2024

RETENTION REPORT

DECODING THE EMERGING WORKFORCE TO ACCELERATE RETENTION, ENGAGEMENT, AND PROFITS

Employee Turnover Insights and Trends in 2023

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Work Institute

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FOREWARD BY WORK INSTITUTE CEO, DANNY NELMS

My passion is studying and understanding the differing preferences, expectations, and intents of the American Workforce. In addition to spending twenty years as a human resource practitioner and leader, I have consulted with and advised hundreds of companies throughout the US and the world. As a workplace and workforce researcher at Work Institute, I have a front row seat to evolving workforce challenges.

In the late 90's, my friend, mentor, and Founder of Work Institute Dr. Thomas Mahan along with others, believed in and felt it necessary to prove the transformation from an employer in control workforce to an employee in control workforce. It was termed by Spherion who published the findings as the "emergent workforce." Although the workforce has continued to evolve with external factors such as the great recession of 2008 and a global pandemic in 2020, I believe we are experiencing another enormous shift in the attitudes and priorities of the U.S. workforce.

The defining research related to the emerging workforce conducted by Spherion sought to reveal the differences between traditional workers and emergent workers using the following values.

EMERGENT EMPLOYEES	VALUES	TRADITIONAL EMPLOYEES
Defined as Contribution	Loyalty	Defined as tenure
Viewed as a vehicle for growth	Job Change	Viewed as damaging to one's career
Considered employee's responsibility to pursue	Career Path	Considered company's responsibility to provide
Based on level of performance	Advancement	Based on length of service
Rejected as a driver of commitment	Job Security	Required as a commitment

By 2003, Spherion documented that 31% of the workforce was emergent, 48% were migrating, and only 21% of employees remained traditional. I think it is safe to assume that in 2023 we no longer have traditional workers.

Work Institute's research reveals there are new preferences and expectations emerging quickly that impact the decisions employees make and their perceptions of their employers. Those new expectations for most include more focus on work-life balance, alternative work arrangement, specific type of work they are doing, organizational culture, health and family concerns, and the behaviors and capabilities of their managers and their teams or the people they work with the most.

What makes this emerging workforce so challenging is that workers behave in very individual ways, and they are very individualistic in the priority they place on these preferences and expectations. In the past, employers sought to drive retention and engagement at an organizational level, but to engage and retain employees now depends on the individual employee.

In 2020, Dr. Mahan and I published *Employer Engagement: The Fresh and Dissenting Voice on the Employment Relationship*. The book quickly became an Amazon Bestseller and is a critical body of work for today's employers. However, the working title of the book for months was "The Engagement of One." Although I don't know that I would go back and change the title of the book, I do believe in engaging and retaining each individual employee has never been more important.

Gone are the days when employers can seek to retain and engage their workforce with enterprise actions. Today's emerging employee requires much more. They require to be treated as an individual and they feel empowered to demand certain preferences and expectations based on their priorities. And here is the catch, **they can.** We document in this Report that if every unemployed worker was suddenly working, there would still be 3 million open jobs. Workers are scarce, and employers feel the full weight of the latest war for talent.

I am also excited to introduce to our readers several new voices to the 2024 Retention Report. We sought out experts in human capital management to expand on our research and lend their expertise. I know you are going to be informed and hopefully inspired by their "practitioner" points of view on how employers should address retention issues.

The retention and engagement of employees has never been more important. McKinsey recently stated in an article that disengagement and attrition is estimated to cost a median size S&P 500 company as much or more than $228 million a year. Employee voluntary turnover alone costs U.S. employers almost a trillion dollars. It is my hope that the 2024 Retention Report will continue to shed new light on the preferences, expectations, and intents of this new emerging workforce so organizational leaders will understand their responsibility to engage and retain their workforce.

Danny Nelms, CEO
Work Institute

STATE OF THE WORKFORCE

STATE OF THE WORKFORCE: SUPPLY AND DEMAND

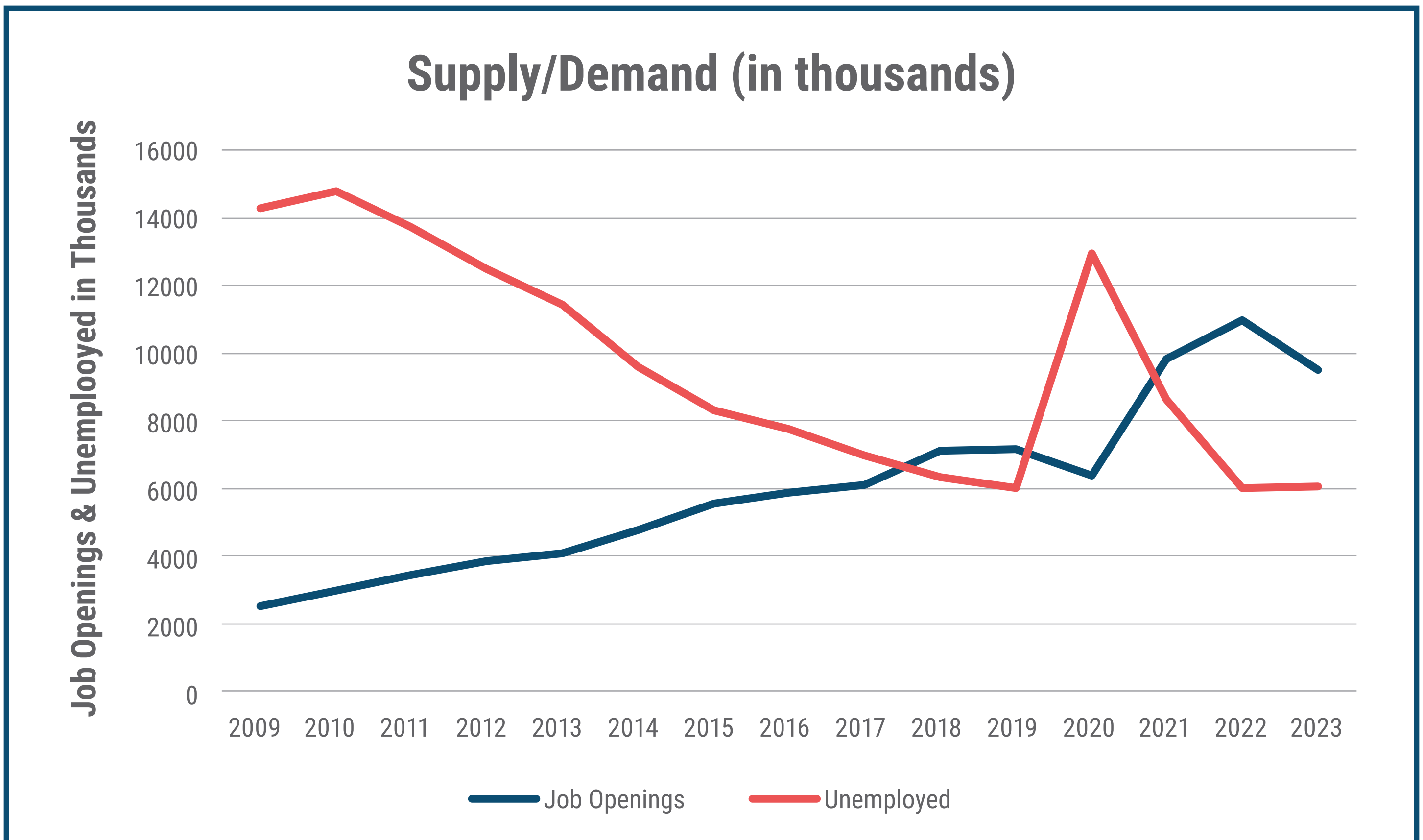
If every unemployed person in the U.S. found a job, there would still be over 3 million available jobs.

Hardly a day passes that we don't read or hear leaders talking about the shortage of available workers. Even with the looming economy concerns of 2023, unemployment remained at historic lows never going above 3.8%, representing approximately 6 million unemployed persons.

Although job openings trended down in 2023, the year ended with approximately 9 million open jobs. Many are concerned with the Workforce Participation Rate given it has not rebounded to pre-pandemic levels. However, according to the Brookings Institute, the decline in the participation rate is "primarily due to the aging workforce and other structural factors rather than a cyclical weakness."

Even with an aging workforce, there was a steady climb in the civilian workforce participation rate over the last several years. The number of workers increased from 156 million in 2014 to just over 167 million in 2023.

The bottom line is employers will continue to feel the severe pinch of a labor shortage for the foreseeable future. This is going to place a premium on retaining employees.



STATE OF THE WORKFORCE: QUIT RATE

45 million workers in the U.S. chose to quit their jobs in 2023

In 2022, the catch phrase was coined the "Great Resignation." In evaluating the number of voluntary departures in 2023, there was some relief for employers but **in historical terms we remain in an employee retention crisis.**

In 2023 almost 45 million workers chose to leave their employer voluntarily to likely seek work elsewhere. The U.S. workforce is made up of approximately 167 million workers. This indicates that a little over 27% of workers in the U.S. chose to quit their jobs in 2023.

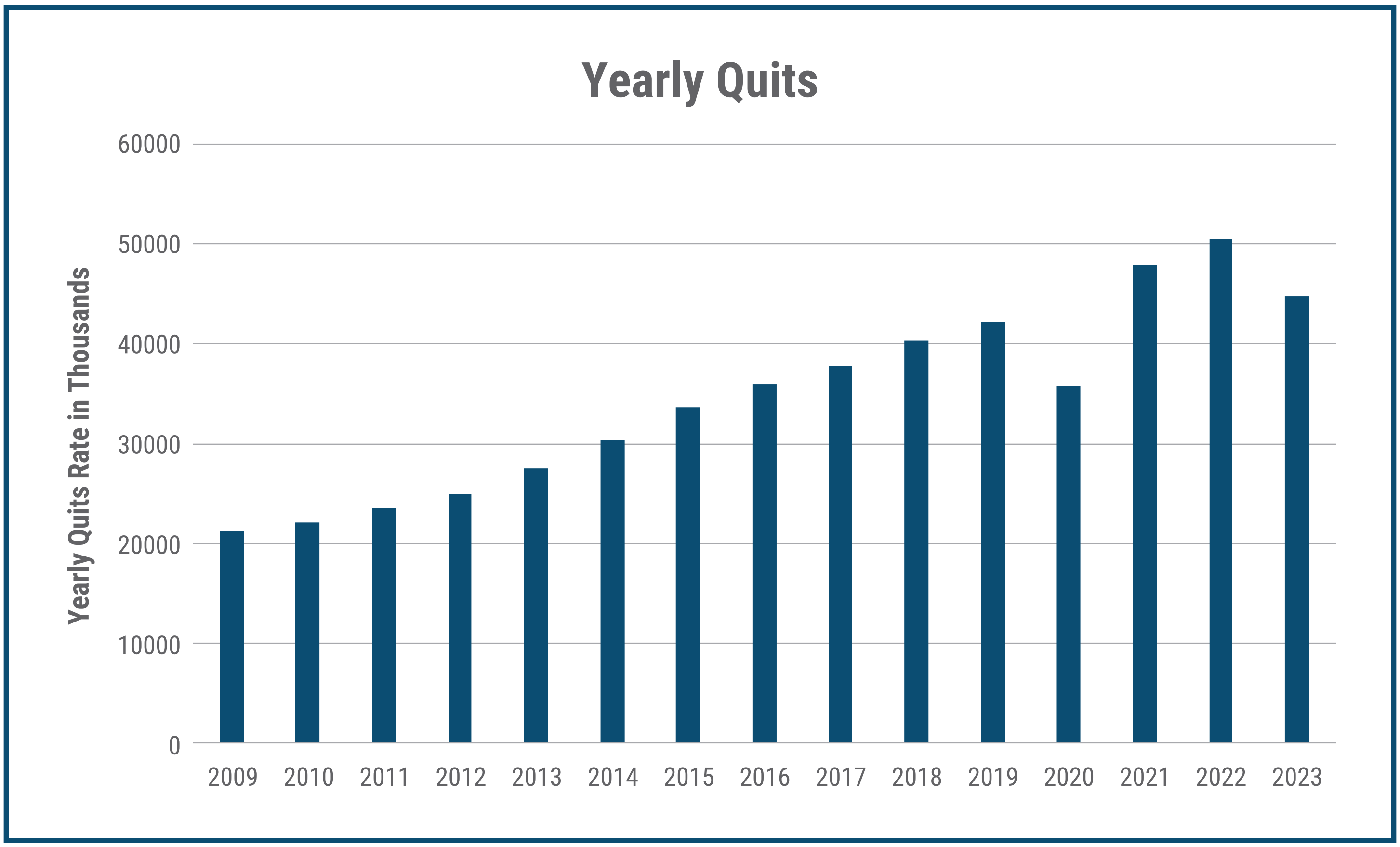
There is little doubt that a certain number of employees are simply going to quit their jobs annually. The alarming issue is that the number of quits as a percentage of the civilian labor force has increased 37% since 2014.

