

2018 RETENTION REPORT

Truth & Trends in Turnover

The only report of its kind that reveals the real reasons employees leave their jobs, or intend to leave, how these reasons have changed and how market conditions impact the reasons employees leave.

**INSIGHTS FROM
OVER 234,000
EXIT INTERVIEWS**



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A person in a white shirt and tie is holding a black leather briefcase. The image is overlaid with a semi-transparent red filter. A white-bordered box contains a quote in white text.

“ More than three in four employees, 77 percent, who quit could have been retained by employers. ”

DEAR EMPLOYERS,



Work Institute hears it over and over from business leaders across the country: “Our organization has the opportunity to grow but can’t attract and retain the employees we need.” This is clearly a problem as employee turnover is anticipated to hit record highs and cost U.S. companies more than \$600 billion in 2018. Through our research and analysis, we have learned from employees that most of the reasons they quit could have been prevented. In fact, our research shows that more than three in four employees, 77 percent, who quit could have been retained by employers.

This 2018 Retention Report marks our second study of retention in the workplace. Using a methodology refined over the past 18 years, and research from more than 234,000 exit interviews, this report reveals the root causes of turnover and the top trending reasons employees quit.

In this report, we reveal the root causes for employee turnover, show how most turnover is preventable, and why it is increasingly important for CEOs and managers to engage with and listen to their employees.

As the employee marketplace continually evolves, our goal is to be your go-to partner for accurate insight into the preferences, expectations and intents of employees. Most turnover is preventable when you know and understand the real reasons employees quit. We are committed to delivering reliable and actionable insights that empower you to improve retention and positively impact your business and bottom line.

A handwritten signature in black ink, appearing to read 'Danny Nelms', written in a cursive style.

Danny Nelms, President
Work Institute

STATE OF THE MARKETPLACE |



ONE IN FOUR WORKERS WILL QUIT THIS YEAR

IT GETS WORSE: ONE IN THREE WORKERS WILL VOLUNTARILY QUIT THEIR JOBS EACH YEAR BY 2020.

In the wake of consistent economic growth, employees have seized available opportunities resulting in a surge of voluntary turnover that's challenging employers – and it is here to stay for the foreseeable future.

Looking ahead, we predict that 42 million employees will voluntarily quit their jobs in 2018. This means that 28.6%, or more than one in four employees, will leave their jobs this year to go to work somewhere else. There is an 11% increase over last year, when 38 million employees quit (Bureau of Labor Statistics, 2018). If this trend continues, by 2020 over 48 million employees, or one in three workers, will quit their jobs.

At the same time, involuntary turnover will continue declining as employers try to keep available workers to meet the demands of their businesses. Involuntary turnover rates are expected to drop by 25% over the next two years

as economic growth is likely to reduce the need for employee layoffs. A worker shortage is likely to force employers to keep employees they may otherwise have let go, and the challenge to fill open positions will intensify.

Increases in voluntary turnover will continue to affect the ability of organizations to sustain profits and grow revenues. The cost of turnover, voluntary or involuntary, is estimated at one-third of a worker's salary (Sears, Nelms, & Mahan, 2017). When applied to one-fourth of a workforce, the cost of turnover is staggering.

Moreover, while turnover of any kind has a negative impact on organizational performance, and should be controlled, voluntary turnover is more detrimental to organizational performance than involuntary turnover (Park & Shaw, 2013). Leaders should look closely at all turnover to improve organizational performance – especially voluntary turnover.

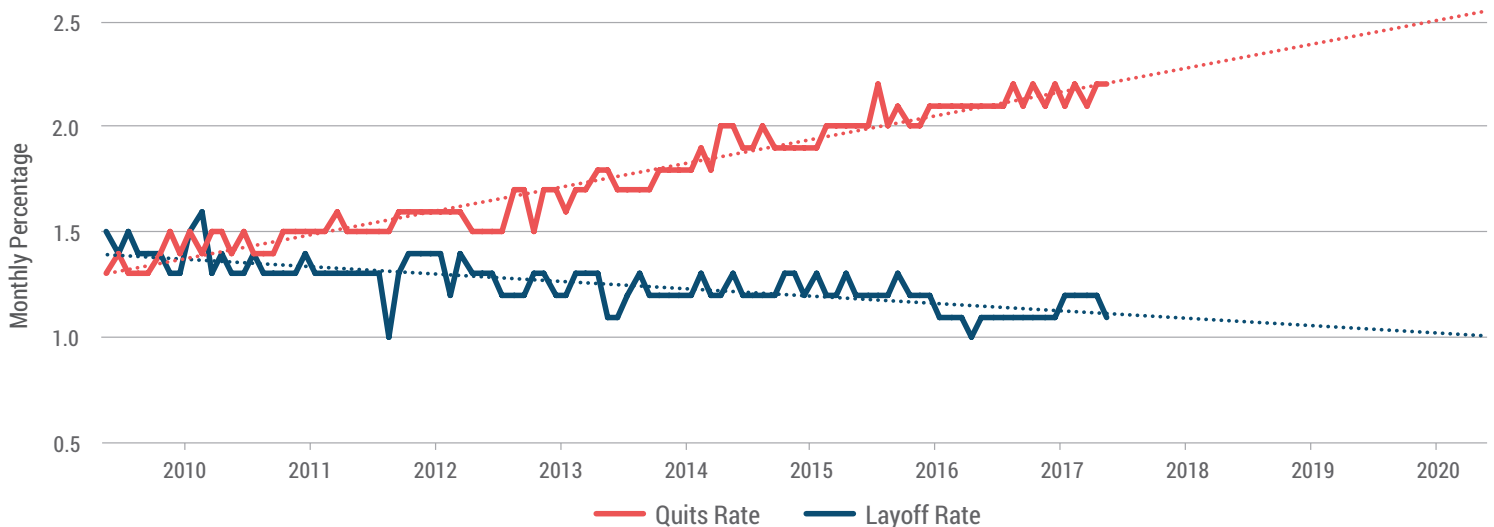
28.6%

of employees will leave their jobs in 2018 to go to work somewhere else

33%

of employees will leave their jobs each year by 2020 to go to work somewhere else

Trends & Projections in Employee Separations Through 2020



US ECONOMIC BOOM SPURS COMPETITION FOR WORKERS

A STRONG ECONOMY FUELS JOB GROWTH, CONSUMER CONFIDENCE & TURNOVER.

Headlines of employee layoffs, corporate downsizings and long unemployment lines are distant memories for most American workers, as doubt and uncertainty have been replaced with optimism and confidence in the job market. Employees have relentlessly seized opportunities available to them in a thriving job market that has recovered from the recession that gripped the nation a decade ago.

The U.S. real gross domestic product, the metric used to measure the health of the economy, grew 2.6% in the fourth quarter of 2017 and showed no real signs of a slowdown. The fourth-quarter results marked 15 quarters of consecutive growth. Positive economic conditions spurred favorable consumer sentiment, or confidence in the economy, which averaged 96.8% for 2017, the highest since 2000.

The rise in confidence is well-founded, as 2017 marked the seventh consecutive year that the economy added more than 2 million jobs (BLS, n.d.b). Job openings and the demand for workers, another indicator of economic health, are expected to increase as the economy continues to expand (Thibaud, 2017).

As job growth soared, the unemployment rate, the percentage of the labor force actively seeking work, plummeted. The unemployment rate settled at a low of 4.1% at the end of 2017, a 17-year low (BLS, n.d.c). The drop in the unemployment rate and the rise in

job openings forced employers to recruit already employed workers. This increased the competition for workers and fueled additional employee quits.

The competition for workers is evidenced in the quits rate, which serves as a measure of how many employees quit and employee willingness or ability to leave and find another job (BLS, 2018). In 2017, the voluntarily quits rate increased 5% from the prior year, as nearly 38 million employees left their jobs (BLS, 2018). Since 2009, the number of quits, which excludes retirement and relocation, increased by over 80%, surpassing pre-recession levels (BLS, 2018).

While employee quits increased for the eighth consecutive year, involuntary quits declined for the eighth consecutive year. This resulted in an overall stagnant level of separations (BLS, 2018). As employees increasingly quit their jobs, employers were compelled to keep less desirable workers, versus discharging or replacing those workers, to meet the demands of their businesses.

Workers who have not already quit are predicted to evaluate their opportunities. With a healthy economy, robust confidence, an abundance of jobs and stiff competition, workers are expected to be increasingly selective about where they work and will voluntarily change jobs when a better opportunity is present.

**38
Million**

Number of Quits in 2017

Source: Bureau of Labor Statistics

5%

**Increase in Quits Rate
from 2016 to 2017**

Source: Bureau of Labor Statistics

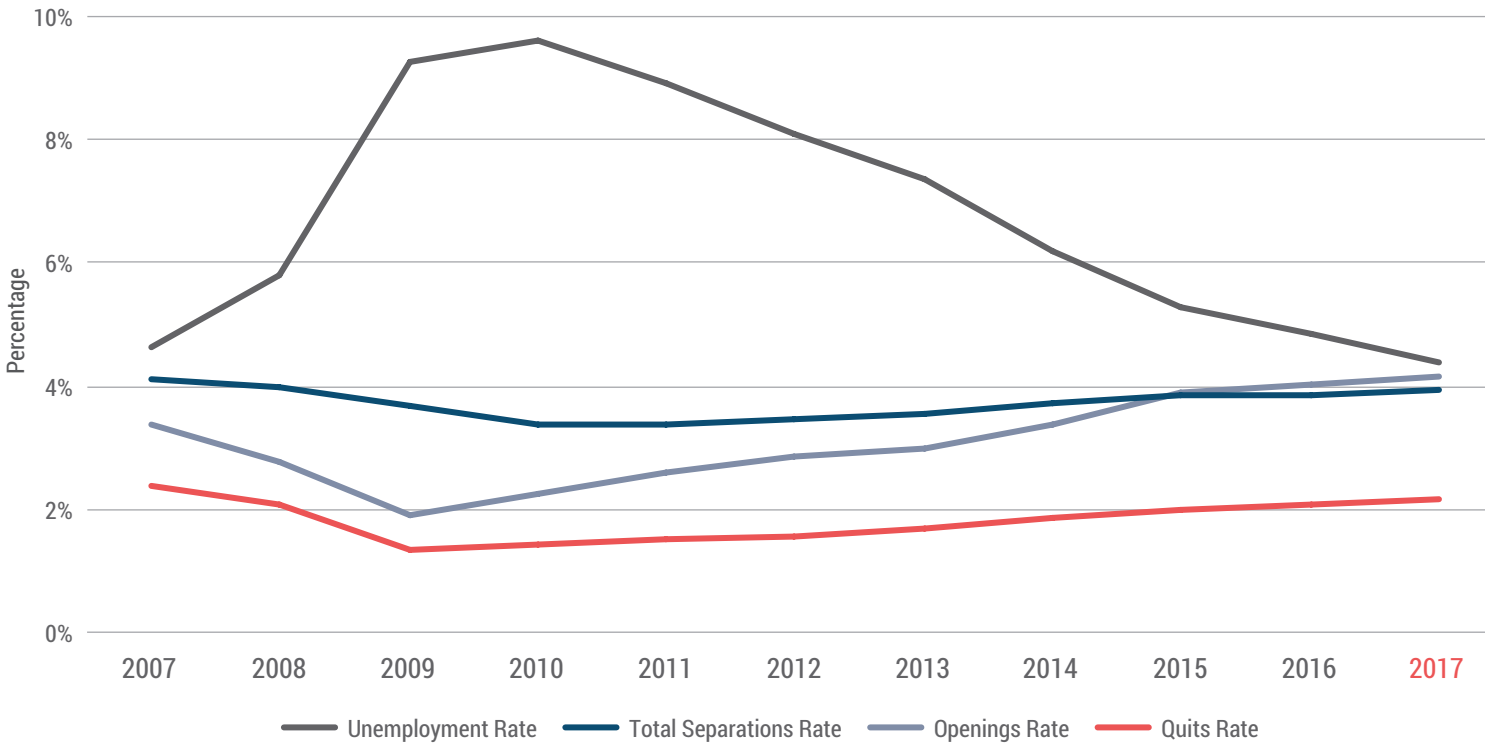
8 Years

Quits Have Increased

Source: Bureau of Labor Statistics

Employee Marketplace

Source: Bureau of Labor Statistics



TOTAL SEPARATIONS

LAYOFFS & DISCHARGES (Involuntary)

Employees who are fired or otherwise involuntarily separated due to mergers, closings, etc.

