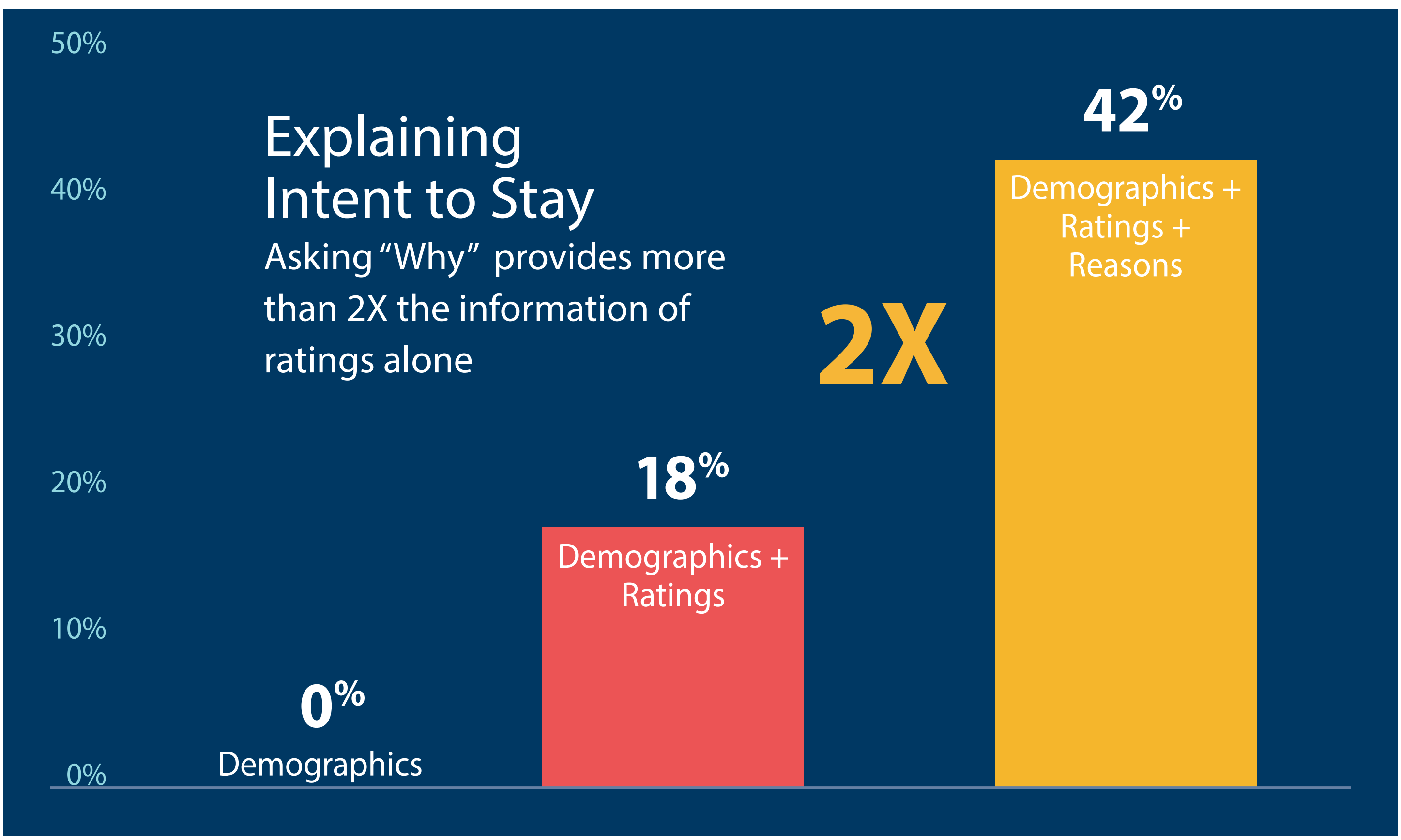
TRUTH #9:
Asking Employees Less will Tell You More

Asking "Why" Is 2x More Powerful than Ratings Alone

Capturing and categorizing the reasons "why" an employee gave their rating gives us 2.3 times more information about the differences in plans to stay with the company than ratings alone. Using statistical models, we can show how valuable different sources of information can be based on how much they help predict the outcome of interest. In this case, we predicted employee's intention to stay with the company.