27%

U.S. Workers Quit Their Jobs in 2023

37%

Quit Rate Increase Since 2014



STATE OF THE WORKFORCE: COST OF TURNOVER

U.S. Companies spent nearly $900,000,000,000 to replace employees who quit in 2023.

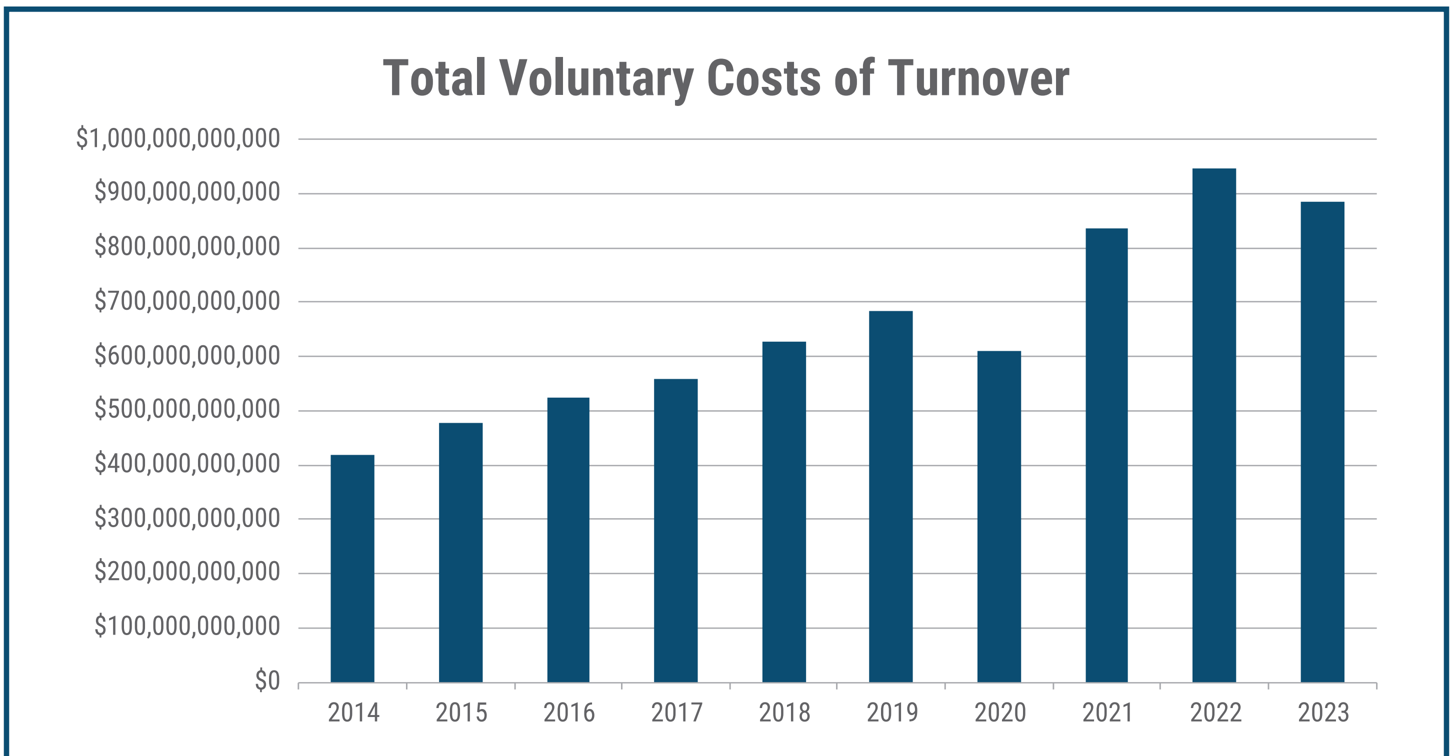
To determine the cost of turnover, many factors like direct costs and indirect costs of turnover must be considered. Direct costs include recruiters, background checks, advertising, initial training, and often the need for temporary or contract labor while the position is open. Indirect costs are more difficult to calculate but include loss of productivity, manager interview time, and often poor customer service or patient care.

Numerous case studies prove the direct and indirect turnover costs and reveal that costs vary greatly based on the employee's annual salary, industry, and the specific job.

Ideally, employers would take the time to conduct extensive analysis and determine the exact costs of turnover for the most common roles in their organization. However, the practicality of this type of exercise is time-consuming and often remains only an estimate of the specific costs.

Work Institute suggests a conservative, but reasonably accurate method to calculate costs of turnover is to multiply each departing employee's base salary by 33.3%. For example, an employee making an annual salary of $75,000 multiplied by 33.3% identifies $25,000 for that position (this is referring to assumed direct and indirect costs).

The median wage of a U.S. worker has increased from $41,340 in 2014 to $59,384 in 2023. Costs of turnover for employers is approach almost a trillion dollars. As wages continue to increase, the financial impact continues to be more detrimental to employers.



REASONS FOR LEAVING AND CORE DRIVERS OF RETENTION & ENGAGEMENT

REASONS FOR LEAVING: OVERVIEW

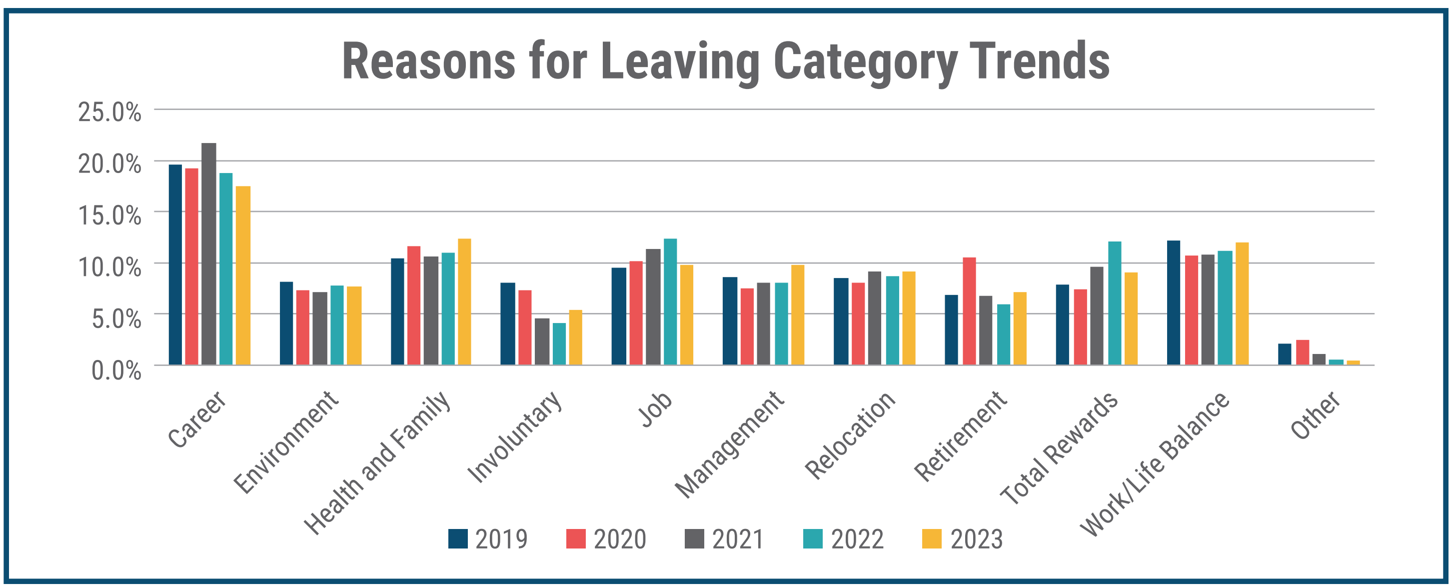
Our Retention Reports have been published since 2017 and each year reveals how employee perceptions change over time. The Reports show how diverse the preferences and expectations of workers are and their ability to quit their jobs in search of employers who will satisfy those expectations.

With Reasons for Leaving having different trends from year to year and from one organization to the next, a single approach to employee retention cannot possibly meet the unique needs of all organizations. The most effective approach requires collecting high quality data to understand and diagnose the issues in your workforce, then using that data to drive decisions and create solutions in your organization.

It is also important to note that methodology for collecting Reasons for Leaving is critical. Work Institute espouses that this Report contains the most comprehensive and accurate data on why employees chose to quit their job. The research is clear that Reasons for Leaving will be most accurate when they are collected AFTER an employee departs their organization and when the exit interview is conducted by an outside objective third-party.

Personal well-being is becoming a clear issue as Health & Family reasons have increased almost 20% since 2019. Retirement skyrocketed in 2020 in the wake of the pandemic then returned to a more normal percentage in 2022. However, retirements again increased by over 20% from 2022. We also saw a more significant priority placed on managers. Management Reasons for Leaving are up almost 14% since 2019. Total Rewards spiked in 2022 as wages had stagnated in the wake of the pandemic and employees began to seek out employers who would pay them what they felt they deserved. However, pay reasons have declined almost 21% since 2022. These sustained shifts in the Reasons for Leaving reflect the continued evolution of an emerging workforce. 2023's top Reasons for Leaving listed by the percentage they were cited were:

1. **Career: 17.4%**
2. **Health & Family: 12.3%**
3. **Work-Life Balance: 11.9%**
4. **Job: 9.8%**
5. **Manager: 9.8%**
6. **Relocation: 9.1%**
7. **Total Rewards: 9.1%**
8. **Environment: 7.7%**
9. **Retirement: 7.1%**
10. **Involuntary: 5.3%**
11. **Other: 0.5%**



The top 5 Reasons for Leaving tend to be more preventable Reasons for Leaving and show the importance employees place on career issues, ensuring their health of themselves and their families, prioritizing work-life balance, aligning their abilities and interests with their actual job, and having managers they want to work for.

It's obvious that workers want to continually evolve, spend quality time with family away from work, and to do the work they enjoy for people who treat them properly.