QUITS (Voluntary)

Employees who voluntarily end their employment.

OTHER

Includes retirement, relocations, transfers, death and separations due to disability.

Source: Bureau of Labor Statistics

DEMAND FOR WORKERS OUTPACING SUPPLY

A booming economy and steady job growth fuel the demand for workers, while unemployment declines and demographic shifts continue to limit the supply of workers. These conditions have led to a marketplace where the demand for workers has outpaced the supply of workers.

INCREASED DEMAND FOR WORKERS

Last September, the U.S. reached a record number of job openings, the primary indicator of the demand for workers, as employers sought to fill over 6.2 million jobs (BLS, 2018). The record number of job openings came as a strong economy drove job growth up and unemployment down (BLS, n.d.c).

Job openings, or positions for which employers are actively recruiting to fill within 30 days, averaged 5.9 million in 2017, a 141% increase from levels in 2009 (BLS, 2018).

As job growth increased at a record pace, the total number of unemployed people decreased to a 17-year low of 4.1% at the end of 2017. Employers added new jobs as workers were not available. This resulted in a record level of unfilled jobs.

The need for educated and skilled workers

continues to challenge some industries more than others. The service sector of the economy is growing at a faster pace than the goods-producing and agriculture sectors, taking a large share of the available labor force and demanding more workers (BLS, n.d.d). Jobs in the service sector are expected to grow at a compound annual rate of 0.8% through 2026, compared to a compound annual rate of 0.1% in the goods-producing sector. Jobs in health care and social assistance are expected to drive most of the job growth during this period (BLS, n.d.d). Health care and social assistance jobs will account for more than one-third of jobs added and represent more than 55% of the fastest-growing occupations (Lacey, Toossi, Dubina, & Gensler, 2017).

The competition to fill open jobs will escalate as the economy continues to grow and add jobs into the next decade.

5.9 Million

Average Open Jobs in 2017

Source: Bureau of Labor Statistics

141%

Increase in Average Open Jobs Since 2009

Source: Bureau of Labor Statistics



GROWTH IN DEMAND OUTPACES GROWTH IN SUPPLY OF WORKERS

The growth in demand for workers has outpaced the growth in supply of workers as the number of jobs has increased while the number of job seekers has decreased. As the demand for workers has risen, the growth of the workforce, including employed and unemployed workers, has not kept pace. There are three main reasons for this worker shortfall: a declining population growth rate, a reduced labor force participation rate and an increased rate of job growth.

DECLINING POPULATION GROWTH AFFECTS WORKFORCE GROWTH

Population growth has consistently declined in recent decades and has contributed to the slowed growth of the country's workforce. The current annual growth rate of the population is estimated at 0.9%, which is a decline from 1.0% in 2006-2016 and 1.3% in 1996-2006 (Lacey et al., 2017). As the population growth rate continues to decline, there are simply fewer people available for the workforce.

REDUCED WORKFORCE PARTICIPATION HAS LED TO FEWER AVAILABLE WORKERS

The labor force participation rate is the total number of people participating in the labor force (gainfully employed and actively seeking employment) as a percentage of the population and represents labor available for the economy. The labor force participation rate has remained flat at 62.9% since early 2014, and it is 5% lower than just 10 years ago. In December 2017, the labor force participation rate was 62.7%, a decline from a peak of 67.3% in 2000 (Lacey et al, 2017).

The percentage of the population participating in the workforce is expected to decline further over the next 10 years as older workers leave the workforce and younger persons delay entering the workforce.

62.7%

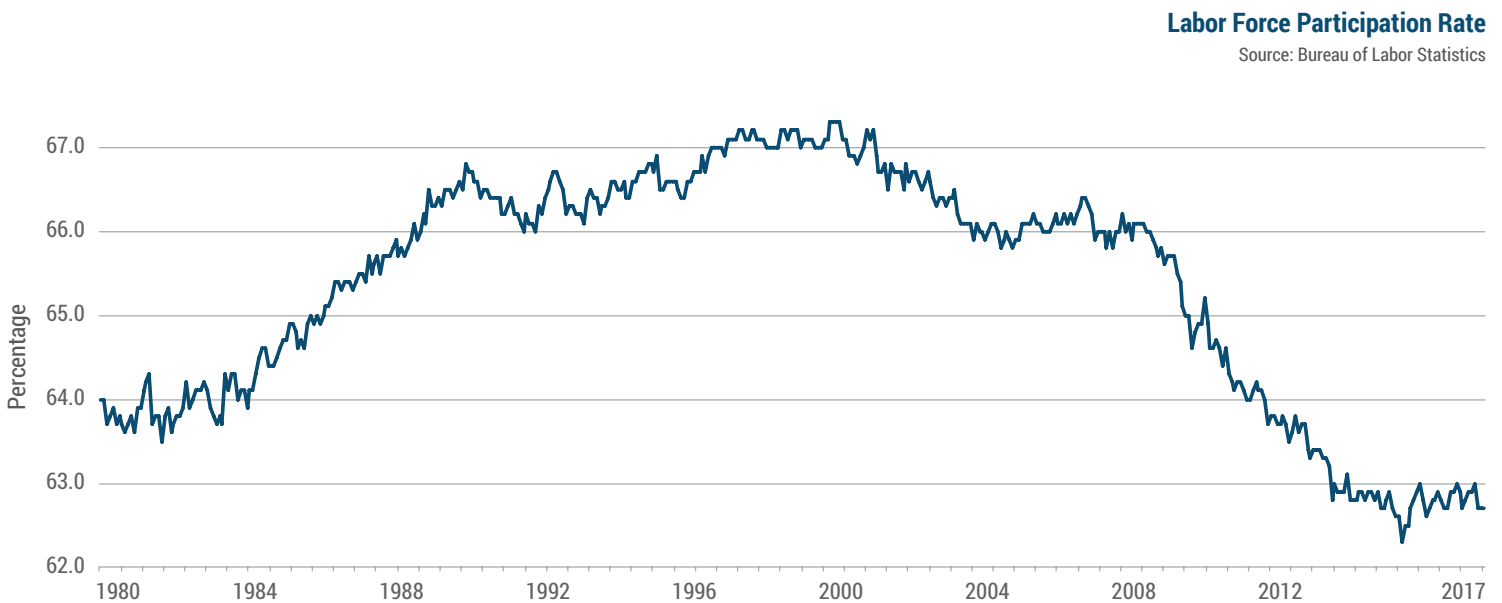
Labor Force Participation Rate

Source: Lacey et al, 2017

0.9%

Population Annual Growth Rate

Source: Lacey et al, 2017



OLDER WORKERS ARE EXITING THE WORKFORCE

Today's workforce is aging as more workers move into age groups that historically have low workforce participation. The current median age of the labor force is 42 years old, and by 2026 the median age is expected to reach 43.2, the highest in recorded history (Lacey et al., 2017). Baby boomers are choosing to retire and exit the workforce. The baby boomer generation peaked at 83.8% workforce participation rate in 2001 and dropped to slightly more than 40% in 2016 (Lacey et al., 2017).

YOUNGER WORKERS DELAY ENTERING THE WORKFORCE

Younger persons have delayed entering the workforce and stayed in school longer in hopes of getting a higher-paying job in the future (Lacey et al., 2017). The participation rates of 16- to 24-year-olds and 25- to 54-year-olds have sharply declined for decades, while enrollment at schools, particularly secondary and college levels, increased (Lacey et al., 2017).

The Great Recession reduced the number of openings for jobs requiring no formal educational credentials, while jobs that typically require postsecondary education are on the rise. Jobs with lower entry education requirements have not recovered, while some occupations requiring postsecondary education, such as the health care and social assistance, were unaffected by the recession (Watson 2017).

CHANGES IN FEDERAL IMMIGRATION POLICY COULD AFFECT SUPPLY OF LOW- & HIGH-SKILLED WORKERS

Changes in federal immigration policy impact the supply of available workers. Specifically, reductions in immigration will further reduce the available workforce and further increase pressure on employers to fill positions. This could be attributed in part to the fact that immigrant workers fill jobs at both ends of the skills spectrum, increasing supply of the most and least skilled jobs (Pew Research Center, 2015).

AVAILABLE WORKERS ARE NOT JOB-READY

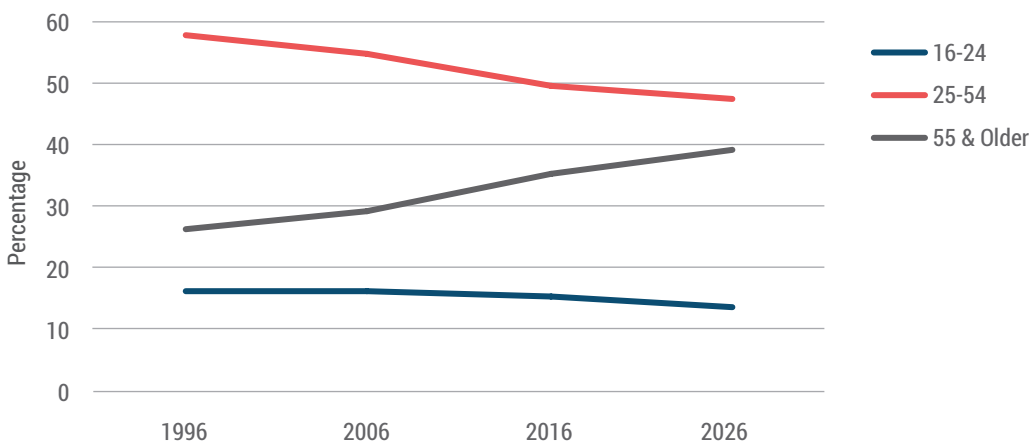
There is a disconnect between the jobs workers are prepared for and the jobs that are in demand. Many persons in the workforce are not qualified for available jobs, and education systems continue to graduate students who do not possess skills needed in the workforce.

There are significant shortages of qualified workers in skilled trades such as construction workers, electricians and health care technicians, while high school students are often guided away from skilled trade courses and to college preparatory courses.