First, we looked at age and gender, which explained 0% of intentions to stay. This means that there were no statistical differences between men and women or across the age spectrum, which contradicts potential stereotypes or assumptions that these groups are so different. Next, we added numeric ratings of employer, supervisor, support, growth and voice to the model, which were able to explain 18% of intent to stay. Lastly, we entered variables created from the reasons that employees gave for their intent to stay, which explained 42% of intent to stay. The reasons provided by employees give a huge boost in valuable information (and prediction capability) above and beyond how the employees rated aspects of their work on a rating scale.

The additional information gained from probing on the single question "why?" in an exit interview can generate insights around up to 65 distinct reasons for leaving with emphasis on the most important ones. To get similar insights with a traditional survey approach, employees would have to select or rate 65 questions in a survey or drop-down menu.



TRUTH #10:
Small Investments in Retention Yield a High Return

Small investments in employee retention can significantly impact the direct costs of employee turnover. Retaining a small percentage of the workforce can result in significant savings for companies.

To show what a significant impact a small investment in retention can have, consider the impact of improving ratings across the following scenarios.*

- Improving the place to work (company ratings)
    - For every 100 employees who move their company ratings from **fair or poor** to **excellent**, **37 fewer employees** would leave in the next year amounting to **$555,000 in savings**.
    - For every 100 employees who move their company ratings from **good or very good** to **excellent**, **26 fewer employees** would leave in the next year amounting to **$390,000 in savings**.
- Looking deeper into the top reason for leaving, improving growth and development opportunities
    - For every 100 employees who move their growth and development ratings from **fair or poor** to **excellent**, **21 fewer employees** would leave in the next year amounting to **$315,000 in savings**.
    - For every 100 employees who move their growth and development ratings from **good or very good** to **excellent**, **14 fewer employees** would leave in the next year amounting to **$210,000 in savings**.

*Assumes a causal relationship between ratings and turnover and a conservative estimate of turnover cost at $15,000 per employee.

Being able to contain turnover costs is not only a competitive advantage, it is now necessary in today's employee marketplace to retain profits.

Return on Investment in Retention

Assuming the median U.S. worker,

- $100,000 investment in retention will pay for itself if it prevents 7 employees from leaving who otherwise would have.

TAKE ACTION TO IMPROVE EMPLOYEE RETENTION

Employees have the power and organizations must make strategic, well-informed efforts to create a workplace that is preferred by employees in order to retain employees and maintain profits amidst the mounting risk of rising turnover costs.

Create the Conditions of a Preferred Employer

It's clear from job trends that we have entered a time where jobs are abundant and employees are in control, not the employers. That means employees can be more selective in where they choose to work, and companies must compete to become the kind of place top talent wants go and stay for a long time. While hiring and selection is important, oftentimes organizations place more emphasis on finding the people who fit the workplace as opposed to shaping the workplace to fit the best people. Each part of the employment process, from hiring and training to leadership development, requires a greater emphasis on becoming a preferred employer. Remember, employee perceptions form at the moment they begin to interact with the company to the moment they leave and all throughout the employee lifecycle.

Show the Financial Impact of Turnover

Businesses must be competitive in delivering goods and services to the market, and so the role of the organization to contain human capital costs becomes equally important as managing other expenses and driving topline business growth. Unfortunately, the costs associated with human capital can be indirect and hard to quantify. Human Resources is often made responsible for managing retention, but does not always have a "seat at the table" when strategic business decisions are being made. Moreover, they do not always receive the funding required to properly invest in strategic human resource management. Those advocating for such funding and resources must make a sound business case by establishing the cost of the problem, proving that you have an accurate understanding of the root causes through high quality data, and arguing for investments in solutions that have been proven to address those root causes. Tracking changes in the business outcomes over time builds the strongest case for continued focus on such initiatives.

Ask the Right Way In Your Organization

To improve employee engagement and retention, a company must take action. In order to know which actions to take, a company must make decisions on the truth as employees perceive it. There are many influences that might cause an employee to avoid telling the truth in an interview, meeting or survey. They want to land the job or promotion. They don't want to disappoint their manager. They want to avoid rocking the boat or burning a bridge. If an organization can't get to the bottom of what employees are really thinking, how will they ever know what changes are needed to really move the needle? The level of insights presented in this report was only possible through a unique mixed methodology that captures the true preferences, expectations and intents of employees. This is done in a trusted, open-ended way to not bias or restrict what we might hear from workers in conjunction with quantitative ratings, which are commonly used in most surveying efforts. The reason we have to do this with a mixed methodology is because we don't come to the table knowing all the answers. We must give employees a voice, not simply a ratings box to check.