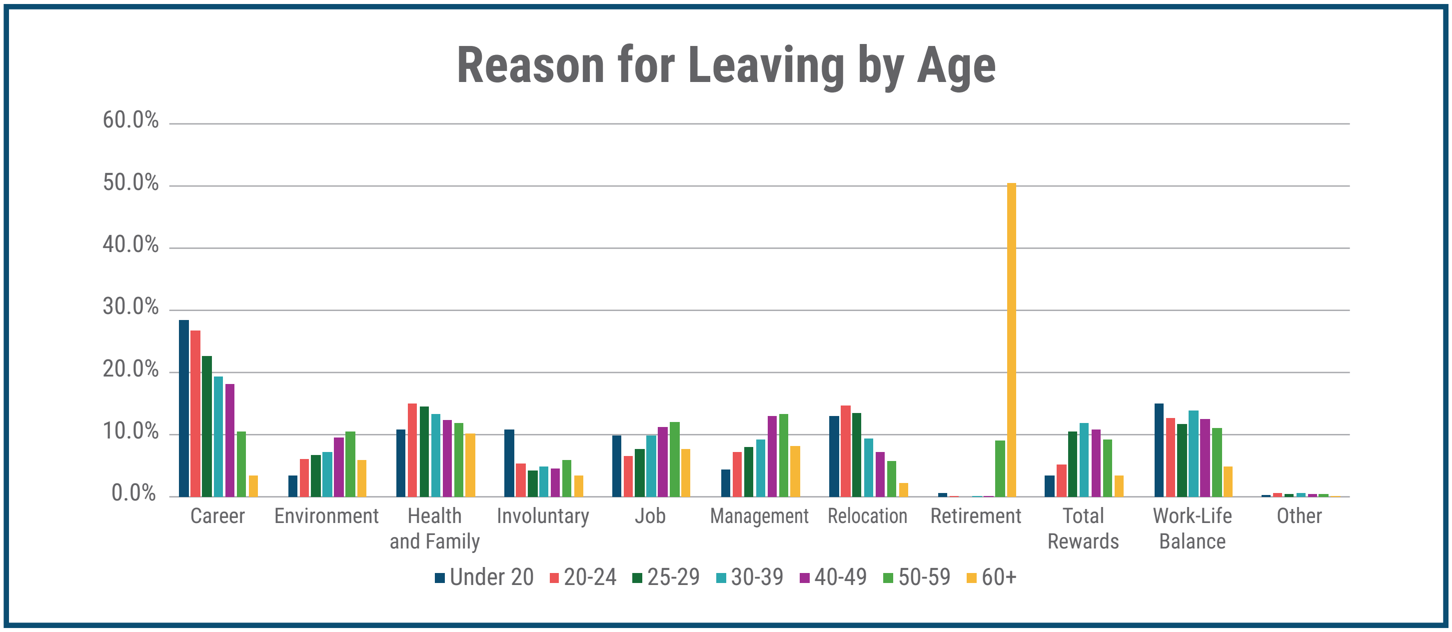
REASONS FOR LEAVING: AGE

Employee age, or as we like to refer it as career stage, does have an impact on why an employee chose to quit their job. As employees progress in their careers, Career, Health & Family, and Relocation all tend to decline. This shows the importance of these retention factors early in one's career.

As employees progress in their careers, Environment, Organizational Culture, the Job itself, and Management or the person they are working for all increase. These employees already have their career mapped out and choose to work the job they want, with an organization with a great culture, and work for a good manager.

Reminiscent of previous years, the takeaway is how **an employee's generational label is not as important to Reasons for Leaving as the career life stage of the employee.**

- Early career employees not surprisingly focus on their Career and their Family, while more employers that have progressed int their careers care about their work and their environment.
- As always it is important to discuss pay. As employees are starting out, pay is not quite as important as it is during peak earning years.

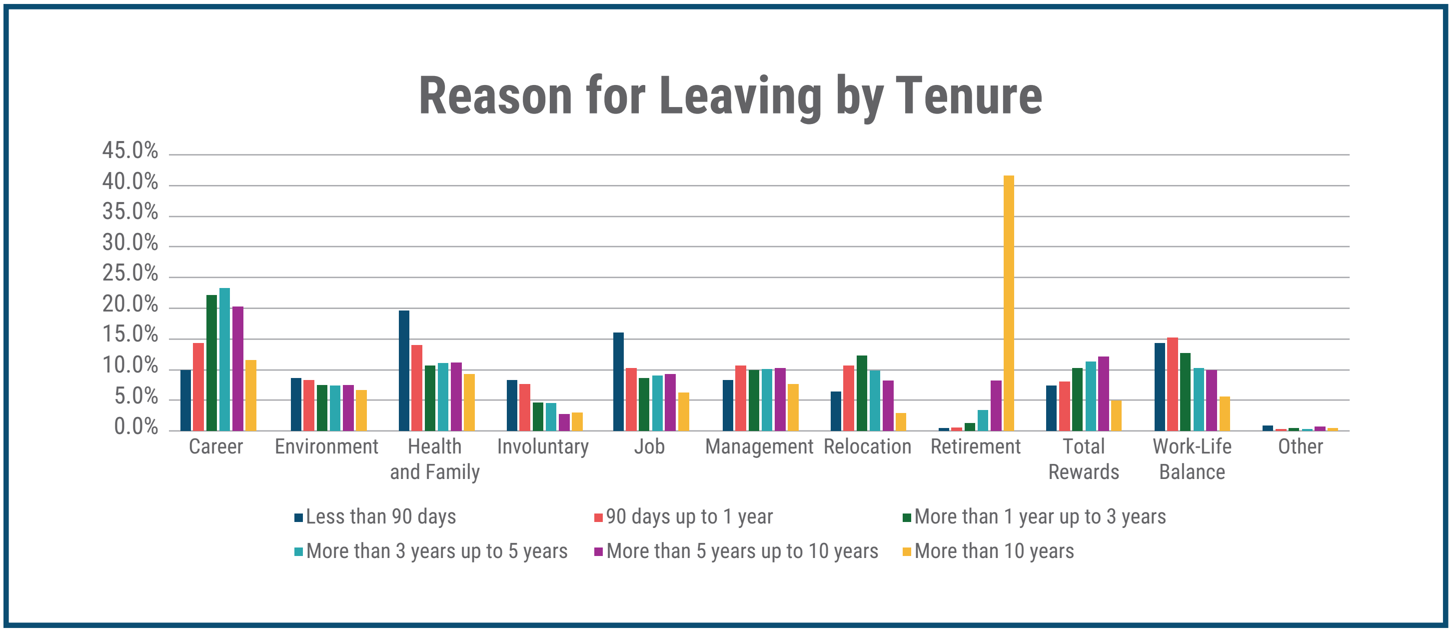


REASONS FOR LEAVING: TENURE

Although first-year turnover has declined somewhat in the last several years, The chart below represents the percentages of cited Reasons for Leaving based on how long the employee has been employed by the organization.

Unsurprisingly,

- Those employees who have over 10 years of employment are the most likely to cite Retirement as their Reason for Leaving.
- Employees with more than one year of service to up to ten years consistently cite Total Rewards more than those with less tenure.
- Everyone wants a good manager in an organization with a great culture.



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REASONS FOR LEAVING: SEX

The chart below shows the yearly percentages of Reasons for Leaving for self-reported males, females, and those who refused to specify.

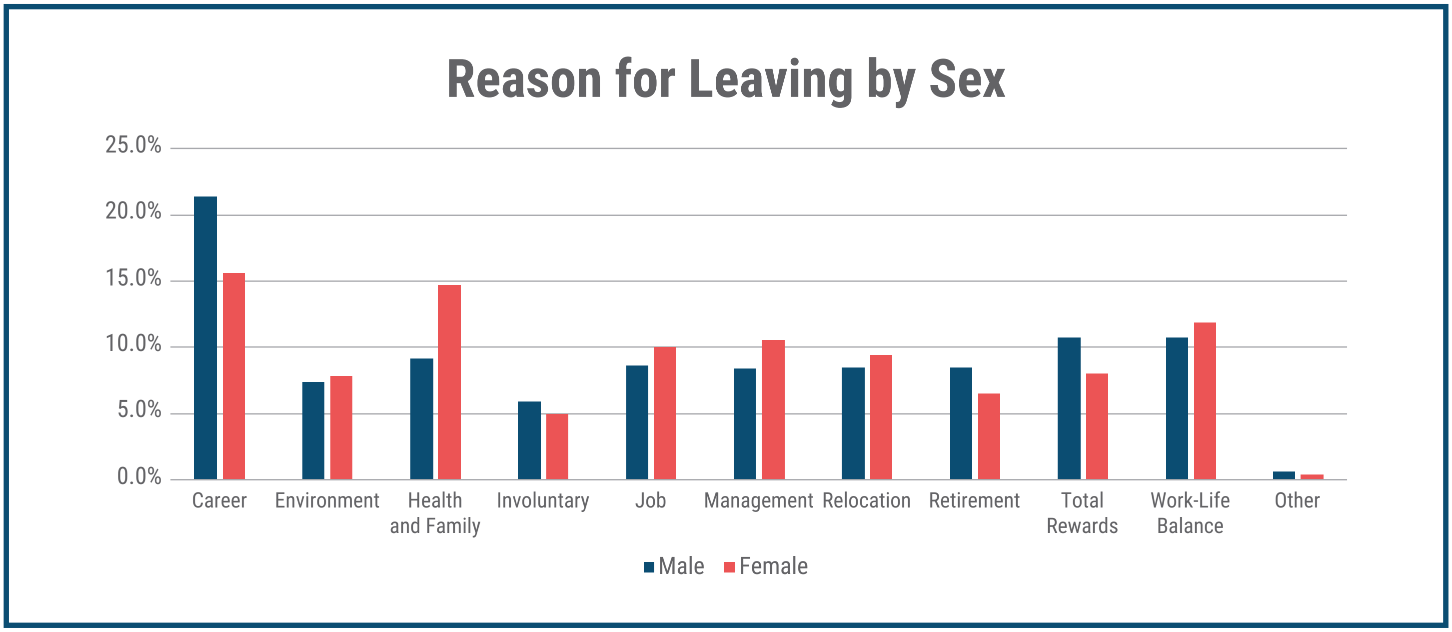
Like previous years, it is apparent that Females report Health & Family more often than Males. While on the other hand, we continue to see Males cite Career and Total Rewards more regularly.

The top 3 Reasons for Leaving cited by Females are:

1. Career: 15.6%
2. Health & Family: 14.7%
3. Work-Life Balance: 11.9%

The top 3 Reasons for Leaving cited by Males are:

1. Career: 21.4%
2. Total Rewards: 10.8%
3. Work-Life Balance: 10.7%



REASONS FOR LEAVING: CAREER

Career as a Reason for Leaving includes specific sub themes Career Development, Promotion, Different Career Paths, School, Job Security, and Career Other.

The graph presented displays the percentages of individuals who selected various Career subthemes across a five-year period, ranging from 2019 to 2023.

While there have been other Reasons for Leaving to go in and out of the top 5 most cited over the years, Career Development is the one constant at the top of this list. This reflects individual employees' aspirations for continued professional growth.