College graduates are often unprepared for work. A study by Hart Research Associates (2015) found that about half of employers believe training needs improvement in field specific areas and that 81% of employers believe colleges and universities need to improve training in skills most important to success in today's workplace, such as critical thinking, ethical decision-making, and written and oral communication. The Council for Aid to Education, in a study of over 31,000 students, found that 40% of them lack proficiency in higher-order skills, such as critical thinking and written communication (2014).

Population Share by Age Group

Source: Lacey et al, 2017



DECLINING UNEMPLOYED POPULATION AS THE UNEMPLOYMENT RATE APPROACHES HISTORIC LOWS

The worker shortfall is partially attributed to climbing employment and fewer unemployed workers to fill open positions. During the economic recovery following the recession, employers filled job openings primarily from persons not working but actively seeking employment. Over the years, this pool of potential workers significantly diminished as the unemployment rate reached a low of 4.1% at the end of 2017 (BLS, n.d.c). The decline in unemployed persons in the marketplace shifted from nearly seven unemployed persons to every one job opening in 2009 to one unemployed person to every one job opening in 2017 (BLS, 2018). This 1:1 unemployed person to every job ratio is approaching historic lows, reminiscent of conditions present during the War on Talent in the early 2000, when unemployment was at 3.9% and voluntary turnover was slightly higher than today's levels (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998).

Today, not as many people participate in the workforce as they did 20 years ago, and participation is decreasing. The employment-population ratio, the percent of the population employed in the workforce, is currently at about 60%. During the Great Recession, this ratio sank to about 58%. It was averaging over 64% around the turn of the century. Not everyone in the population can work, so as this figure continues to grow, the labor pool shrinks.

As the economy continues to grow, growth in the supply of workers will not keep pace. The supply of available workers will increasingly be stifled by a low unemployment rate, a slow growing population and an aging population. This will force employers, who typically filled jobs from the unemployed population, to compete for workers already employed elsewhere to fill open jobs.

**7:1
to
1:1**

**Unemployed Persons
to Job Ratio Change
from 2009 to 2017**

Source: Bureau of Labor Statistics



Unemployed Persons to Job Ratio

Source: Bureau of Labor Statistics

EMPLOYEES HAVE OPTIONS AND ARE NOT AFRAID TO TAKE THEM

EMPLOYEES ARE IN CONTROL & COMPANIES MUST FIGHT TO GET AND KEEP WORKERS.

The economy has boomed. Growth in demand for workers has outpaced the growth in supply of workers. Increased job growth, decreased unemployment and slow workforce growth have come together to give employees options and the power to choose where they work.

As the quits rate reached an all-time high, it's clear that employees are not afraid to seize

available opportunities. Employers are not yet responsive to a marketplace where employees are in control.

As the ratio of unemployed persons to open jobs drops to 1:1, employers must fight to get workers who are currently employed, and then keep them. Companies must make intentional efforts to attract and retain talent to meet the demands of their business.



UNCOVERING THE TRUTH ABOUT EMPLOYEE TURNOVER

As economic conditions gave employees power in the marketplace, business leaders and HR professionals are increasingly challenged to attract and retain skilled workers to support their organizations' growth. This power has led to an increasing number of unfilled jobs, escalating numbers of involuntary quits and rising costs of turnover.

With employees leaving, their jobs at record levels, turnover is an increasingly expensive problem. As the problem has grown, researchers, thought leaders and journalists have published many theories about what drives turnover to provide guidance on how to stop it. The problem is that most of these studies do not identify the real reasons why people are leaving and what organizations can do about it.

The purpose of this annual study – the only one of its kind – is to document the root causes of turnover. We directly ask employees why they left their jobs and identify the most important reason why they left their jobs, in a way that brings out the truth.

OBTAINING THE TRUTH FROM EXIT INTERVIEWS

Exit interviews, when accurately conducted, uncover the root causes of turnover and provide details to guide specific interventions. There are several key steps that must be followed in exit interviews to uncover the truth about why employees leave.

Common mistakes that organizations make with exit interview practices:

Mistake #1: Act on unreliable internal data. It's a fact that up to 63% of answers

change when a third party asks about reasons for leaving after the employee has departed (Campion, 1991; Hinrichs, 1975).

Mistake #2: Implement simple quantitative surveys. It's necessary to use a mixed-methods approach and ask "Why" in an open-ended, qualitative manner, to capture all reasons employees leave, and to probe for more information. This increases the scope of what can be learned (Creswell & Creswell, 2017).

Mistake #3: Rely on external benchmarks and surveys. The Work Institute 2017 Retention Report revealed that nearly every organization is unique in the reasons employees leave, which underscores the importance of asking employees in your organization in a way that will bring out the truth (Sears et al., 2017).

USING A PROVEN METHODOLOGY

Over the past 17 years, and having conducted over half a million interviews, we have implemented a methodology to ask and capture the most important reasons employees leave their jobs. Based upon 2017 data from over 34,000 exit interviews, a classification system resulted in 50 reasons employees quit their jobs and 10 categories of reasons that accounted for more than 97% of all reasons employees quit. In order to understand and categorize reasons, researchers conduct exit interviews using a mixed-methodology approach, ask participants why they left their jobs, then probe to identify the single most important reason they left their jobs. These reasons are then coded to allow us to analyze insights accurately.

2018 STUDY:

- **234,000+ Exit Interviews Since 2010**

- **34,000+ Exit Interviews in 2017**

- **Top 10 Categories of Reasons for Leaving (alphabetically listed)**

- Career Development
- Compensation & Benefits
- Involuntary
- Job Characteristics
- Management Behavior
- Relocation
- Retirement
- Well-Being
- Work-Life Balance
- Work Environment

- **50 Reasons**

- **97% of All Reasons**

DRIVERS OF TURNOVER

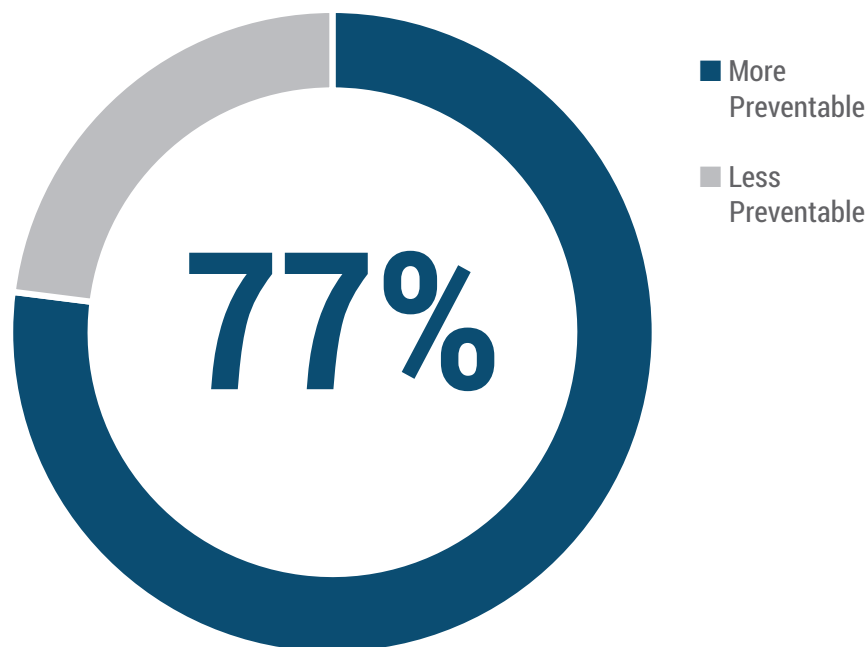
EMPLOYEES DEMAND MORE – BECAUSE THEY CAN – & EMPLOYERS REFUSE TO MEET THEIR NEEDS.

This 2018 Retention Report reveals that employees expect more from employers. The reasons employees report leaving show that they believe their expectations can be met elsewhere. According to this year's data, more than three-fourths, 77%, of employees quit last year for more preventable reasons. Furthermore, the categories of reasons have not shifted significantly from 2016, which indicates that employers have not responded to a talent marketplace in which the employee is in control – and gaining power.

Employers must embrace this employee-in-control marketplace and take steps to retain talent and support organizational demands. The first step is to understand the preferences, expectations and intents of employees.

Given that the top categories of reasons have not changed significantly and that most turnover is preventable, this report focuses on the more preventable reasons for turnover. This report presents specific reasons to offer a better understanding of what employees require.

Most Turnover Is Preventable



Employers could prevent 3 in 4 employees from leaving.

TOP 10 CATEGORIES OF REASONS FOR LEAVING IN 2017

| | | |
|-------------------------|--|------|
| Career Development | Opportunities for growth, achievement and security | 21% |
| Work-Life Balance | Travel and scheduling preferences | 13% |
| Manager Behavior | Positive and productive relationships | 11% |
| Well-Being | Physical, emotional and family-related issues | 9% |
| Compensation & Benefits | Total rewards promised and received | 9% |
| Relocation | Physical move out of proximity of the job | 9% |
| Job Characteristics | Ownership and enjoyment in manageable work | 8% |
| Involuntary | Terminations or layoffs | 7% |
| Retirement | Decision to exit the workforce | 7% |
| Work Environment | Physical and cultural surroundings | 6% |
| | | 100% |

MORE PREVENTABLE REASONS FOR LEAVING

- Career Development
- Work-Life Balance
- Manager Behavior
- Well-Being
- Compensation & Benefits
- Job Characteristics
- Work Environment

LESS PREVENTABLE REASONS FOR LEAVING

- Relocation
- Involuntary
- Retirement

CAREER DEVELOPMENT

EMPLOYEES QUIT EMPLOYERS THAT DON'T OFFER THEM OPPORTUNITIES TO GROW IN A PREFERRED JOB & CAREER.

Career Development accounts for 21% of all reasons employees left their jobs in 2017, marking the eighth-consecutive year this category has led reasons for turnover. As the economy expanded, employees' fears of layoffs gave way to the desire to grow and advance one's career in an attractive job and a more preferred workplace.

Type of Work was the top reason in the Career Development category at 33%, demonstrating that if an employee didn't like the work they were doing, they could make a career change or find a more attractive job.

When an employee left due to type of work, it didn't mean that they left for a promotion, but instead a lateral move or a completely different type of work.

A lack of Growth and Development Opportunities as a reason for leaving rose to 21.5% this past year. When growth and development opportunities were cited, employees mentioned a chance to grow, acquire new skills or better use skills.

When promotion or advancement was cited as a reason, employees mentioned that they could not move up or they perceived they were in a dead-end job.

Return to School accounted for 18.6%, nearly one-fifth of the reasons for leaving within the Career Development category. This supports previously presented data that says more young people are seeking higher education (Lacey et al., 2017). In the recession students sought advanced degrees, rather than simply be unemployed, when jobs were largely unavailable. There is also a general thought that workers today need more advanced skills which leads many potential workers to seek advanced degrees, rather than entering the workforce. All the while, a large number of unskilled jobs remain unfilled.