Understand and Act According to the Data

Solutions should always be developed with the unique context of each client in mind. While it is always exciting and even enticing to hear about a new approach or solution that has been successful elsewhere, you need to ask yourself these critical questions:

- What trustworthy data do I have on the root causes of turnover in my company?
- Can the solution be customized to meet our unique combination of needs, or is it one-size-fits all?
- What evidence exists to suggest this solution will successfully change business outcomes given our unique culture, context and workforce?

Because we always advocate for acting on specific results from the data and not some off-the-shelf product, Work Institute works with clients to develop strategies and custom solutions that address the top reasons for leaving and staying. Career Development reasons for leaving were most common. Companies should consider career achievement systems to allow for advancement within roles, job crafting to shape the "type of work" that will retain employees, and vocation seminars to connect skills, passion and goals to the workplace.

ABOUT WORK INSTITUTE

Work Institute is a leading authority in workforce intelligence, utilizing evidence-based research methods to capture the employee voice and deliver deep insights that uncover "the why" behind employee thoughts, feelings, and behaviors to confidently build and implement successful workplace transformation strategies. Work Institute helps companies that seek to purposefully improve engagement, performance and retention to deliver key business outcomes and increasingly become a better place to work.

Work Institute provides employee research, consulting and leadership development education programs to organizations of all sizes, including many Fortune 500 clients, across multiple industries and internationally.

How we help businesses become increasingly better places to work:

ASK with Voice of Employee Research

Discover the real reasons behind employee attitudes and behaviors.
Our methodology is unique and powerful, delivering more than twice the information than survey ratings alone. We use a qualitative and quantitative methodology, with optimal timing, to deliver actionable insights around the real reasons behind employee attitudes and behaviors, at a large scale.

- Recruitment Studies
- Onboarding Studies
- Employee Engagement Studies
- Stay Interviews
- Exit Interviews
- Pulse Interviews
- Vulnerability Studies
- Custom Research

UNDERSTAND with Analytics

Draw connections and deeper insights as a foundation for strategy.

PLAN with Strategy Development

Develop a strategy and implementation plan to improve employee outcomes and business results.

IMPLEMENT with Data-Driven Programs & Changes

Manage the plan and organizational changes to improve employee outcomes and business results.

EVALUATE with Measurement & Analytics

Track progress by measuring key employee outcomes and business results.

Call Work Institute to schedule a free workforce evaluation.

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ANALYTIC METHODOLOGY & LIMITATIONS

Analytic Methods

Bureau of Labor Statistics (BLS) Data (Page 6)

Data was taken from the Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS). All levels and rates for Unemployment, Job Openings, Total Separations and Quits included all non-farm industries across the total United States from 2000 to 2016.

Work Institute Historic Exit Interview Database (Pages 14-15, 18)

Data from 242,453 exit interviews conducted between January 1, 2010 and December 31, 2016 were analyzed. All reason descriptions were coded into one of 10 categories of reasons for leaving to look at year-over-year trends. More preventable reasons for leaving and voluntary reasons for leaving included the sum of exit interviews citing the following reason categories as most important: Career Development, Job Characteristics, Well-being, Compensation & Benefits, Work Environment, Management Behavior and Work-life Balance. Less preventable reasons included the sum of interviews citing the following reason categories as most important: Involuntary, Retirement and Relocation. Involuntary reasons for leaving included only exit interviews citing the Involuntary category as most important.

Work Institute 2016 Exit Interview Database (Pages 12-13, 16-17, 19-21)

Data from 34,870 exit interviews conducted by phone and web between January 1, 2016 and December 31, 2016 containing data from 173 companies were analyzed. Respondents were asked why they left and were prompted to provide multiple reasons for leaving. Then they indicated which reason was most important, which was the variable used for analyses. Detailed reason descriptions were coded into 65 reasons for leaving plus an "other" category that accounted for 1.5% of interviews. The sample was 62% female, were 40.6 years old (SD = 13.76) on average and had average tenure of 5 years (SD = 8.23). Turnover profiles of companies were determined according to a ranking of the 10 categories of most important reasons for leaving for each company. Profiles for each company were assigned based on the most prevalent 3 reason categories for each company in any order. Top reasons for leaving in 2016 were based on most important reasons given across all exit interviews conducted in 2016, and analysis excluded the 1.5% of cases falling in the "Other" category.