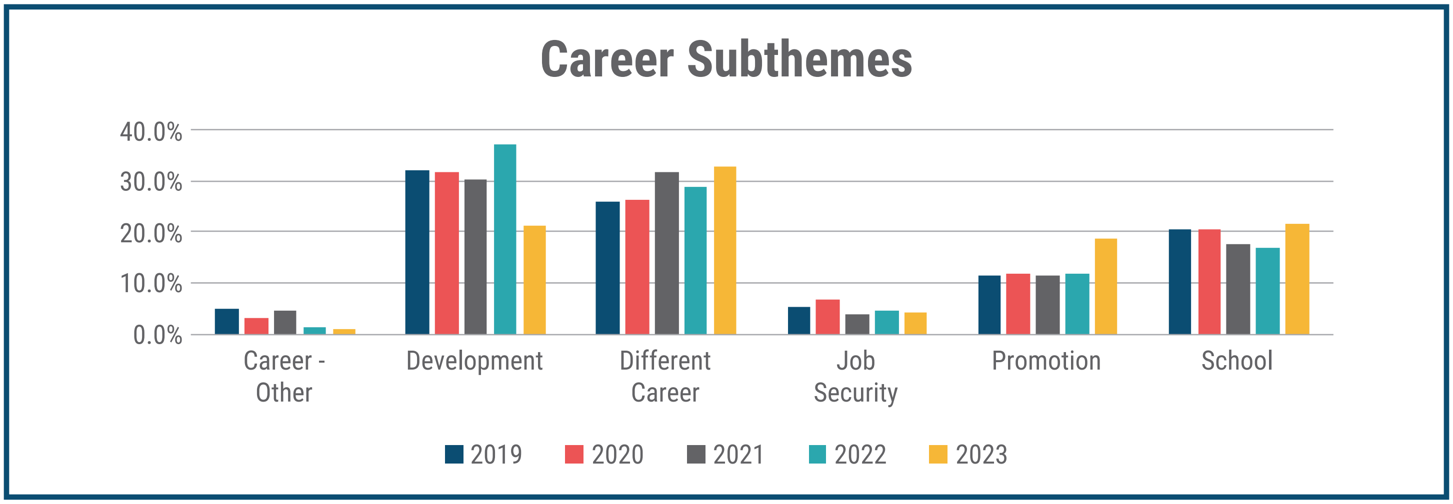
Once again, the data shows employees want to continually evolve and develop throughout their career and the organizations that understand and implement this see higher employee retention rates.

The Different Career subtheme also stood out prominently, representing a substantial proportion of individuals who cited Career Reasons for Leaving. Despite variations in percentages, Different Career remained a notable factor driving career decisions across all years, with a peak reached in 2023 at 33.0%.

Promotion and School emerged as significant subthemes, reflecting individuals' motivations related to advancement within their current career paths or pursuing further education. While Promotion exhibited fluctuations in percentages, it experienced an overall increase, particularly notable in 2023 at 18.8%. School, on the other hand, displayed a relatively stable presence, indicating a consistent proportion of individuals leaving their current positions for educational opportunities.

Perspectives on Career:

- Career: The #1 most cited Reason for Leaving since we began tracking it in 2010.
- Different Career #1 subtheme again as it was in 2021.
- Good news! Development as a Reason for Leaving fell substantially. According to Deloitte, organizations with a strong learning culture have 30-50% higher retention.
- There was also a rise in the Promotion subtheme. This is not surprising given the economic uncertainty of 2023. Employers were likely conservative in promoting employees due to concerns related to growth. Organizations should be aware to keep and meet employee expectations when developing employees.
- PR Newswire reports that 86% of professionals would change jobs if a new company offered more opportunities for professional development.
- Employees with Career Development opportunities have 34% higher retention than those without according to BetterBuys.



Career Development is the most cited Reason for Leaving in 2023 and has been the most cited Reason for Leaving by employees every year since Work Institute began tracking in 2010.

REASONS FOR LEAVING: HEALTH & FAMILY

Health & Family as a Reason for Leaving includes the subthemes Child/Elder Care, Health & Family-Other, Non-Work Related Health, and Work Related Health. The graph presented displays the percentages of individuals who selected various Health & Family themes across a five-year period, ranging from 2019 to 2023.

As an overall Reason for Leaving, Health & Family was never cited at a rate this high – even during the pandemic.

The employee feedback suggests a possible shift in the distribution of workers across these sub-themes over the five-year period. While the data doesn't show a significant trend, there are some noteworthy observations. Generally, there are three significant factors that likely caused this category overall to increase:

The rising costs of Childcare

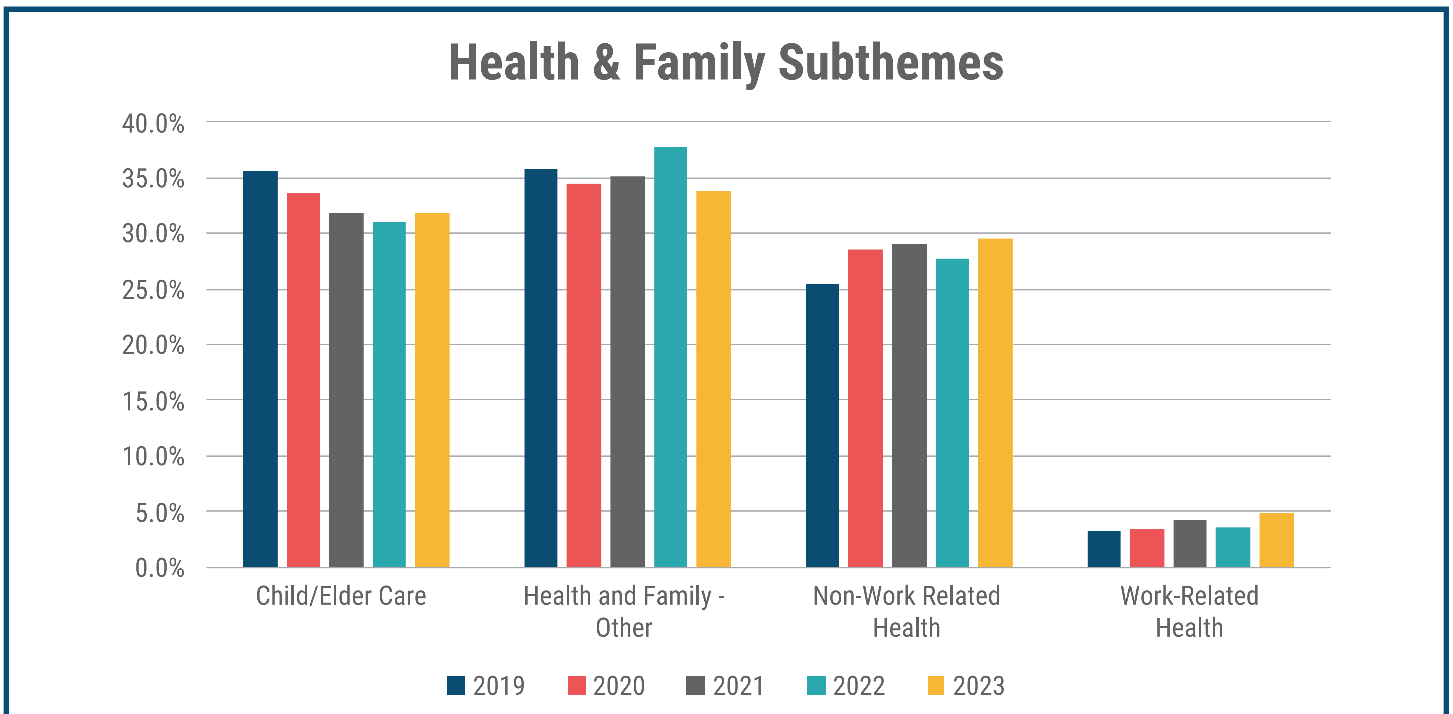
- The percentage of workers who left due to Child/Elder Care reasons increased from approximately 22% in 2019 to 27% in 2023.
- Conversely, the percentage of workers in Health and Family-Other seems to have decreased from around 38% in 2019 to 33% in 2023.
- The average cost of childcare is up 32% from 2019 compared to the Consumer Price Index which is up 20%. – Bank of America

The rising costs of Elder Care in America:

- Fidelity reports a 65-year-old who retired in 2023 should "expect to spend an average of $157,500 in health care and medical expenses throughout retirement."
- According to Forbes, annual home health costs is expected to rise by an average of more than 7% through 2030.
- Like the trend of employees quitting their job because it will save their family money to combat the costs of childcare, employees will likely quit to care for their elderly family members as well.

The effects of long Covid?

- The Brookings Institute reports that 16 million working age Americans have long covid. Just under 10% of the population.
- 2-4 million people are estimated to be out of the workforce due to long covid.



REASONS FOR LEAVING: WORK-LIFE BALANCE

Work-Life Balance as a Reason for Leaving includes the subthemes Shift/Schedule, Commute, Remote Capability, Work Travel, Work After Hours, and Work-Life Balance Other. The graph presented displays the percentages of individuals who selected various Work-Life Balance themes across a five-year period, ranging from 2019 to 2023.

Work-Life Balance has not been this high since 2019. Three of the Work-Life Balance subthemes have more influence on the rate at which employees cite Work-Life Balance than other subthemes. Those are Shift/Schedule, Remote Capability, and Commute.

Commute:

- Commute: The percentage of employees who selected "Commute" as a Work-Life Balance sub-theme increased slightly from 12% in 2019 to 15% in 2023. This is somewhat surprising given the trend towards Remote Work. However, it also reflects the availability of jobs giving people who want a shorter commute and have the opportunity to work elsewhere.

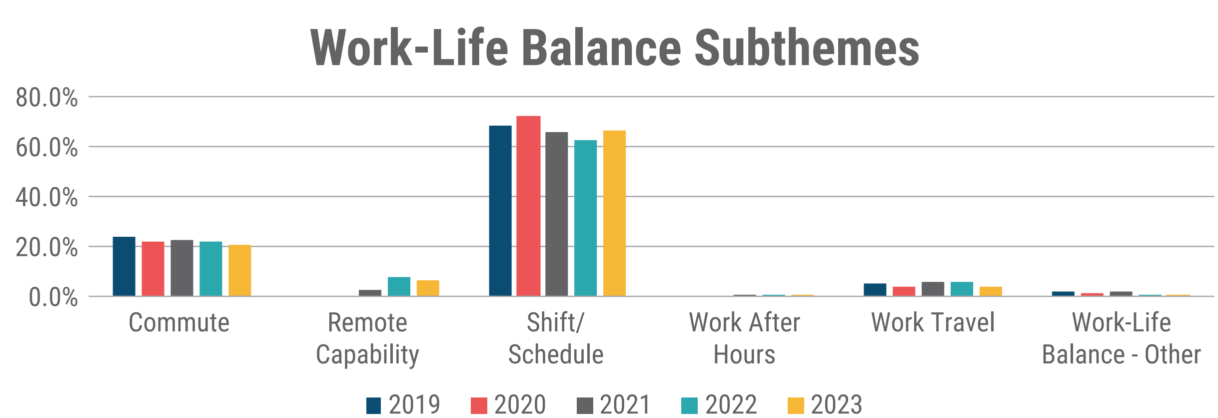
Remote Capability: Clearly alternative work arrangement availability is a factor in retaining employees.

- Although our data does not yet show a significant number of people leaving due to inability to work alternative work arrangements, if back to office policies persist this number is likely to increase in the coming years. Moneyzine reported that 60% of workers would quit their current job if they were offered a fully remote one.
- On the flipside, PwC reports 95% of company executives believe that to maintain a strong company culture, employees must be in the office.
- HR Dive reports 28% of employees who are required to be in the office said their intent to stay has decreased.
- HR Dive also reports that employer benefits to remote work can result in various cost savings (less overhead), higher productivity, increased retention, reduced absenteeism and fewer sick days, and increased talent pool.

Shift/Schedule still an issue.

- 80% of employees said they would be more loyal to their employer if they offered schedule flexibility according to Flexjobs.
- Shiftboard noted that 75% of hourly workers said Work-Life Balance was necessary for job satisfaction.
- 79% said schedule influences whether they stay with their current employer as stated by The State of the Hourly Worker.

Although a small amount, there are those that appear to be quitting due to excessive hours being required of them likely due to the labor shortages



REASONS FOR LEAVING: JOB

Job as a Reason for Leaving includes the subthemes Characteristics/Type of Work, Workload/Stress, Availability of Resources, Empowerment in Job, Training, Products/Pipeline, and Job-Other. The graph presented displays the percentages of individuals who selected various Job themes across a five-year period, ranging from 2019 to 2023.