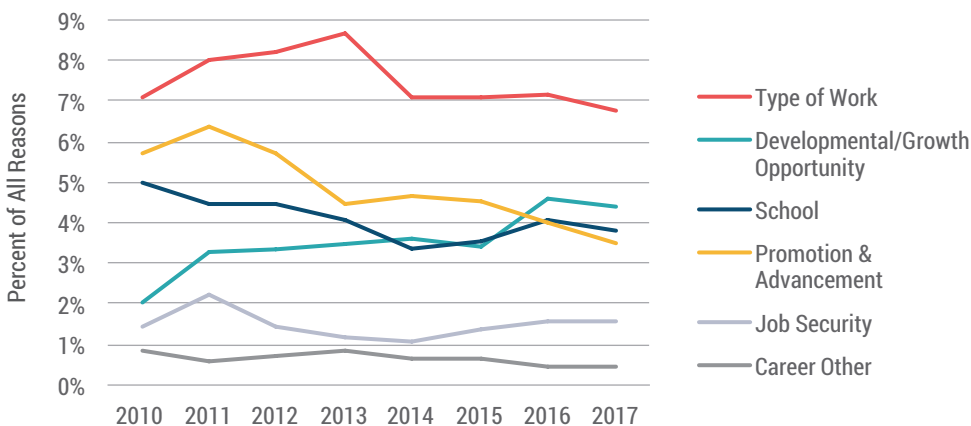
As career opportunities increase, employers must take steps to understand the needs, preferences and goals of their workers or miss out on opportunities to keep workers that they need.

21%

CAREER DEVELOPMENT REASONS FOR LEAVING

REASONS AS A PERCENT OF CATEGORY

- 33% Type of Work
- 21.5% Lack of Growth & Development Opportunities
- 18.6% Returning to School
- 17.2% No Advancement or Promotional Opportunity
- 7.6% Job Security
- 2.2% General Career Reason



Trends in Career Development Reasons for Leaving

EXAMPLE RESPONSES & EXPLANATIONS

TYPE OF WORK

- I went back into [a different profession]. I felt like it was time for me to get back into it.
- I just received a different opportunity. I was offered a change in work.
- I was looking for a change in industry. I need a career change after 25 years.
- I wanted to try something different because I had done the same job for 10 years. I actually left my current job to take a lower paying job because I wanted a different job so badly.
- I received a better opportunity. I am able to do something different, as far as work goes. I am now doing administrative work.
- I left because I wanted to pursue a different career.

LACK OF GROWTH & DEVELOPMENT OPPORTUNITIES

- I did not feel like I was learning or growing with the company.
- I had no growth opportunities available, and that was discouraging. I was trying to get into a different department and was told I needed experience first.
- I left for a better growth opportunity. I am now able to use my IT skills.

RETURNING TO SCHOOL

- I left because I wanted to go back to school.
- I am attending nursing school and was not able to balance work and school.
- I am back in graduate school and it is a full-time commitment.
- I left to be able to focus on school.
- I left because I went back to school part-time. I was having trouble going to school and working.
- I left because I wanted to further my education. I feel that I needed more education to grow in my career.
- I am going to be a full-time student and school and work will be too overwhelming for me.

NO ADVANCEMENT OR PROMOTIONAL OPPORTUNITY

- There was no room for me to move up.
- I did not feel like I was able to move up. It felt like a dead end job.

JOB SECURITY

- I left the company because I did not feel like there was good job security. There were multiple layoffs, while I was there.
- I did not feel like my job was secure in the long term.

GENERAL CAREER REASON

- I made a personal decision to open my own business.

WORK-LIFE BALANCE

MORE FAVORABLE SCHEDULES ATTRACT EMPLOYEES TO OTHER JOBS.

Work-Life Balance ranked second among categories of reasons for leaving at 13%. More favorable schedules, improved daily commutes and different travel commitments are top priorities for employees who left for Work-Life Balance reasons. Work-Life Balance reasons for leaving have appeared more frequently and could be driven by a rise of the service economy, which likely demands more flexibility from workers. When given the opportunity, workers took jobs that offered better balance.

Schedule concerns dominated reasons in the Work-Life Balance category, as 67.6% of reasons in this category were directly related to the desire for a different schedule. Workers will change jobs for a more favorable schedule when the opportunity is present. Typically, when workers leave a job due to schedule, they want hours that are a better fit with their personal lives.

It's possible to connect the increase in schedule reasons for leaving to the growth of the service sector. This service sector has driven the demand for workers in health care and social services, transportation, hospitality, and other industries (BLS, n.d.; Lacey et al., 2017). These roles could demand that workers

have flexible availability, often working outside a standard work week, as services are offered around-the-clock. Workers took jobs with better schedules as the opportunities became available.

Workers also expressed the value of a more favorable commute in the Work-Life Balance category of reasons. Workers cited a more preferred commute as the second-most-common reason in the Work-Life Balance category at 22.2%. Easier child care and a shorter drive were the benefits cited with a better commute.

Reasons related to travel were cited least frequently. Interestingly, some workers cited a desire to travel more as a reason for leaving, while others did not like how often they were required to travel.

As the demand for workers grows, employers must understand how they can offer more favorable schedules to attract and retain employees. In the service sector, where business demands require flexible workers, employers must design ways to improve other conditions within their organizations to make them preferred by workers.

13%

WORK-LIFE BALANCE REASONS FOR LEAVING

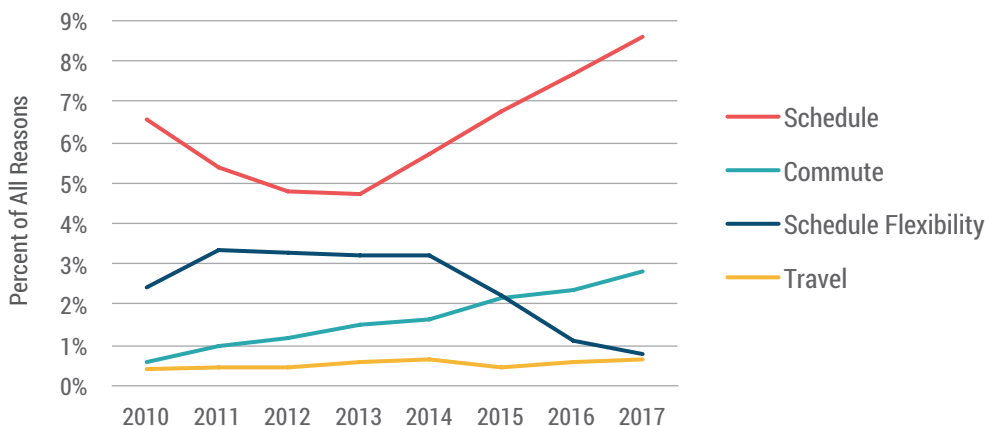
REASONS AS A PERCENT OF CATEGORY

67.6% Schedule

22.2% Commute

5.1% Schedule Flexibility

5% Travel



Trends in Work-Life Balance Reasons for Leaving

EXAMPLE RESPONSES & EXPLANATIONS

SCHEDULE

- I wanted to spend more time with family.
- I was not getting enough hours.
- I left the company because I already have a full-time job, and I was too busy to handle both schedules.
- I was told that I could take a vacation. I booked my vacation and then found out that I was not approved.
- I recently had a baby and needed to work remotely, but they changed their policy with that recently and I was not able to do it.

COMMUTE

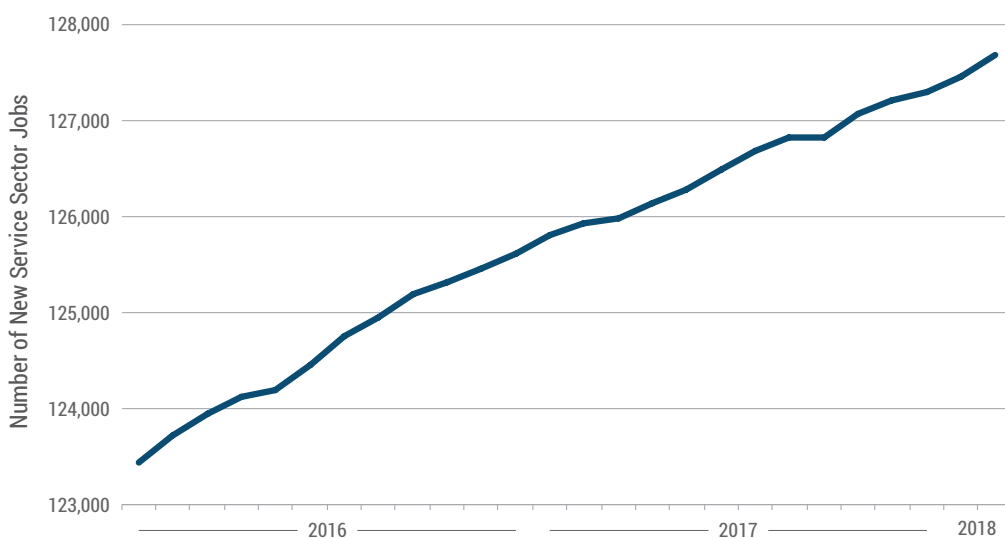
- The commute was not working for me.
- I started when I was supposed to work at a specific location. Soon after, I was asked to go to another location that was an additional 40 minutes away.
- I got a job that was closer to home.
- I found a job closer to my home. This made it easier to take care of my kids.
- I left because of the long commute and that was my only reason.

SCHEDULE FLEXIBILITY

- I left because I wanted to go to a different shift. I preferred the day shift.
- I am a college student, and I was told that I needed to be more flexible with my college schedule, not the other way around. I could not do that.
- I had another full-time job, and I could not do both. I asked for part-time work, and they did not have anything to offer me.
- I am expecting my second child. I got a job with more flexibility.
- I had a family emergency and was not able to switch to part time.

TRAVEL

- I left the company because there was too much travel in the position that I was in.
- I did not like the road travel. I was on the road every day, covering for someone.
- I left to seek another job. I wanted to travel.



Rise in Service Sector Jobs

Source: Bureau of Labor Statistics

MANAGER BEHAVIOR

EMPLOYEES LEAVE BAD MANAGERS.

Employees do not tolerate poor managers. Manager Behavior is the third largest category of reasons employees quit their jobs in 2017, at 11%. Since 2010, as the economy has rebounded from a recession, manager behavior reasons for leaving have increased, indicating that good manager-employee relationships are important to employee retention, and employees are not accepting of managers who do not meet their expectations.

Unprofessionalism, at 35.1%, was the top reason for leaving in the Manager Behavior category. Unprofessional manager behavior has increased more than any other manager behavior-related reason for leaving since 2010.

Lack of Support was the second highest reason for leaving in the Manager Behavior category at 17.6%. The desire for managers to stand up for their teams, support an environment in which employees can do their best work and help them grow was commonly mentioned. Employees cited managers' not giving guidance on how to improve and not supporting development as examples of lack of support.

Employees want to be respected, and Poor Employee Treatment was the third-highest reason in the Manager Behavior category at 17.2%. Managers disrespecting and mistreating employees were the top-cited descriptors of this reason. Other examples of poor treatment of employees by a manager include demanding unreasonable work hours or creating a hostile work environment.

At 11.8% of reasons in the category, general

manager behavior is noteworthy. Employees who left for general manager reasons expressed an overall poor working relationship with their manager or an unwelcoming environment created by their manager.

Less frequently cited manager behavior reasons, while not as prominent, are important to mention. The four least frequently cited reasons for leaving include generally poor communication skills, lack of perceived competence in the job, unfair treatment of employees and general problems with upper management.