Work Institute 2016 Incumbent Database (pages 22-23, 25-26)

Data from 14,059 Stay Interviews and other incumbent employee research studies conducted by phone and web between January 1, 2016 and December 31, 2016 were analyzed. Respondents were asked to rate their intended length of stay with their current employer, prompted to provide multiple reasons for their rating and then indicated which reason was most important, which was the variable used for analyses. Respondents were also asked to provide ratings on a 1-5 Likert scale of their satisfaction with organization, manager, opportunities for growth and development, perceptions of support and decisional involvement, all of which were followed with open-ended prompts to provide multiple reasons and identify the most important reason. Organization and manager retention drivers were based on odds ratios of the likelihood of employees intending to leave within 12 months across rating levels of organization and manager. Reasons for staying were determined based on a rank ordering of the most important reasons given by those responding they intend to stay for "A long time". The ratings and reasons analysis included a hierarchical linear regression model predicting ratings of intention to stay. We first entered just demographics of age and gender alone. Then we added quantitative ratings of the employer, supervisor, opportunities for growth, decisional involvement and perceived support, which explained 18% of the variance in intent to stay and was statistically significant ($F(7) = 23.9$, $p < .01$). This was a statistically significant boost. Lastly, we coded the qualitative data employees provided when asked why they gave their intent to stay rating and entered each reason category as a dummy variable to the model, which explained 42% of the variance in intent to stay representing a 2.3 fold increase from just ratings and demographics alone ($F(17) = 32.7$, $p < .01$). Scenarios of return on investments were computed based on the odds ratios from organization and manager retention drivers with the average cost of turnover at $15,000 per employee assuming that a change in ratings would cause a change in turnover.

Limitations

Aside from BLS data, the data presented in this report are self-report from employees and accordingly is subject to potential error in terms of perceptions, awareness of the true causes for their behavior and other biases, though we have made all attempts to mitigate potential bias through our methodology. Work Institute data may also be subject to self-selection bias based on the selection of companies who chose providing us data; however, the large sample size and large number of companies lend confidence in the results, and the variance in reasons for leaving across companies suggests that companies in the database were not homogenous. Lastly, while statistical analyses in the present report were correlational in nature, the questions asked of interviewees were directly causal in nature (e.g., "why?").

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As AVP of Research and Analytics for Work Institute, Dr. Sears works with organizations to reduce turnover, improve performance and drive higher levels of engagement in their workforce. She is advancing the science of employee engagement, performance and retention by uncovering insights through research and analytics and testing innovative approaches in Work Institute's research methodologies and solutions.

Prior to joining Work Institute, Dr. Sears spent several years consulting to Human Resource and Organizational Development groups and served as Executive Director of Advanced Data Sciences at Healthways where she led an interdisciplinary team of scientists in advanced research, analytics and development of tools to improve employee well-being.

She has published several book chapters and research articles on the topics of retention, health care, measurement, well-being, stress and organizational performance. Dr. Sears is also a highly-regarded speaker on the topics of organizational development, well-being and retention. She received her Ph.D. in Industrial and Organizational Psychology from Clemson University, a Masters of Science in Applied Psychology from Portland State University and Bachelor of Arts in Psychology from Rhodes College.

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As President at Work Institute, co-author of The Why Factor: Winning With Workforce Intelligence, and a highly sought after public speaker, Danny Nelms is an agent of change, a thought leader, and an expert in helping companies forge new directions to optimize their human capital and improve business results.

Nelms' background and 25 years of experience have given him the ability to influence corporate culture and human capital initiatives in areas including organizational improvement and effectiveness, leadership development, performance expectation, talent acquisition, executive coaching, succession planning, and mergers and acquisitions.

His proven track record in successfully managing teams in both human resources and corporate services, as well as his successes in aligning organizational strategies to achieve business objectives, have made him a popular choice on the speaking circuit. His insight into human capital dynamics of an organization based on sound data-driven research uniquely positions Nelms to provide valuable recommendations for the challenges that organizations face and allows him to provide companies with the tools they need to successfully achieve the desired employee outcomes and business results.

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Work Institute – Advisor

Dr. Thomas F. Mahan is the founder, owner and chairman of Work Institute. Prior to starting Work Institute in 2001, Tom was Senior Vice President with the Saratoga Institute/Spherion, a Director of Organization Development with Cigna/Equicor, and a Field Executive with Prentice-Hall. As time allowed, Dr. Mahan was also a professor at Vanderbilt University.

Tom is mostly known for his workforce research and conference speaking with national and international organizations. An Organization Behavior Scientist and Management Behavior Counselor, Dr. Mahan has worked with managers and employers to create environments wherein employees can realize their occupational purpose, while concurrently reducing targeted and wasteful human capital expenses. As a writer, Tom co-authored "The Why Factor: Winning with Workforce Intelligence."

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