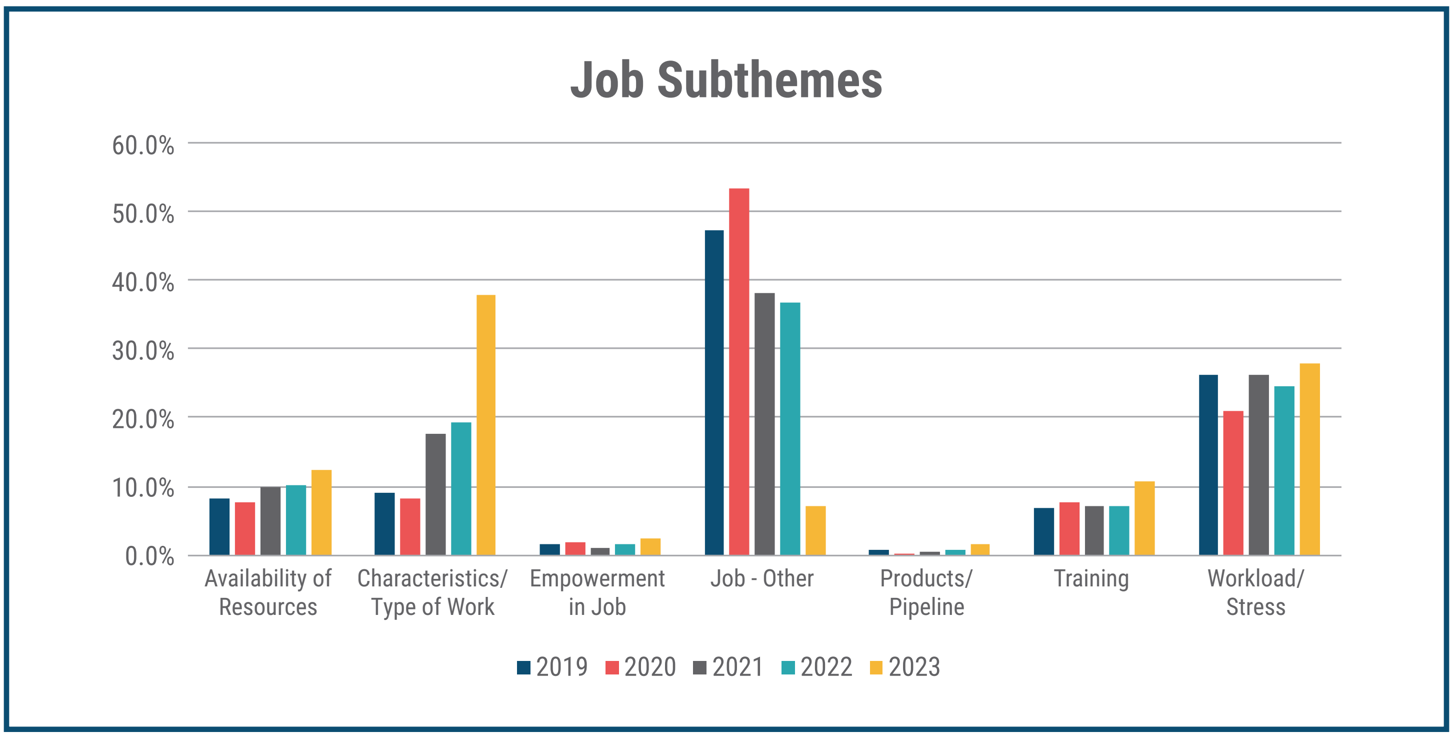
Job as a Reason for Leaving dropped below 1/10 employees for first time since 2019. During the pandemic, employees were more focused on work they wanted to do. After millions of people quit their job to find more appropriate work, Job as a category returned to pre-pandemic levels.

- Type of Work increased 311% since 2019. This could show a growing preference for workers to find a job specific to their interests and not necessarily one to simply pay the bills. This data also highlights the importance of each individual employee's work preferences.

There were three subthemes with minimal fluctuations over five years:

- Availability of Resources had a slight increase in 2023 and has never been higher.
- Empowerment in Job slight, but minimal increase.
- Products/Pipeline minimal fluctuations.

There were shifts in code definitions that is responsible for some of the variance in the overall trend.



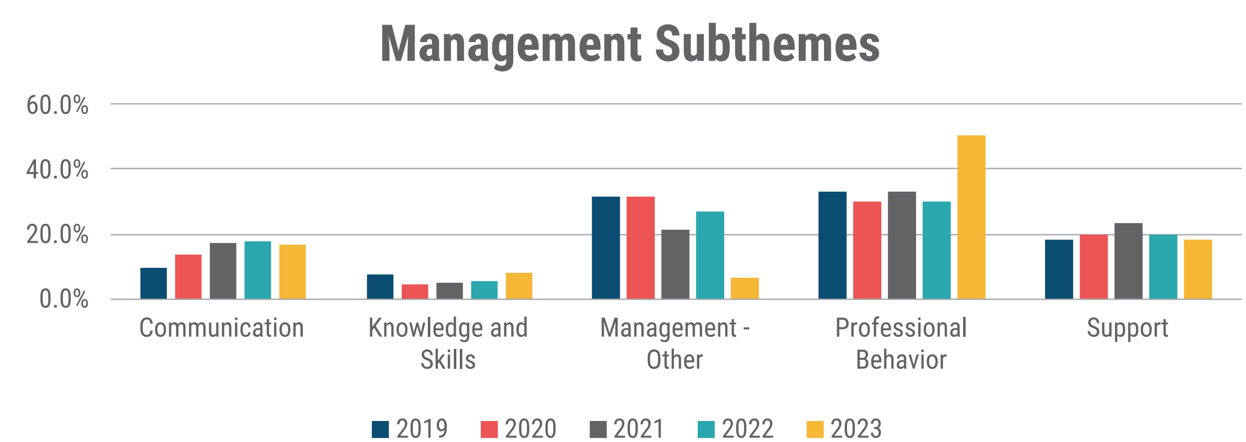
REASONS FOR LEAVING: MANAGEMENT

Management as a Reason for Leaving includes the subthemes Professional Behavior, Support, Communication, Knowledge & Skills, and Management-Other. The graph presented displays the percentages of individuals who selected various Management themes across a five-year period, ranging from 2019 to 2023.

This is the first year Management has been in the top 5 most cited since 2019.

Management as a Reason for Leaving has never been cited as often before. Employees' intent-to-stay at an organization is longer when they provide a higher rating of their supervisor. Based on the subthemes, it's important to understand employees indicated Communication, Support, and Professional Behavior are all critical elements of Management. However, in 2023 employees seemed to indicate that Professional Behavior of their manager became an even greater issue.

- **Professional Behavior is the #1 Management subtheme for four consecutive years and skyrocketed 104% over last year.** The data reveals that Professional Behavior was the most frequently cited sub-theme across the entire period, consistently exceeding 30% of the subtheme responses each year. This suggests that employees prioritize respectful and professional conduct from their managers.
- Professional Behavior of Managers consistently constituted a substantial proportion of management-related concerns, with a notable increase observed in 2023, suggesting heightened attention to professionalism within managerial roles.
- Over 50% of employees who cited Management as their Reason for Leaving said it was due to a lack of Professional Behavior from managers.
- Professional Behavior emerged as the most substantial categories contributing to management-related concerns, reflecting a diverse range of factors impacting managerial effectiveness and organizational dynamics. While exhibiting fluctuations in percentages, these categories underscored the multifaceted nature of management-related challenges and the need for comprehensive approaches to address them effectively.
- In the four years prior to 2023, Management - Other consistently ranked as the second-most cited sub-theme, ranging from 21.3% to 31.8% across the four years. This suggests that employees leaving due to their manager are often dissatisfied with various aspects of their manager's performance beyond the subthemes explicitly listed.



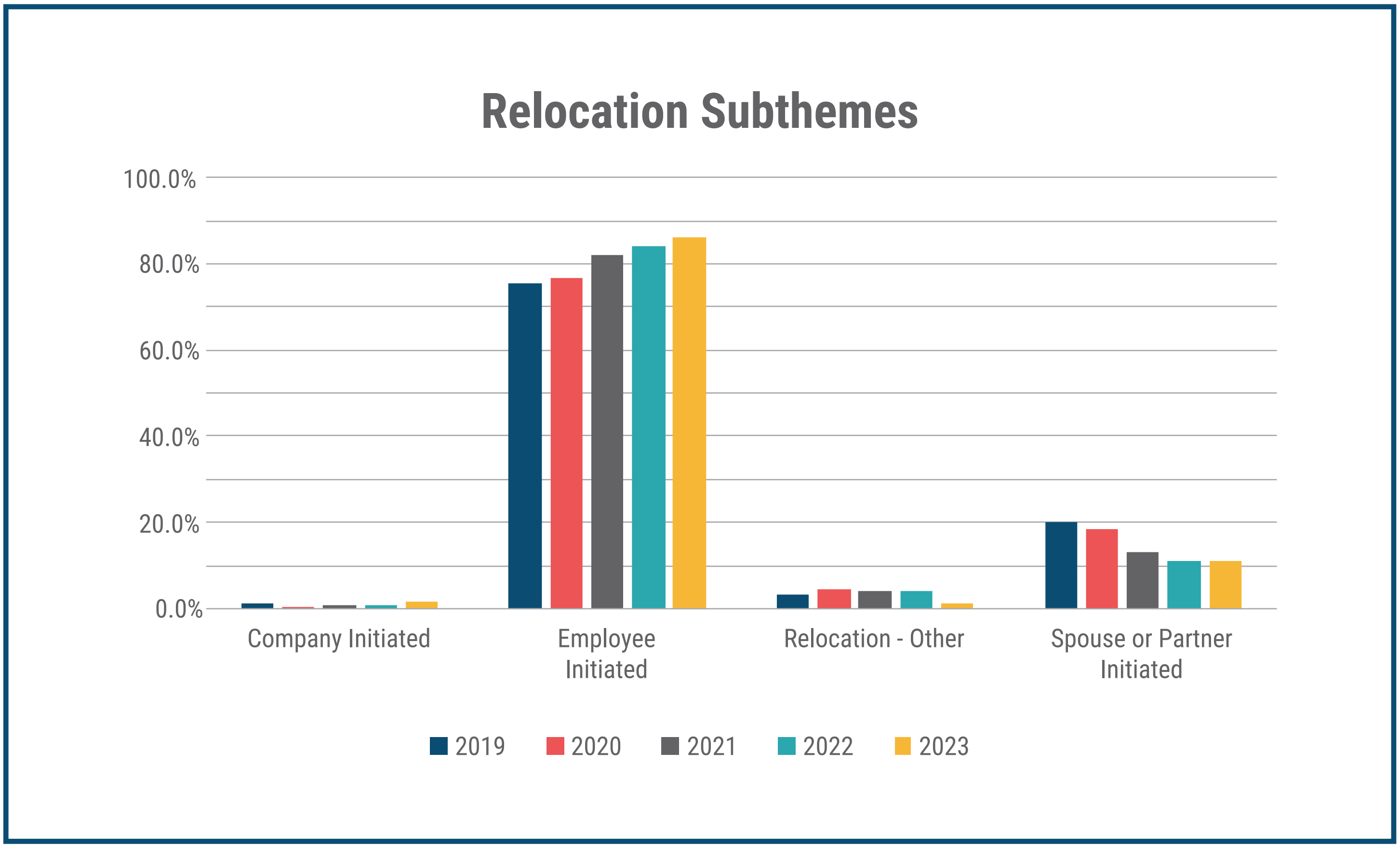
REASONS FOR LEAVING: RELOCATION

Relocation as a Reason for Leaving includes the subthemes Employee Initiated, Spouse or Partner Initiated, Company Initiated, and Relocation-Other. The graph presented displays the percentages of individuals who selected various Relocation themes across a five-year period, ranging from 2019 to 2023.