Notably, most reasons in the Manager Behavior category of reasons are related to manager conduct, not competency, which indicates that employees found the general actions of their managers to be unacceptable. In other words, employees likely thought the overall business and strategic approaches of managers were acceptable, but how they conducted themselves was not acceptable. Many companies seem to train for desired job-specific skills and provide ongoing job skills training to ensure competency and ignore training that specifically teaches manager professionalism or conduct.

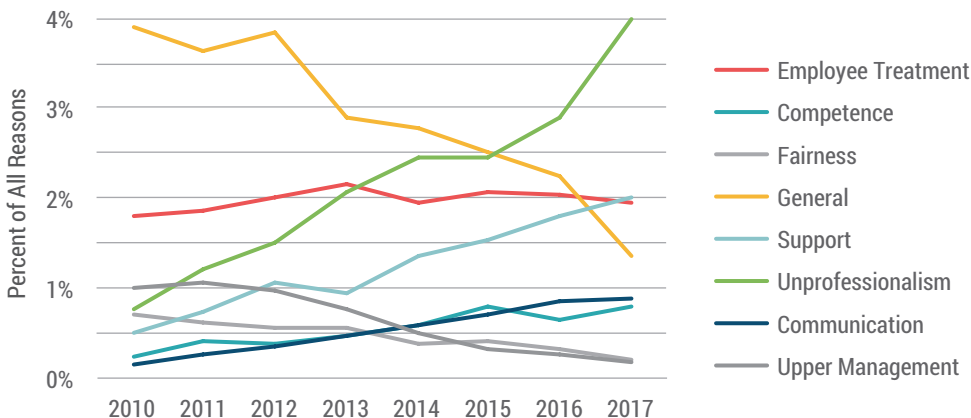
The reasons related to manager behavior show that employees will go elsewhere to get what they expect in a supervisor, if their manager doesn't demonstrate acceptable behavior. Employers must ensure managers are well-trained in their relationships skills and conduct or continue to pay the price through employee turnover.

11%

MANAGER BEHAVIOR REASONS FOR LEAVING

REASONS AS A PERCENT OF CATEGORY

| | |
|-------|----------------------------|
| 35.1% | Unprofessionalism |
| 17.6% | Lack of Support |
| 17.2% | Poor Employee Treatment |
| 11.8% | General Behavior |
| 7.7% | Poor Communication |
| 7.1% | Lack of Manager Competence |
| 1.8% | Manager Fairness |
| 1.6% | Upper Management |



Trends in Manager Behavior Reasons for Leaving

EXAMPLE RESPONSES & EXPLANATIONS

UNPROFESSIONALISM

- I left because the management was not professional. My supervisor and upper management were buddies. The staff could never go to upper management with issues.
- I left the company because the team leader was not professional toward me.
- My supervisor was using inappropriate language and generally being abusive.
- I could not deal with how my manager treated us in the field. He would yell at us in public. He was unprofessional.

POOR EMPLOYEE TREATMENT

- I left because I was treated poorly by management.
- I left because the new director that was taking over had been our manager prior, and he was extremely disrespectful.
- I felt like I was not treated well by the management. They did not talk to me in a constructive way. I was shown no respect.

LACK OF SUPPORT

- I did not feel supported by my manager.
- The management structure did not fit well with the way that I work and find myself being able to thrive. There was just a lack of support and many managers were too busy looking over my shoulder.
- My supervisor never stood up for her team.

GENERAL BEHAVIOR

- It was like pure chaos all the time. Management did not get along. There is no structure at all. One manager would say one thing and the other one would say something else.
- I did not get along well with the district manager, and this caused some tension.

POOR COMMUNICATION

- My supervisor was a poor communicator. He could do a better job at trying to keep a level head in stressful situations.
- Communication with department managers was somewhat challenging. I never met or heard from my direct manager at any time during my onboarding process.
- I felt the communication was very poor at this location, especially with scheduling.
- I left because of communication issues I had with management.

LACK OF MANAGER COMPETENCE

- I did not think I had great support from leadership. My manager kept telling me I was doing a bad job, and that I was not doing what I should be doing. Yet, she would not tell me what I needed to do to improve.

UPPER MANAGEMENT

- I did not like the upper leadership. I felt like they did not care about the employees. They do not listen to us.
- I left because I did not think that upper management respected me and the other nurses as being professionals.
- I left the company because I lost confidence within upper management in how they were operating the company.

MANAGER FAIRNESS

- There was a lack of consistency among the management.
- I felt like there was a lot of favoritism from the management team.
- I left because it was becoming difficult to work there. Some of the practices were unfair. I felt that night shift was treated differently by the management in terms of fairness.

WELL-BEING

EMPLOYEES LEAVE TO TAKE BETTER CARE OF THEMSELVES & THEIR FAMILIES.

The Well-Being category of reasons, which represents the need to focus on the personal health of the employee or the health of family, accounts for 9% of all reasons employees left their jobs in 2017. Since 2010, Well-Being reasons for leaving have declined from 12%.

As marketplace conditions have improved, employees have found opportunities to prioritize caring for themselves and their families and continue to place high importance on these reasons for leaving. It is also likely that at least some of the efforts companies have made to promote general health have had a small, but noteworthy, impact.

In this category, one-third of employees (33.4%) cited general personal reasons as the most important reason for leaving. Examples of general personal reasons for leaving include the need to resolve personal issues, the desire to spend more time with family and the need for a less stressful job.

Personal health reasons for leaving accounted for nearly one-third of well-being reasons for leaving at 32.3%. Employees who cited personal health issues mentioned medical issues that prevented them from working the required hours temporarily or permanently.

Caregiver issues are the third-most-cited well-being reason for leaving at 29.4%. The preference to care for a child and the need to care for an ill family member are examples of caregiver issues that were cited. Less frequently mentioned reasons for leaving included pregnancy and family issues.

Employers that do not actively pay attention to their workers' needs to take care of themselves and their families will see turnover. It's critical to understand the challenges that employees face and work with them to accommodate special needs to ensure you keep good employees as long as possible.

9%

WELL-BEING REASONS FOR LEAVING

REASONS AS A PERCENT OF CATEGORY

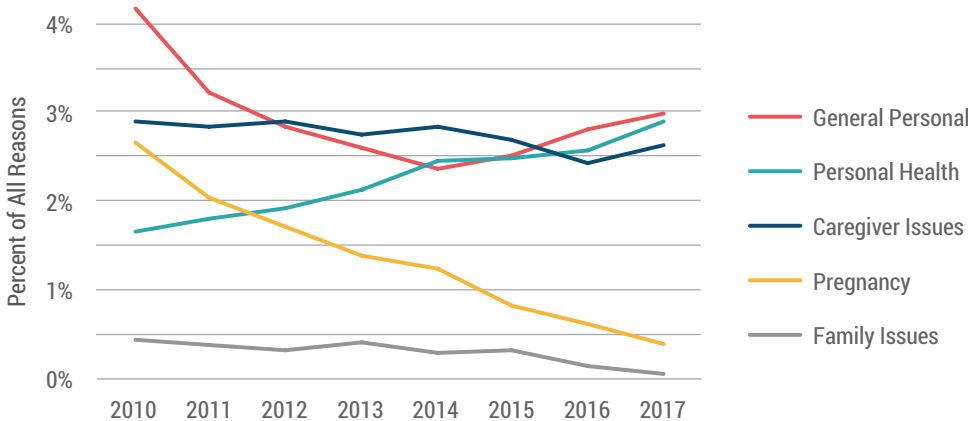
33.4% General Personal

32.3% Personal Health

29.4% Caregiver Issues

4.4% Pregnancy

0.5% Family Issues



Trends in Well-Being Reasons for Leaving

EXAMPLE RESPONSES & EXPLANATIONS

GENERAL PERSONAL

- I left to work days until my deployment. I needed to spend time with family so it was just a better schedule where I could come home after work and spend the evening with everyone.
- Based on my own prioritizing of my life. Something was going on that I needed to take care of.

- I am leaving for personal reasons that I would rather not discuss.
- I left because I decided to take time off and not work for a while.
- I left for personal reasons. I had some life challenges going on.
- I was having a lot of personal issues.

PERSONAL HEALTH

- I was looking for a different environment. I had medical issues and could not be on my feet [all] day. I found a job that would let me have a better mix of desk and non desk-job duties.
- I am having personal health issues that are non-work related.

COMPENSATION & BENEFITS

EMPLOYEES CAN LEAVE FOR MORE PAY.

Employees had the opportunity to earn more money or get better benefits last year, as reflected in the Compensation and Benefits category of reasons for leaving ranking fifth at 9%. Reasons for leaving related to compensation and benefits have increased by over 26% since 2010. Employers need to be concerned about the role of pay in their retention strategies.

Compensation led the Compensation and Benefits category of reasons, as 87.3% of employees quit for the opportunity to earn higher wages. The lack of raises, below-market salaries and higher-paid co-workers were often cited by employees who left due to compensation issues.

Wage growth lagged during the economic recovery. As the country emerged from the Great Recession pay did not increase at the same rate as job openings or job growth until recently (BLS, n.d.). In late 2017, employers began to offer higher wages. The challenge is that it may be too little too late, and demands for increased profitability may stifle the

ability of companies to increase wages to stay competitive.

Although it represented most of the reasons in this category, compensation as a reason alone represented less than 8% of all reasons for leaving. This conflicts with media reports and reports by other research organizations that cite compensation as the primary driver of turnover. The conflict can be largely explained by flawed methodologies and biases that drive many popular press research studies. Compensation as a primary driver of turnover must be proved in a reliable way for each organization.

Benefits played a much lesser role in the Compensation and Benefits category at 12.1%. Employees who cited benefits mentioned tuition reimbursement, medical benefits and retirement plans in their specific reasons.

Employers must become increasingly concerned about the role of pay in employee retention and they must understand the specific pay elements of why people leave.

9%

COMPENSATION & BENEFITS REASONS FOR LEAVING

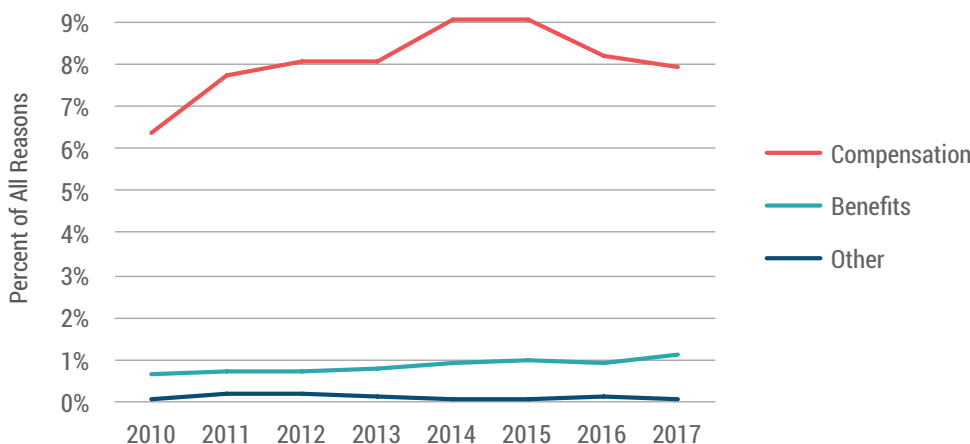
REASONS AS A PERCENT OF CATEGORY

87.3% Compensation

12.1% Benefits

0.7% Other

Trends in Compensation & Benefits Reasons for Leaving



EXAMPLE RESPONSES & EXPLANATIONS

COMPENSATION

- I had been there over 8 years and I never got a raise.
- I left because I felt as though I was significantly underpaid in my position.
- The company was not offering me enough base pay. I was underpaid compared to other employees in my position.
- I left because we were not getting any raises.
- I found out that new nurses on the floor were getting paid more than I was.
- I left the company because of the salary. I do not think that it was at the market value.

- The key issues that I was having was inadequate compensation relative to the demands of the job and the marketplace.

BENEFITS

- I left because I wanted to work for [a different company]. They have a much better retirement plan.

JOB CHARACTERISTICS

EMPLOYEES WANT REASONABLE WORKLOADS & LESS STRESS.

Job Characteristics account for nearly 8% of reasons for leaving in 2017, as employees cited an unmanageable workload, a lack of enjoyment, ill preparation and a lack of ownership as reasons for leaving. The Job Characteristics category, although it is near the bottom of the list of categories of reasons, has increased by 130% over the past seven years, up from 3% in 2010. As job options have increased, workers are not tolerant of jobs that do not meet their expectations or that they simply do not like.

General dissatisfaction caused by aspects of the job represented the largest reason in this category at 39.4%. Employees who cited general job characteristics explained that they were offered positions with more flexibility in how they accomplish their work, that they did not feel they had a voice, or that they wanted to be challenged. Other reasons included that they simply didn't enjoy the job or find it meaningful.

About one-third (31.3%) of employees citing job characteristics as a reason for leaving felt

overloaded with work or experienced a high level of stress in their jobs. However, this doesn't necessarily mean that employees want less to do. Unacceptable workloads, as perceived by employees, could have been caused by a lack of clear expectations or by an increase in work caused by record job openings. This is a critical point to understand; turnover can lead to more turnover as workers who remain pick up the slack and become dissatisfied.

Adequate tools and proper training are also important to employees, as 14.7% of reasons in the Job Characteristics category were attributed to limited resources and 11.2% were attributed to poor training. Employees stated that they were not provided adequate resources, which hindered them from doing an excellent job. Similarly, employees stated that the lack of training made their jobs difficult.

Employers must get better at providing realistic job previews, communicating core characteristics and providing effective training for workers to prevent turnover.

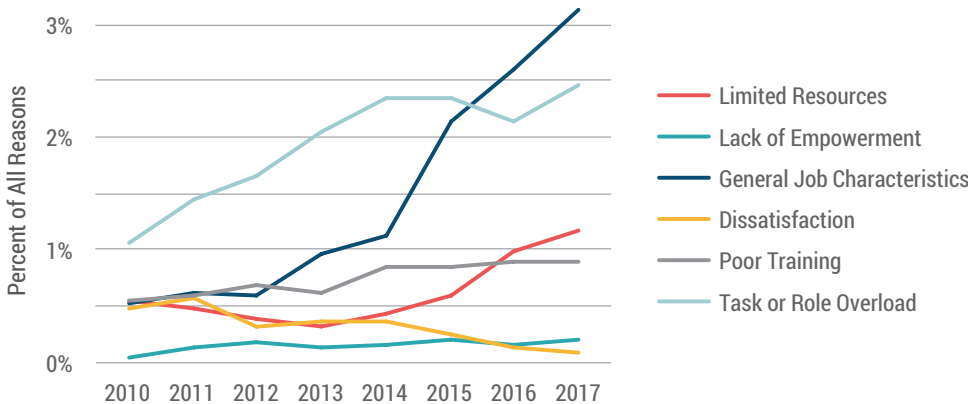
8%

JOB CHARACTERISTICS REASONS FOR LEAVING

REASONS AS A PERCENT OF CATEGORY

- 39.4% General Job Characteristics
- 31.1% Task or Role Overload
- 14.7% Limited Resources
- 11.2% Poorly Trained
- 1.1% Dissatisfied with Work
- 2.5% Lack of Empowerment

Trends in Job Characteristics Reasons for Leaving



EXAMPLE RESPONSES & EXPLANATIONS

GENERAL JOB CHARACTERISTICS

- I did not like the job.
- They had me working about 13 hours a week.
- I went back to a former employer. I have more autonomy here.

TASK OR ROLE OVERLOAD

- I was way too stressed out to the point I got depressed. I could not handle all of the stress they were piling on.
- I left the company because the job was very stressful. I felt like I could not handle the workload that I was doing.

LIMITED RESOURCES

- The job expectations did not match up to what was said in the interview. They told me that I was going to have the tools to provide excellent care. I did not have all the tools to help all of my customers.
- [Company] is severely understaffed which creates additional stress and workload for those who work hardest.

WORK ENVIRONMENT

CO-WORKERS & CULTURE MUST BE A FIT FOR EMPLOYEES.

The Work Environment category represents 6% of the reasons employees left their jobs last year, and while it was the lowest-ranked category, it has trended up. Given the marketplace conditions, when employees become dissatisfied with current workplace conditions, they increasingly take opportunities to work in a culture and with co-workers they prefer.

Problematic Co-Workers were the top work environment-related reason employees quit last year, as 36% of employees cited this as the most important reason for leaving. Harassment by a co-worker, teams that did not mesh well, general bad attitudes and lack of conflict resolution were cited under Problematic Co-Workers. Although included in the lowest-ranked category, the importance of co-worker relationships should not be underestimated. In another study, we found that current employees who rated their employer as excellent primarily cited their co-workers as the driving factor of this rating.

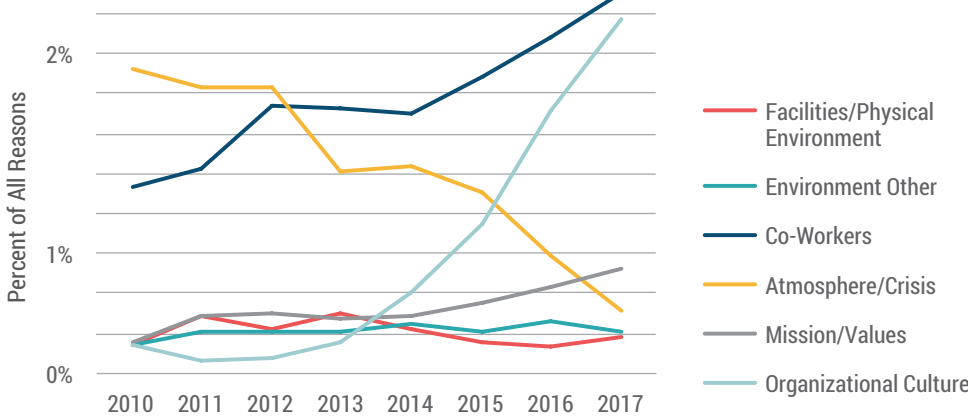
Culture does matter, as culture issues made up 34% of reasons employees quit within the Work Environment category. Employees who left

for culture issues frequently cited widespread unprofessional behavior and personality differences that did not match their preferred and required working conditions.

Mission or values accounted for 10% of reasons in the Work Environment category of reasons. Perceptions of unethical behavior on behalf of the organization and personal values that did not match that of the organization were cited within this reason.

Safety issues (7%), a hostile atmosphere or crisis (6%), poor facilities and other conditions accounted for the remainder of reasons within the Work Environment category.

The upward trend of the Work Environment category shows that employers are not doing enough to understand and improve conditions that could prevent turnover. Although a lesser-cited reason for leaving, conditions related to the work environment are more controllable than other factors. Employers should do all they can to improve this area, as employees do not have to tolerate poor physical conditions or an undesirable atmosphere when better conditions are available to them elsewhere.



6%

WORK ENVIRONMENT REASONS FOR LEAVING

REASONS AS A PERCENT OF CATEGORY

| | |
|-----|---|
| 36% | Problematic Co-Workers |
| 34% | Culture-Employee Not a Fit |
| 10% | Problem with Mission or Values |
| 7% | Unsafe Environment |
| 6% | Hostile Atmosphere or Organizational Crises |
| 4% | Environment Other |
| 3% | Poor Facilities |

Trends in Work Environment Reasons for Leaving

EXAMPLE RESPONSES & EXPLANATIONS

PROBLEMATIC CO-WORKERS

- I had a problem with some people that I made management aware of but nothing ever came of it.
- I transferred to [my new unit] and some of the key employees at that facility made me feel unappreciated and that I did not do anything right.

CULTURE-EMPLOYEE NOT A FIT

- I felt that the culture was not very professional because there were employees who were very rude.
- I did not like the culture there. It was very political. It seemed like a lazy or sleepy environment. There were no incentives to stay late and work hard.

PROBLEM WITH MISSION OR VALUES

- I left because the core values were no longer in alignment with my own.
- It was not the right environment for me anymore. The leadership was frequently changing the vision and direction of the organization.

ADDITIONAL INSIGHTS



FIRST-YEAR TURNOVER HITS A HIGH NOTE

EMPLOYEES IN THEIR FIRST YEAR QUIT AT THE HIGHEST RATE IN EIGHT YEARS.

Organizations increasingly lost new employees in 2017 as 40% of all turnover last year is attributed to employees who quit their jobs in their first year of employment, up from 34% in 2016. Moreover, first-year turnover is at the highest point in the past eight years. The rise in first-year turnover is a sign of the job market, as employees can easily go elsewhere if a job doesn't meet their needs and expectations.

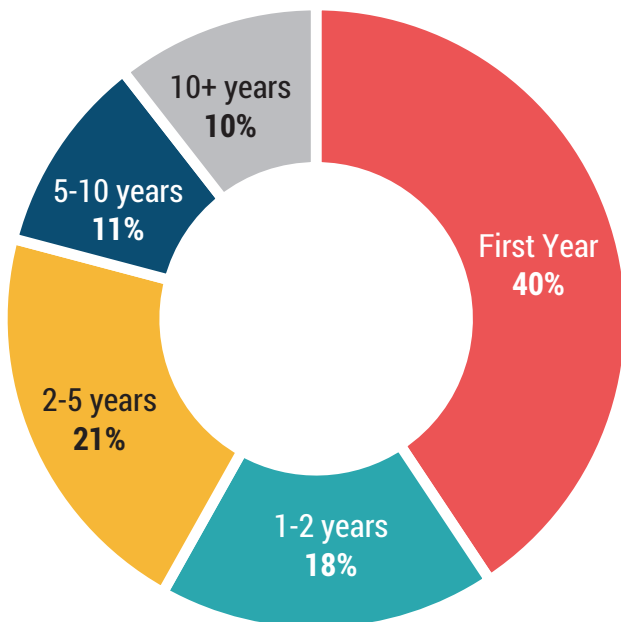
Employees who leave in their first year leave quickly. Employees who left in the first 90 days of employment accounted for about 50% of first-year turnover, the other 50% leaving between 91 days and one year. If an employee makes it past the 90-day mark, there's still a 20% chance he or she will quit before the end of the year.

A deeper analysis reveals that work schedules, compensation and type of work are the top three reasons for leaving in the first

year, as these three reasons accounted for 24% of all reasons for first-year turnover. This reveals that basic aspects of the employee-employer relationship should be clearly communicated and understood at the time of hiring. The fact that nearly one-fourth of employees who left within their first year did so due to job basics seems to indicate that employers are either not communicating the details of the job, the schedule and the pay, or employers are so desperate to hire workers that they are not hiring employees who are good fits for the job.