Relocation: matched its peak from the Pandemic year.

Although Relocation reasons have not varied greatly since 2019, it does appear there are factors at play that could be influencing Employee-Initiated Relocation.

- Employee Initiated was the most prevalent sub-theme, consistently exceeding 75% of responses across all five years. This suggests that the majority of relocation-related departures stem from personal decisions or circumstances of the employee, rather than employer-driven factors.
- Employee Initiated was also the only subtheme to increase year over year
- It is not wrong to consider societal issues. There are indications that political and social issues are causing employees to seek out more preferred places to live.
- The ability to relocate has also been enhanced with the prevalence of remote work.



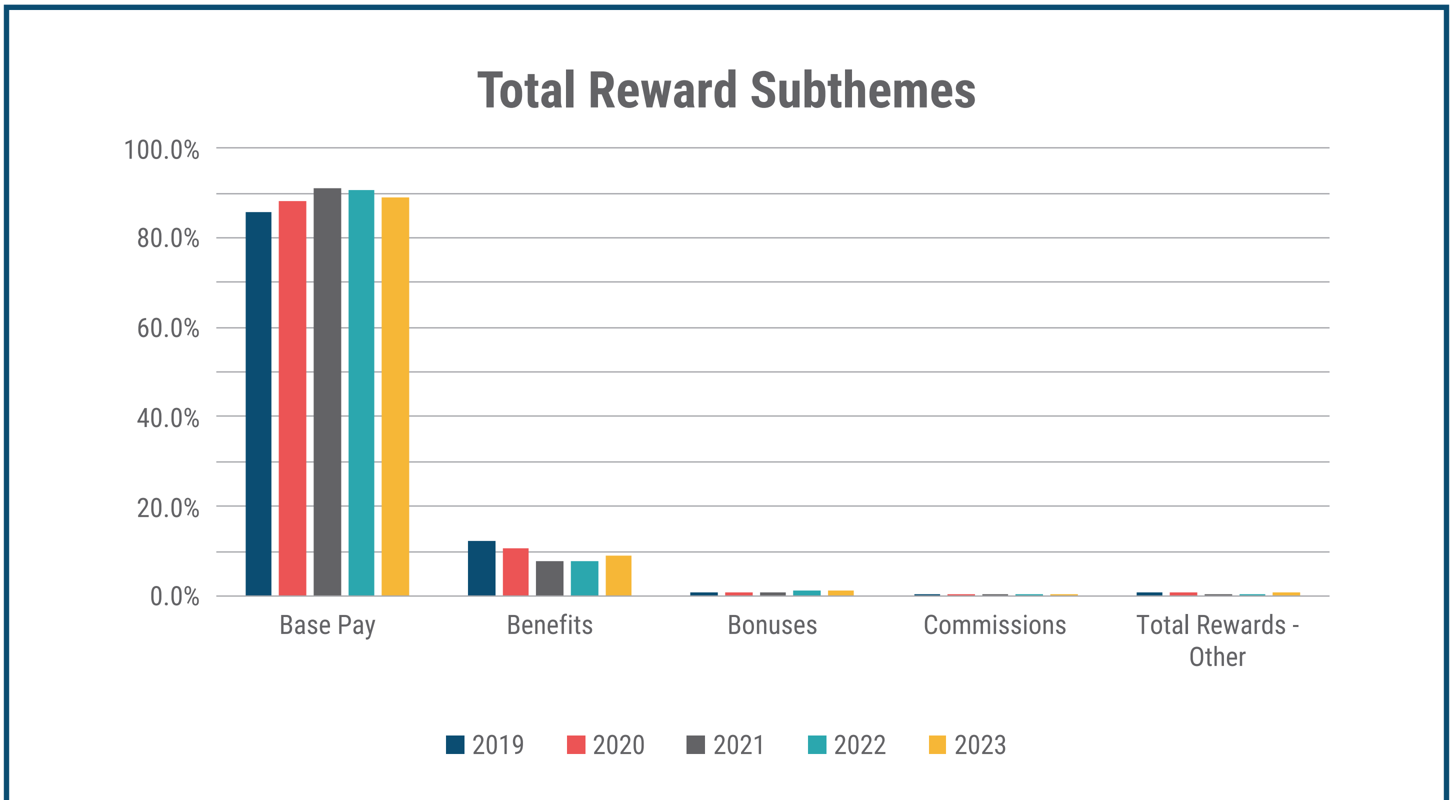
REASONS FOR LEAVING: TOTAL REWARDS

Total Rewards as a Reason for Leaving includes the subthemes Base Pay, Commissions, Benefits, Bonuses, and Total Rewards-Other.

2022 represented the highest percentage of pay Reasons for Leaving since this Report was first published in 2017. Certainly, there were post-pandemic impacts, but record inflation significantly impacted employees and they sought out higher paying jobs. In 2023 pay reasons began to decline as a Reason for Leaving.

Less than one out of every ten employees cite Base Pay as their Reason for Leaving. Base Pay saw its peak during the Great Resignation in 2021 and has declined in the two years since.

- While Total Rewards is important, it is not as significant a reason for employee turnover as six other Reasons for Leaving.
- Base Pay consistently emerged as the most frequently cited subtheme but did have a slight decrease from 2022-2023.
- More employees cited Relocation as their Reason for Leaving than employees who cited Total Rewards.
- If companies believe raising pay will retain employees, not only will they waste money on higher human capital cost, but they will likely also not see an improvement in retention.
- In wake of pandemic and the Great Resignation, there was significant attention on raising pay.

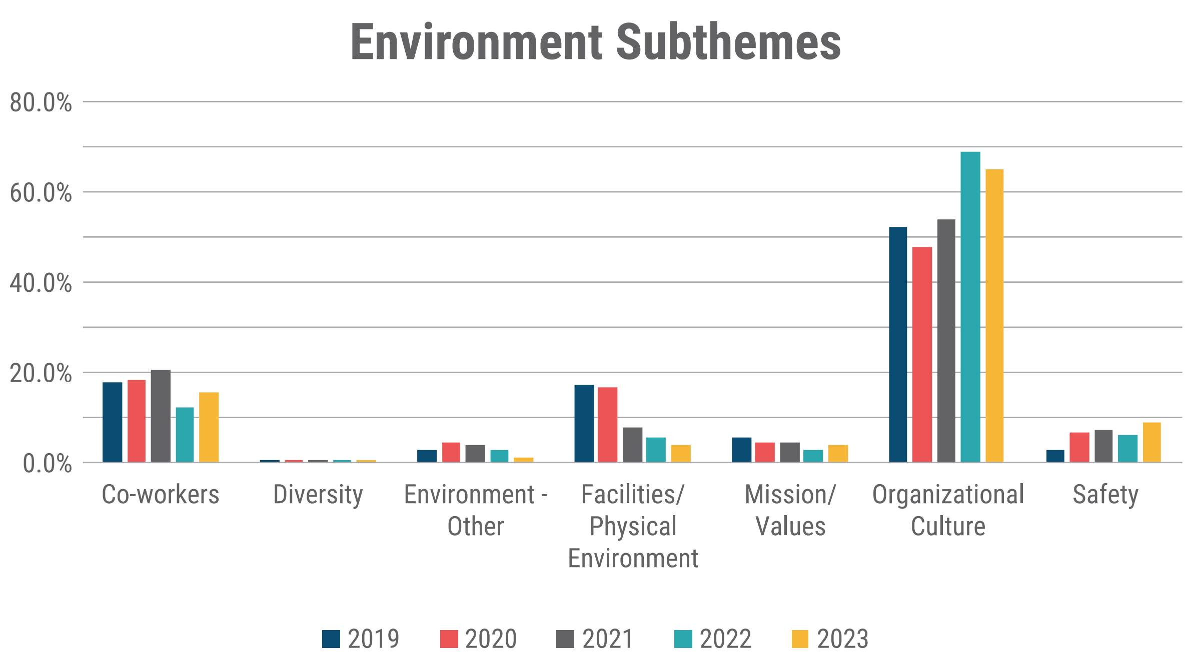


REASONS FOR LEAVING: ENVIRONMENT

Environment as a Reason for Leaving includes the subthemes Organizational Culture, Co-workers, Physical Environment, Mission & Values, Safety, Diversity, and Environment-Other.

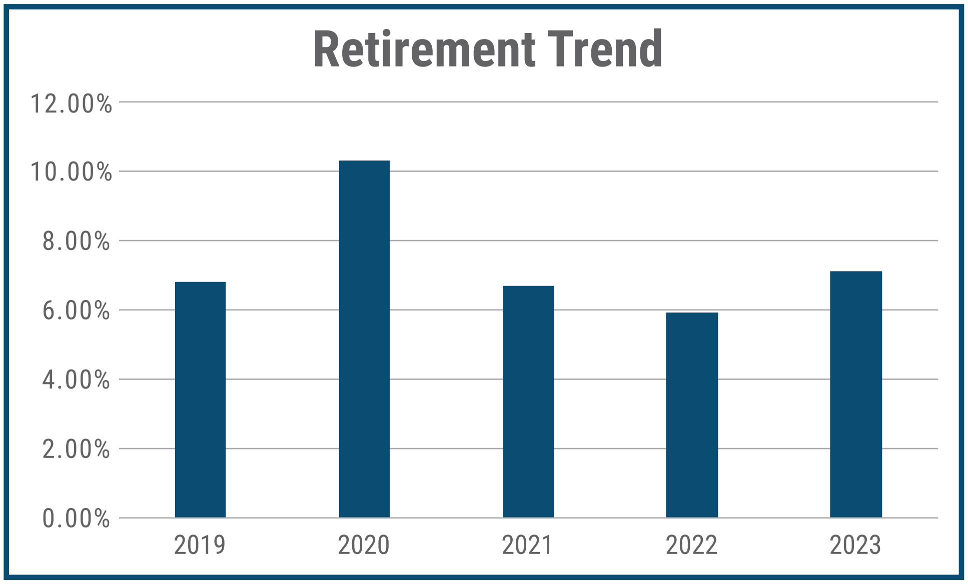
Organizational Culture is the most important subtheme, highlighting its significant role in employee retention. The good news here is the rate employees cite Organizational Culture dropped from its record high in 2022.

- Organizational Culture emerged as the most prominent subtheme throughout the observed period, representing individuals' perceptions and experiences regarding the values, norms, and practices within their respective organizations. Notably, Organizational Culture exhibited substantial percentages across all years, with a peak observed in 2022 at 68.8%, indicating its significant influence on employees' decisions regarding their organizational affiliations.
- Co-workers and Facilities/Physical Environment also emerged as notable subthemes within the Environment. Co-workers represented individuals' interactions and relationships with colleagues, exhibiting fluctuations in percentages but maintaining a consistent presence as a factor influencing the Environment.
- Facilities/Physical Environment declined over the observed years, suggesting potential shifts in the significance of this aspect in influencing employees' perceptions of their work environments.
- Mission/Values and Safety represented additional aspects of the Environment, reflecting employees' perceptions of their organizations' overarching goals, principles, and commitment to safety. While exhibiting fluctuations, these subthemes maintained a relatively stable presence across the observed years.



REASONS FOR LEAVING: RETIREMENT

Retirement hit its peak as a Reason for Leaving during the pandemic with one out of every ten employees citing Retirement, and this year was its second most cited year. Retirement as a Reason for Leaving does not include any subthemes.

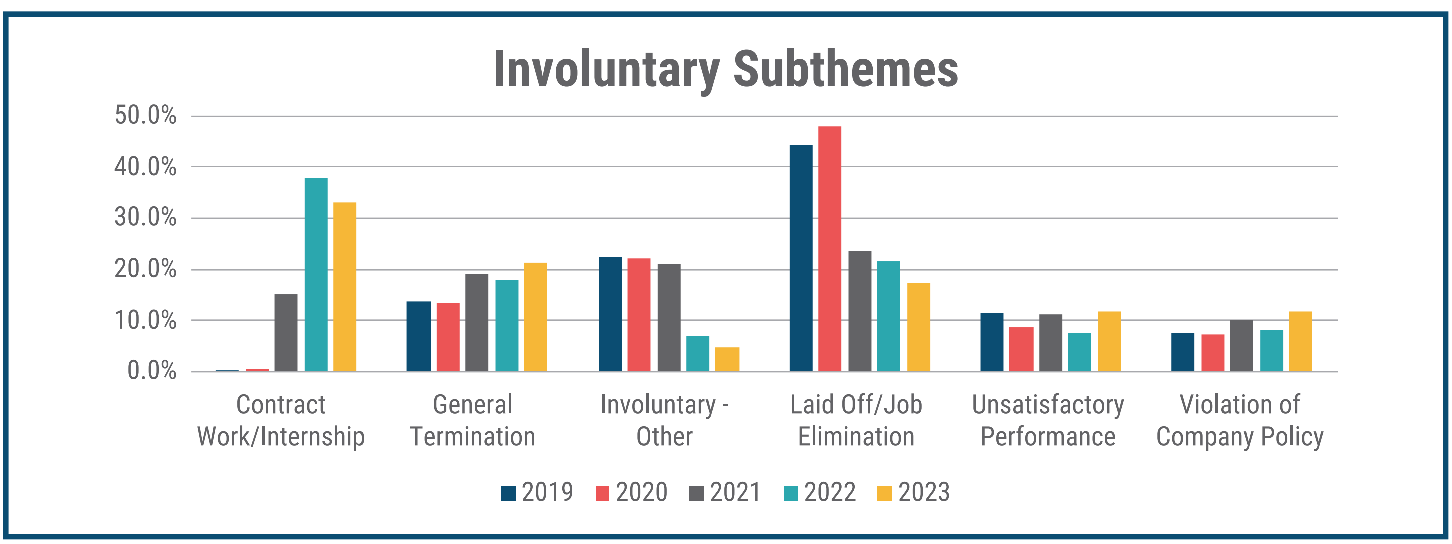


REASONS FOR LEAVING: INVOLUNTARY AND OTHER

Involuntary rose for the first time since the pandemic.

Contract Work rose substantially since the pandemic while Laid Off/Job Elimination dropped during the same period.

No graph is included for Other as it represents less than .5% of all Reasons for Leaving.



CORE DRIVERS OF RETENTION AND ENGAGEMENT TRENDS

Work Institute asks the majority of departing employees they conduct an exit interview with how they would rate what Work Institute defines as the Core Drivers of Retention and Engagement.

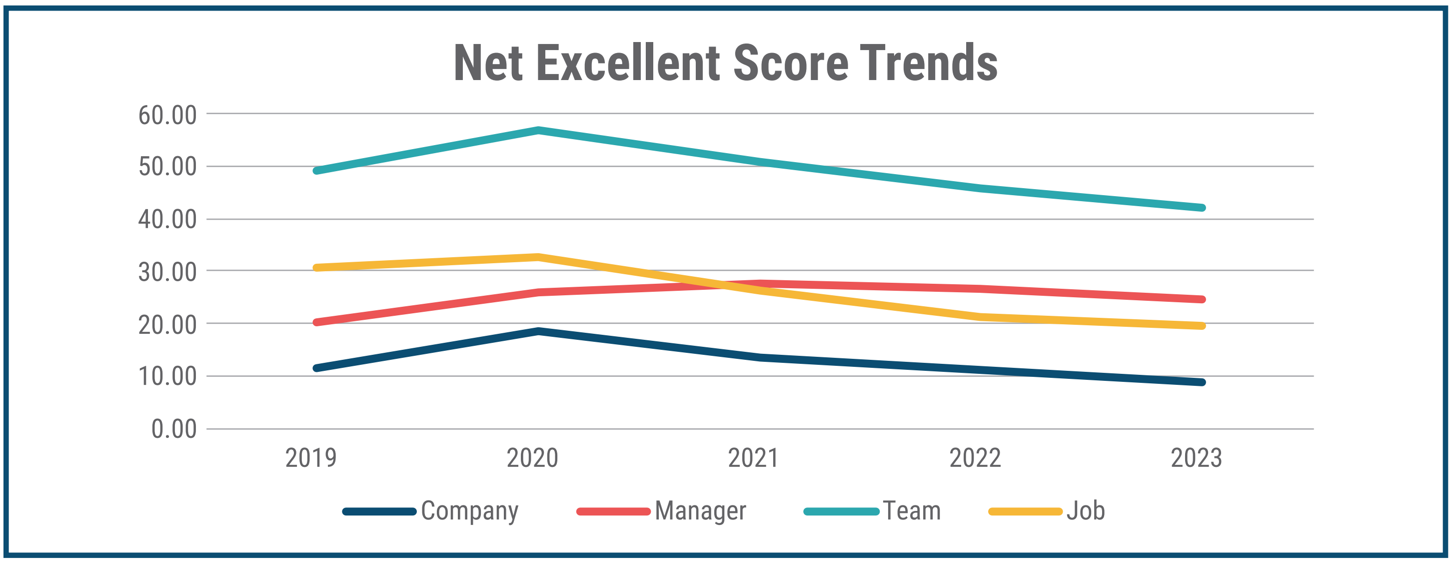
- **How would you rate your employer?**
- **Howe would you rate your manager?**
- **How would you rate your job?**
- **How would you rate your team or the people you work with the most?**

Work Institute, unlike most organizations, places significance on the percentage of employees who rate these Core Drivers as excellent. Work Institute has shown that specifically for employees who rate their employer and manager excellent as opposed to good or very good are much more likely to stay for a long time.

The Net Excellent Score is calculated by subtracting the fair or poor ratings from the excellent ratings. This scoring methodology behaves like overall mean scores but places an emphasis on improving excellent ratings.

Employee perceptions of the Core Drivers continued to trend downward. As Work Institute has explored in past Retention Reports, Core Drivers of Retention and Engagement increased significantly during the wake of the pandemic. This was a surprise to many, however as employers sought to return to what they saw as "normalcy" during the recovery, employees quickly rebelled and thus began the period of "the Great Resignation."

Interestingly, Manager ratings have declined the least having only dropped 5% since 2020. It is conceivable that managers have improved in many areas of leadership since the pandemic, but there are those who feel that with many employees working hybrid work arrangements that managers simply don't impact employee's day to day activities as heavily.



Although we would contend that measuring engagement is impossible, several organizations that report on annual engagement indicated that overall engagement of workers trended back down after an increase in 2020. If we take their scores for simply a representation of employee perceptions on specific workplace issues, then there is clearly issues within the workforce.

As stated at the outset of this Report, there is a significant change occuring with workers. This new emerging workforce has higher and different expectations of their employers. Those new expectations for most include more focus on work-life balance, alternative work arrangement, specific type of work they do, organizational culture, health and family concerns, and the capabilities and misbehaviors of their managers and their teams or the people they work with the most. It is quite clear that many employers do not meet those new expectations.

There are a record numbers of available jobs and employees have quit their jobs in record numbers. Employers must step up and begin to focus on the preferences, expectations, and intents of this emerging workforce.

STRATEGIC FOUNDATIONS TO EMPLOYEE RETENTION

STRATEGIC FOUNDATIONS TO EMPLOYEE RETENTION

Since 2017, Work Institute's Annual Retention Report has focused on giving business leaders insights into why employees leave and stay. With employee turnover still at historic levels, we think it is also important that leaders fundamentally understand what organizations must do to reduce employee turnover and eliminate the wasteful costs associated with it.

We identify three foundational elements that must be in place to improve employee retention.

1. **Generating the Voice of the Employee** – Organizations must generate the right data at the right time to understand perceptions of employees that cause them to quit or be at risk of leaving.
2. **Analyzing the Voice of the Employee** – When the right data is in place, it is also important to analyze that data and disseminate insights to leaders that allow appropriate actions to improve retention.
3. **Developing and Executing a Retention Strateg**y – No action without research (data); no research (data) without action. This is a famous quote from Kurt Lewin one of the pioneers in organizational and applied psychology. The message is simple. If we are trying to solve a problem, we should never tackle it without the right data, and we should never collect data simply for the sake of collecting data.

Generating the Voice of the Employee

Organizations seeking to understand the "real reasons" employees leave their organization ideally should choose to engage a responsible third-party to conduct their exit interviews. Research shows former employees are more authentic when talking to an objective third party. Over 40% of the Reasons for Leaving would be different if the exit interview was conducted externally vs. internally. Research also shows employees will be more honest about their Reason for Leaving when the exit interview is conducted after they leave the organization as opposed to an interview conducted on or before their last day of employment.

It is important to adhere to credible research methodology when using exit interviews to understand the root cause of why employees chose to exit the organization. Exit Interview data is critical to understand both the reasons employees leave and their perceptions related to other conditions in the organization that drive retention. That data must be easily accessible via data tools that are updated regularly. It is also critical that the data can be segmented or filtered by key demographic information. There are seldom enterprise actions that impact employee retention. Our experience indicates that focused efforts in specific areas are necessary to reduce turnover.

The timing of conducting an exit interview is also critical. Again, the research indicates that **over 40% of the Reasons for Leaving are different when the exit interview is completed after the employee has departed rather than on or before their last day of employment.**

There is a challenge in obtaining high response rates when attempting to complete the exit interview after an employee departs. An effective communication strategy is critical to generate a 60% or higher response rate. An offboarding process that includes clear direction on how the exit interview will be conducted after they leave increases the likelihood that the former employee will participate in the exit interview.

A best practice is for employees to understand expectations of them to provide feedback throughout their employment. During the onboarding process they should be provided with information about all the times they will be asked to provide feedback. This could include early experience, pulse, or annual surveys.

Analyzing the Voice of the Employee and Retention Metrics

In addition to highly effective exit interviews, great organizations also track retention and turnover metrics effectively. Before we can effectively act on the data obtained in the exit interview or other retention data, it is critical to know where the greatest impact can be realized. Tools must be developed to track voluntary/involuntary turnover and there must be the ability to break down turnover data by key organizational demographics.

It is also critical to track turnover at key tenure milestones in the organization. Those include turnover in the first 90 days, six months, and one year. Depending on the industry, it is also critical to track turnover at other key tenure milestones that

STRATEGIC FOUNDATIONS TO EMPLOYEE RETENTION *(CONTINUED)*

could include one to three years, three years to five years, and over five years.

It is important to also combine turnover data with the costs of turnover. Costs of turnover for most jobs range from 19% - 40% of base pay. Employers that fail to calculate and monitor costs of turnover are at risk of having lower profits due to the hidden costs that exist when employees leave the organization. Turnover costs are often hidden and yet cost organizations hundreds of millions of dollars annually.

Unfortunately, most organizations are not effective disseminating turnover data and the corresponding exit interview data that reveals the root causes of why employees leave. To create accountability and urgency to improve retention, metrics must be shared with executive leadership and front-line managers. What gets measured gets managed

Developing and Executing a Retention Strategy

Improving employee retention must be an intentional effort from the top down. It is an on-going process to evaluate key retention metrics and employee feedback to determine critical actions that must be taken to improve employee retention.