Employers need to set more realistic expectations and follow through to deliver on those expectations to improve retention of new hires. Employee feedback should be solicited, and onboarding and other training should be evaluated to better understand where employers are not meeting the expectations of newly hired employees.

Turnover by Tenure



FIRST-YEAR TURNOVER REASONS FOR LEAVING

REASONS AS A PERCENT OF EACH CATEGORY

| | |
|-----|---------------------------------|
| 18% | Career Development & Management |
| 15% | Work-Life Balance |
| 11% | Management Behavior |
| 10% | Well-Being |
| 10% | Job Characteristics |
| 9% | Compensation & Benefits |
| 9% | Involuntary |
| 8% | Relocation |
| 6% | Work Environment |
| 3% | Retirement |

17.6%
Increase from 2016 to 2017

CAREER STAGE ISSUES TRUMP GENERATIONAL DIFFERENCES

GENERATIONAL DIFFERENCES CREATE A LOT OF BUZZ, BUT CAREER STAGE ISSUES CREATE TURNOVER.

The reasons for leaving within age groups are no surprise. Younger workers are more focused on jump-starting their careers, and older workers are focused on retirement. These findings are not unique to today's generational attitudes.

Younger workers, ages 18-24, left for reasons that are typical for workers at this stage of life, who are new to the workforce and at the beginning of their careers. The top category of reasons for leaving among this age group was Career Development at 26.6%. Within this category, specifically returning to school was the leading reason.

The Relocation category tied for second place with Work-Life Balance. Young people are trying to figure out what they do and do not like doing, and they are more mobile than other age groups due to their life stage.

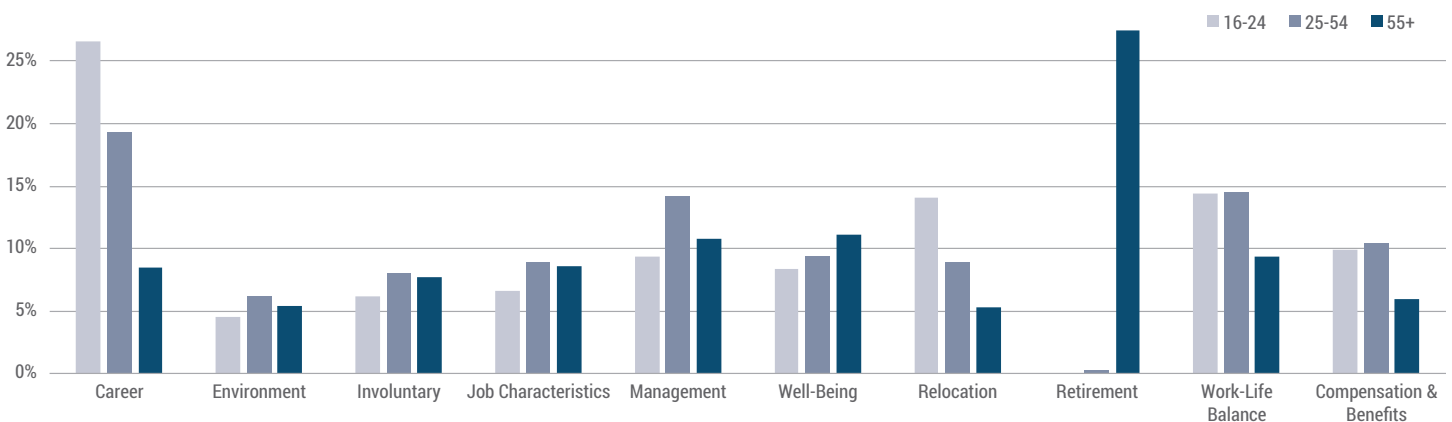
Workers in the middle of their careers, ages 25-54, quit as they progress through various life stages. Career Development was the top category of reasons for this age group at 19.3%. Within this category, Type of Work was the top

reason. The Work-Life Balance category and Manager Behavior category tied for second place. Many individuals in this age group are in the prime of their career growth, and the marketplace provides many opportunities for them to grow and advance.

Workers age 55 and older are in a different life stage and are looking toward retirement, as Retirement was the leading category of reasons for this group to leave their jobs, at 27.4%. Well-Being ranked as the second category of reasons, and Manager Behavior was ranked third. Workers are typically less inclined to relocate or change jobs at this stage of their lives. These workers care less about career and pay and are more concerned about their personal health and being treated with respect.

Employers often stereotype employees based upon the employee's generation and make assumptions about employees based upon generational characteristics. It is more important to understand the career stage reasons that cause turnover rather than assume generational differences cause turnover.

Career Stage Differences in Reasons for Leaving



EMPLOYERS GAMBLE ON BENCHMARK DATA

MOST COMPANIES ARE UNIQUE IN THEIR REASONS FOR TURNOVER.

Employee retention is an increasingly complex problem to accurately diagnose and effectively address. Turnover is further complicated by the fact that the top reasons employees leave are unique to nearly every organization (Sears et al., 2017). This means that organizations will most likely miss specific reasons employees leave and specific opportunities to improve retention if they rely exclusively on generalized best practices and industry benchmarks to guide their efforts.

For example, only 48% of companies shared Career Development as the top category of reasons for leaving in the Work Institute 2017 Retention Report. Furthermore, the reasons within each category vary dramatically from one organization to the next – even within the same industry (Sears et al., 2017).

DISPARITY BETWEEN ORGANIZATIONS IS REAL.

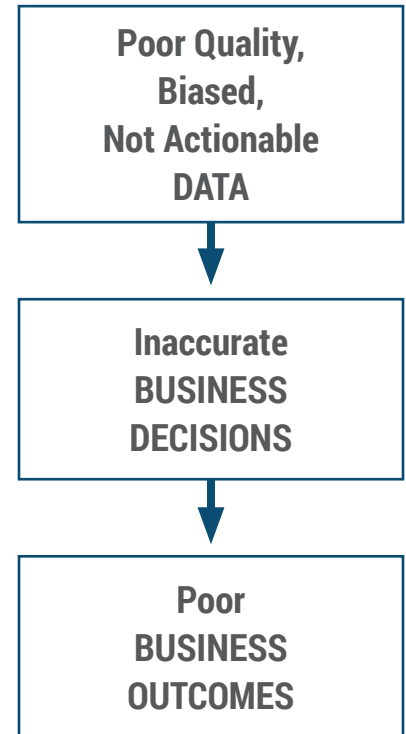
The difference in reasons for leaving from one company to the next is best illustrated in the example below. Three different

organizations are listed along with the top categories of reasons for leaving. Not even two of the organizations share the top category of reasons for leaving.

INACCURATE DATA LEADS TO POOR OUTCOMES.

Flawed data leads to inaccurate business decisions and poor business outcomes. As organizations rely on others' best practices and benchmarks, they risk inaccurate diagnosis and unsuccessful treatment of employee turnover. Furthermore, change initiatives can have unintended side effects if the initiatives do not address the real problems.

As opportunities for employees to take jobs with other employers increase, so does the urgency to understand why employees stay with and leave an organization. It is imperative that each organization identify the top reasons its employees stay and leave, to ensure specific strategies successfully treat the root causes of retention and turnover.



CATEGORIES OF REASONS FOR LEAVING

| Categories of Reasons | Company X: | Company Y: | Company Z: |
|-------------------------|------------|------------|------------|
| Relocation | 23% | | |
| Retirement | 20% | | |
| Job Characteristics | | 41% | |
| Compensation & Benefits | | 24% | 3% |
| Career Development | | | 12% |
| Involuntary | | | 20% |

REPORTS OF WORKPLACE ETHICS VIOLATIONS ARE ON THE RISE

EMPLOYEES INCREASINGLY REVEAL EMPLOYERS' ETHICAL BLIND SPOTS.

The percentage of employees who said they were aware of unethical, illegal or fraudulent behavior at their place of employment reached 6.1% last year, a steady increase from 1.0% in 2010. As the market emerged from the recession, workers left employers where perceived misconduct was present.

Social movements grabbed headlines last year and encouraged workers to speak out about misconduct in the workplace. These movements included #metoo and #timesup.

What we do not know, and likely will

not know, is whether there are more actual incidents of workplace misconduct than in prior years or workers are simply reporting incidents at a greater rate than in prior years.

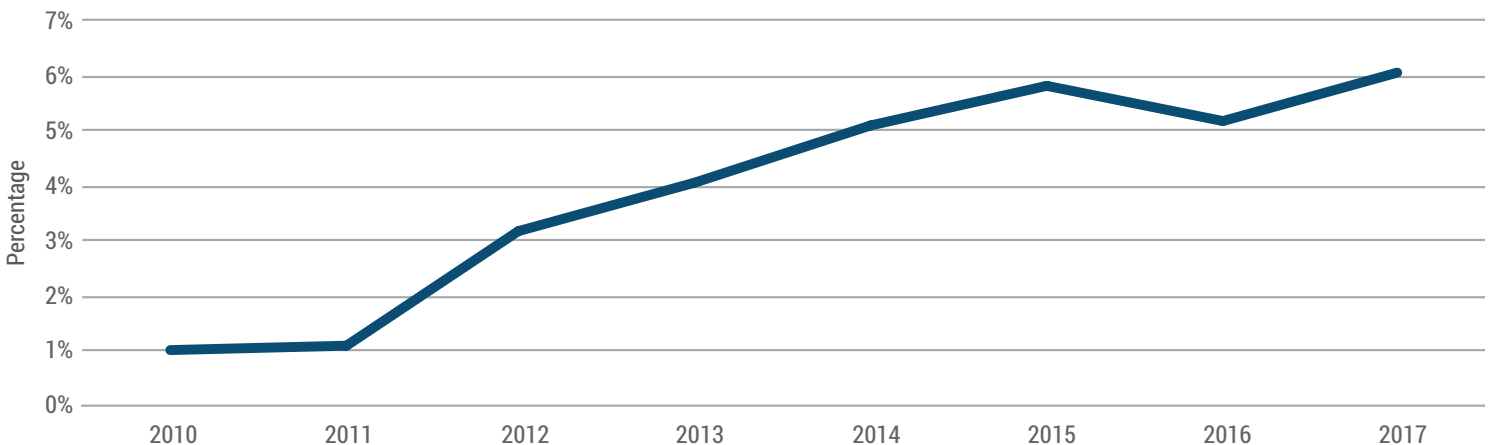
As market conditions remain strong and job opportunities continue to increase workers will not tolerate unacceptable behavior, as they can take jobs elsewhere.

We will follow this issue closely to better understand the impact to employers and employee retention.

6.1%

of Respondents Reported They Were Aware of Unethical, Illegal or Fraudulent Behavior in 2017

Exiting Employees Aware of Unethical, Illegal or Fraudulent Behavior at Their Place of Employment



RISING COST OF TURNOVER

COSTS OF TURNOVER WILL INCREASE 19% BY 2020.

Voluntary turnover is projected to cost U.S. companies more than \$600 billion this year, as one in four employees is projected to quit and to take a different job. Furthermore, if the voluntary quits rate continues as projected, turnover costs will increase to nearly \$680 billion in 2020, a 19% increase from 2017.

Each lost employee conservatively cost a company on average 33% of the employee's base pay. These costs include both direct and indirect costs that affect operating expenses and overall productivity. The BLS reported 37,855,000 voluntary separations (quits) in 2017, which using these estimates, amounts to \$567 billion in costs to employers (BLS, 2018).

Most companies could efficiently decrease human capital costs and increase productivity by reducing turnover. However, many of these companies argue that their turnover is acceptable when compared to industry benchmarks, often citing turnover rates from 7% to 15%. This perspective is not unlike manufacturing companies that cite low scrap

rates, or 90% quality rates (which are not acceptable today by any standard). Leaders should not tolerate organizational complacency about turnover and the associated costs of turnover.

Employees typically do not fully contribute when they consider leaving or are leaving. They prevent and distract others from achieving objectives, including top performers. How well would a sports team perform if players continually left? The churn would affect team dynamics while new players were recruited, trained and folded into the team culture – no Super Bowl for that team!

Consider this: For every three workers who leave your company, for the same expense, you could likely have one additional full-time employee. How would that affect work-life balance and scheduling? The cost and effect of constant turnover is devastating to a company's productivity. Companies compete, and if your competition is efficiently managing their turnover and you are not, you will likely lose.

33%

**Estimated Turnover Cost
% of Salary**

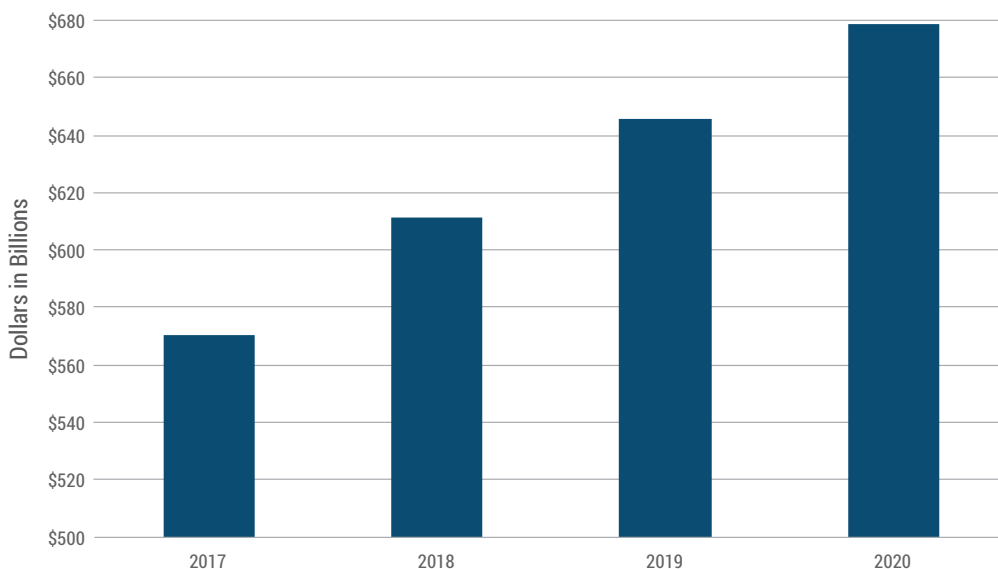
\$45,000

Median U.S. Worker Salary

\$15,000

Average Cost of Turnover

**Annual Cost of U.S. Turnover
in Billions of Dollars**



EMPLOYERS MUST TAKE THE RIGHT ACTIONS TO IMPROVE RETENTION

Today's marketplace demands that employers make efforts to understand the preferences, expectations and intents of their workers. Employees will change jobs if employers do not create a preferred workplace. And, even though employers can prevent a majority of turnover, they simply are not taking steps to do so.

Below are a few key steps to build an effective employee retention strategy.

APPROACH EMPLOYEE RETENTION STRATEGICALLY

Employee retention must be part of an organization-wide strategic business plan. This plan must be supported with targeted tactics, a commitment to resources and support of leadership at all levels. Although human resources leaders typically lead employee retention efforts, any employee retention plan will fall short if all leaders are not held accountable.

SHOW THE FINANCIAL IMPACT OF TURNOVER

A financial analysis must be incorporated into strategic plans to improve retention.

The manufacturing industry calls scrap "wasted time and money." Decision-makers must view turnover costs like scrap costs in manufacturing, a waste of time and money. For this reason, a company's turnover rate should always be evaluated and improved.

Lower turnover reduces operating expenses. Turnover must be calculated and expectations to reduce these expenses must be managed. Likewise, line managers, not HR, must set objectives and be held accountable for unnecessary and wasteful turnover expenses.

ASK FOR FEEDBACK IN A WAY THAT BRINGS OUT THE TRUTH

Leaders must gather feedback and accurately understand employees' preferences, expectations and intents, then use this information to create conditions that attract and retain workers.

The more ways employees can utilize their voice, the higher the retention rate in an organization (Spencer, 1986). Employees must be able to use their voice to offer ideas about how to improve the workplace, to express concerns about workplace policies and changes, and to have influence in decisions that are made in the organization.

Employers must not limit the extent to which employees can express their ideas, preferences, expectations and intents. A study that incorporates both qualitative and quantitative methods gives more information than either method alone (Creswell & Creswell, 2017).

For example, asking employees to rate some aspect of the job on a 1-5 scale only tells part of the story; whereas, if employees are given an opportunity to explain why they gave a specific rating, the organization gets a more complete story. Asking employees what is important to them (the item), rating the item, asking why employees gave that rating, and asking what needs to happen to increase that rating provides employers the information required to implement improvements.

GET THE TRUTH IN YOUR ORGANIZATION

Employers must look within their organizations to develop effective employee attraction and retention strategies as almost all companies are unique, even within industries.

The reliance on someone else's data, best practices or aggregated data will most likely cause organizations to fall short of their goals.

Companies are diverse in the reasons employees leave. The likelihood that a company shares the top reasons for leaving as another company is less than 8% (Sears, Nelms & Mahan, 2017). This fact demonstrates that employers must know the reasons for turnover within their unique workforce, workplace conditions, geography and work context. Furthermore, data from within one's organization can guide specific and targeted retention initiatives.

TAKE ACTION ON YOUR DATA

Organizations must follow through with targeted interventions to improve retention. Productive employee and employer relationships share constant and healthy communications. Requesting employee feedback, listening to it and acting on it increases attraction and retention and creates a productive workplace.

Talented workers will remain at a premium in today's employee-in-control marketplace as the need for skilled workers increasingly outpaces availability. These conditions make it critical for companies to act in a timely manner to attract and retain workers to sustain business growth.

ASK FOR HELP

There are experts and scalable options to help solve retention challenges. It's best to look to a third party to conduct employee voice research as this reduces employee resistance to expressing their honest perceptions of workplace conditions. The true intents and root causes of turnover are not fully revealed by employees when employee voice research is conducted internally.

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ANALYTIC METHODS

Electronic databases and reports were downloaded from the Bureau of Labor Statistics website. More specifically, we sourced data from the Job Openings and Labor Turnover Survey (JOLTS), Current Employment Statistics (CES), Current Population Survey (CPS), and Employment Projections (EP) databases. Unless otherwise noted in the report, original data format included seasonally adjusted monthly figures (e.g., unemployment rate, quits level, etc.) for all non-farm industries across the total United States from 2009-2017.

Projections for quits rely on job growth projections laid out by Lacey et al. (2017). The linear model accounts for 94% of the variation in monthly quit rates between 2009 and 2017, indicating a good fit of the model to the data. The linear model used to predict layoff rates accounts for 55% of the variation in monthly layoff rates between 2009 and 2017, indicating a good fit of the model to the data.

Work Institute Exit Interview Database (Pages 15-27, 29-30, 32)

There were 34,378 exit interviews meeting the criteria of inclusion during the 2017 calendar year. For criteria of inclusion see paragraph below. On average, interviewees were 40 years old (SD = 13.45) and average tenure was 4.08 years (SD = 6.99). Sixty-six percent of interviewees were female. About two-thirds of companies provided us with information on interviewee ethnicity. The sample was 63% White, 17% Black or African-American, 10% Hispanic or Latino, 8% Asian, Native Hawaiian, or Other Asian-Pacific Islander, 2% Multiracial, and < 1% Native American. Interviews were conducted by phone or web with a total of 167 companies. During the interview process, interviewees were prompted to provide multiple reasons they left their company. After providing the reasons, the interviewee was prompted to indicate which of the reasons given was the most important reason for leaving. The most important reasons were used to construct the reason categories and used for all other analyses in this report. The detailed responses given by interviewees were coded by the interviewers and organized into categories by a group of subject-matter experts.

Percentages for reasons and reason categories are the sum of the individual cases presented as a proportion of the total interviews that met inclusion criteria for that respective comparison. Some reasons are reported as a percent of all included interviews and other times as a percentage of its reason category. Exit interviews from previous years were conducted in the same way. When included in the analyses for year-to-year trends, exit interviews total 235,902.

Some data from interviews are not included because the reasons cited for leaving are uninformative, ambiguous, or otherwise represent anomalous situations and offer little practical value (i.e., informative or actionable value) to organizations. Data from these interviews combined account for less than 3% of all reasons for leaving. Individually, they may only appear one or two times out of 34,000. Some examples include answers given by interviewees that are not specific enough to categorize (e.g., “I just wanted to leave” or “I no longer work there because I resigned”). Other reasons that failed to meet inclusion criteria involved highly unique situations, such as inheriting a family fortune (e.g., “I received my inheritance and no longer want to work”).

First-year turnover is calculated as 365 days from employee start date.

Exit interviews are flagged by interviewers and interview reviewers when the employee says something that raises an ethical concern.

Limitations

Aside from BLS data, the data presented in this report are self-reported from employees and accordingly are 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 to provide 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?”).

ABOUT US

Work Institute's workplace research, consulting, and evidence-based learning and development solutions deliver deep insights and effective interventions to help improve attraction, retention, profits and growth.

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Discover the real reasons behind employee attitudes and behaviors.

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- Onboarding Studies
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- Pulse Studies
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Dr. Thomas F. Mahan is the founder, owner and chairman of Work Institute. Prior to starting Work Institute in 2001, Mahan 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, Mahan was also a professor at Vanderbilt University.

Mahan is best known for his workforce research and conference speaking with national and international organizations. An organization behavior scientist and management behavior counselor, Mahan has counseled managers and worked with 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” and “Top Drawer Dads: Celebrating Fathers as They Shape our Lives.” “EmployER Engagement – Profiting by Becoming a Preferred Employer” is due out in summer 2018.

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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, has 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 provide companies with the tools they need to successfully achieve desired employee outcomes and business results.

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In addition to analyzing the data for the 2018 Retention Report, Ryan Bearden is a graduate student at Middle Tennessee State University, where he is pursuing a Master of Arts in Psychology with a concentration in Industrial and Organizational Psychology. Bearden’s studies and research in I-O psychology have included job analysis, scale development and validation, individual and team performance, and employee training and development. He has a passion for understanding the psychological processes behind workplace behavior. Bearden also works as a graduate teaching assistant and helps manage a NASA funded training and research lab at MTSU.

Prior to graduate school, Bearden served in the United States Marine Corps. As a non-commissioned officer in the Marine Corps infantry, he completed a tour of duty in Helmand, Afghanistan with the 2nd Marine Division in support of Operation Enduring Freedom. Upon completion of his enlistment in 2014, he returned to his studies.





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