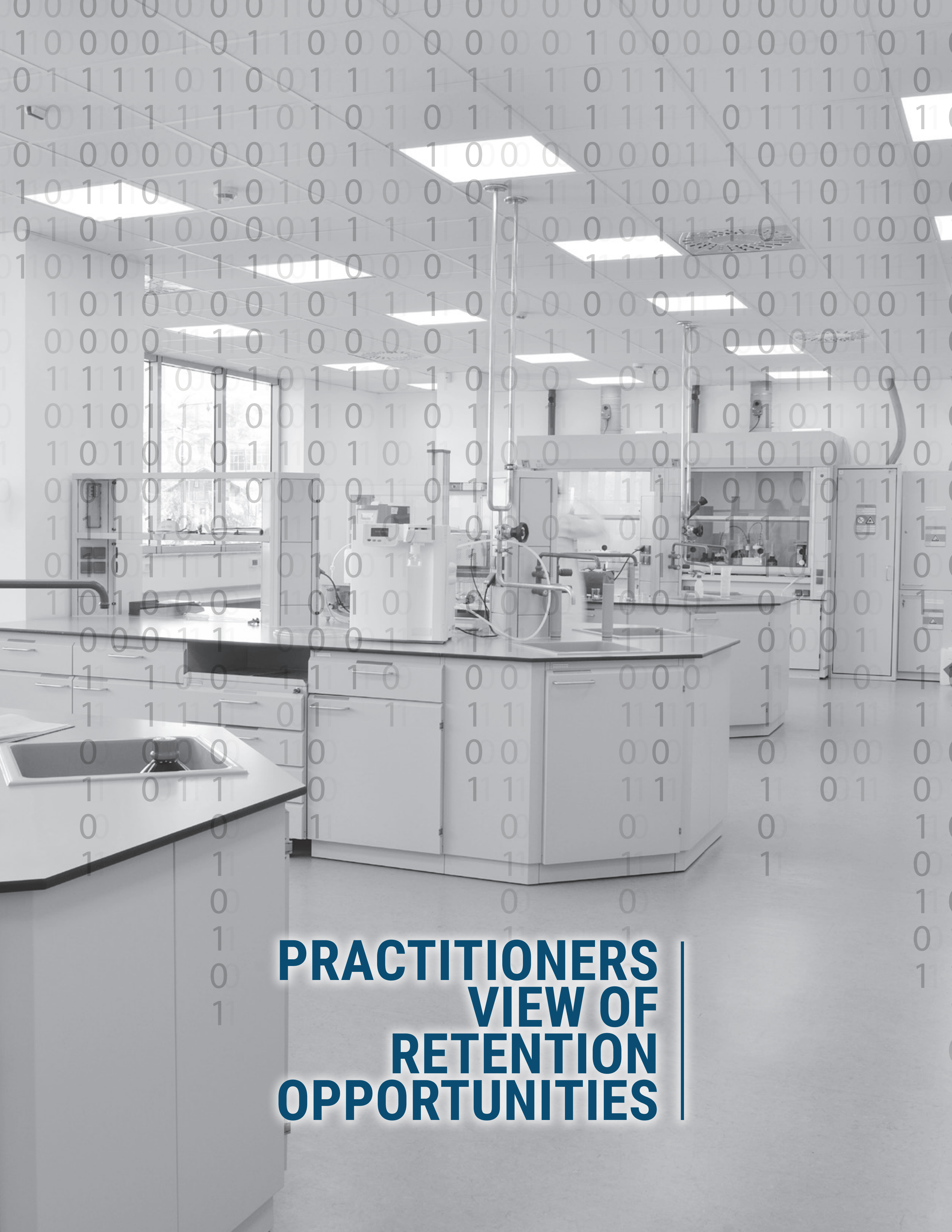
Data indicates that retention is local. This means the reasons employees depart in one department or location can vary greatly to other departments or locations. Organizations with high retention rates are intentional and disciplined in acting routinely on retention issues in the organization.

Employee retention will only be improved if people leaders are held accountable for employee retention. The reason people leaders are provided employee retention metrics and key Voice of the Employee data is to identify key actions they must take to improve employee retention. Accountability will take the form of retention goals and potentially tying the improvement to variable compensation if applicable.

The first objective to improve employee turnover must be to have a lower turnover than industry competitors. Once this objective is achieved, the goaçl should be to continue to lower turnover each year until an optimal level of healthy turnover is achieved.

Organizations that want to improve employee retention are most effective when they develop a written employee retention strategy. The written strategy document is intended to document important elements that must be present to improve retention.

A good written retention strategy establishes a retention objective. **It is reasonable to expect at least a 15% improvement in employee turnover each year** until at least the industry benchmark is achieved. Once this objective is met, the goal should be 5-10% improvement annually until a healthy turnover level is reached.



PRACTITIONERS VIEW OF RETENTION OPPORTUNITIES

THE PRACTITIONERS VIEW ON RETENTION OPPORTUNITIES

Work Institute has published its annual Retention Reports since 2017. Generally, the reasons employees leave are the same although external conditions can create acuteness in certain reasons. For example, in 2021 we documented an increase in Career reasons, and more specifically, employees sought different career opportunities in the wake of the pandemic.

As pay increases waned in the economic recovery of the global pandemic in 2022, Work Institute identified a 25% increase in Total Rewards as a root cause of employee departures.

Work Institute categorizes Reasons for Leaving into eleven root cause themes. Although there is some debate, we generally find that six of the eleven Reasons for Leaving are more controllable in that organizations can likely take actions that would reduce these Reasons for Leaving if appropriate interventions were put in place.

MORE CONTROLLABLE	LESS CONTROLLABLE
Career Development (17.5%)	Health and Family (12.3%)
Work Life Balance (11.9%)	Relocation (9.1%)
Job Reasons (9.8%)	Retirement (7.1%)
Managers (9.8%)	Involuntary (5.3%)
Total Rewards (9.1%)	Other (0.5%)
Environment & Culture (7.7%)	

It is often the case that organizations may simply not know where to begin when contemplating appropriate interventions or organizational practices that should be put into place to help reduce the high costs of turnover.

This year, Work Institute has asked several practitioners, who also happen to serve as consultants for our organization and have been clients, to contribute their knowledge and expertise on some of the more controllable categories for leaving and how organizations can improve their opportunity to retain their employees more effectively.

CAREER DEVELOPMENT

by Kim Nowell

As organizations work to retain critical talent, one trend that has held constant over the past few years has been a person's interest in Career Development. While the percentage of employees reporting the desire for enhancement in their career as a key driver in leaving was slightly lower in 2023 than the prior year, it still accounts for almost 18% of respondents citing this as the root cause of why they left their prior role. This is a number worth considering closely when focusing on retention initiatives. It can also be one of the "quick wins" for organizations.

Employers may read these statistics and feel alarm in an environment where organizations are flattening structures or even reducing headcount entirely. We may even assume that employees leave only for promotions. How do we promote people to retain them if the company is curbing costs or even delayering?

There is however much more to the career picture than just upward promotion. "Ladder development" alone is not the only ask of employees – it's "lattice development". **It's incumbent upon employers to provide a strong sense of career future, and for them to understand that their employees are looking for ways to develop and grow.** These career pathways may be horizontal or even developmental rather than just upward.

Organizations have been given an imperative to expand employees' horizons. There are people comfortable in their job and appropriately placed, yet still have a desire to grow. These are candidates for cross-training, mentoring programs, or other lateral development experiences. Not only will these opportunities increase their value to the organization with skill enhancement, "in place" development will enable job and role exploration for the participant. Some may choose to continue along in place, others may opt to try a new role and unclog a position for another candidate to fill. In each of these scenarios, it is likely that these types of opportunities also increase longer term retention.

One notable, although unintended consequence of this type of career support is that employees may elect to leave in pursuit of another field entirely. The data does tell us that of those citing Career as their Reason for Leaving, 32% went on to say that they were pursuing a different path entirely. A company's responsibility is to create employability. By providing career exploration through things like cross training or developmental work, some may realize the role they are in is no longer aligned with their purpose. The positive impact to the employer, however, is that the person leaves with positive experiences and that creates a stronger employment brand in the external marketplace.

Career pathing is another critical element. Again, not solely focusing on upward movement but creating an outline for a person to follow that clearly depicts specific career goals, details the core experiences, maps the skills enhancement needed either through structured learning or on-the-job and yes – highlights key promotional roles. **With a clear understanding of the road ahead, employees are more likely to engage in the long term.**

In each of these scenarios, direct managers play a crucial role. Their engagement with their employees to understand each person's purpose, goals and personal career objectives is the starting point. That understanding helps form a plan to meet the individual career needs. While each employee is responsible for their own career ultimately, it takes the support of leadership to show them the way.

MANAGER DEVELOPMENT

by Danny Nelms

In 2023, Manager Reasons for Leaving increased over 20% from 2022.

In the wake of significant labor shortages and continued high employee turnover, managers take on enormous responsibilities. Faced with managing often understaffed departments, they are required to spend much of their time doing individual contributor work while also managing their team.

With available time at a minimum, it also appears that organizations choose to forgo development and training needs for their managers that would assist them in doing their jobs more effectively. A significant amount of training that is being delivered is simply sitting in front of a computer screen watching videos or reading about what they should be doing as a manager.

In contemporary workplaces, the development of managers revolves around several crucial elements aimed at fostering a positive work environment: nurturing relationships, encouraging growth and development, ensuring effective time management and conflict resolution, managing remote teams, maintaining work-life integration, and cultivating appropriate demeanor.

Organizational Culture - A pivotal aspect of manager development involves creating and growing a positive organizational culture. This entails managers identifying the current culture within their workplace and envisioning an ideal culture. Strategies to transition towards this ideal culture often include fostering open communication, conducting regular one-on-one conversations, understanding employees' needs and aspirations, and nurturing relationships within the team.

Relationship-Building - Relationships are the cornerstone of effective management. Managers must actively engage with their staff, taking the time to understand their career aspirations, learning goals, and personal interests. Employees should feel their manager cares about their best interests while aligning with the organization's overarching objectives.

Development - In terms of growth and development, managers play a critical role in providing clear information about career paths and advancement opportunities. Beyond traditional promotions, managers should also highlight alternative routes to growth, such as involvement in projects, special assignments, lateral moves, and cross-training opportunities. Succession planning and access to learning resources are also vital components of this aspect.

Time Management - Effective time management and prioritization are also crucial skills for managers to master. This involves prioritizing tasks, delegating when necessary, and allocating time for concentrated work. Managers should also maintain flexibility to handle unexpected contingencies.

Resolving Conflicts - Conflict management is another critical aspect of manager development. Managers should be equipped with the skills to engage in productive conflict resolution, establishing norms and fostering open communication to address issues promptly and constructively.

Work-Life Integration - As remote work becomes increasingly prevalent, managers must adapt their leadership styles to effectively manage remote teams. This includes maintaining regular communication, setting clear expectations, and providing structured opportunities for relationship-building, all while avoiding micromanagement. Maintaining work-life balance is essential for both managers and their teams. This involves planning for peak productivity periods, facilitating discussions about work and personal priorities, and providing support and resources for stress management.

Cohesive Teams - Building cohesive teams is essential for achieving organizational goals. This involves fostering trust, managing conflicts constructively, fostering commitment, accountability, and driving results through clear communication and intentional team-building activities.

Effective management encompasses a wide range of elements aimed at empowering managers to lead effectively and support the success of their teams. By focusing on these key areas, organizations can cultivate strong leadership and create a thriving workplace culture.

WORK-LIFE BALANCE

by Danny Nelms

The idea of Work-Life Balance began as a concern in the 1970s and 80s as workers sought to find balance between career, family, and other areas of their lives. As workers find it necessary to take ownership of their careers, we find that work takes on a significant amount of the time we have available, often taking away from the time that was formerly spent doing other important things in our lives.

In the post-pandemic environment, the realization of remote and hybrid work arrangements largely eliminated the boundary between work and home for many workers and added an even more challenging aspect of Work-Life Balance.

As I have studied these issues and sought to learn from what has changed in the market, I along with others have described this issue with a slightly different term. Work-Life Integration.

When we review the details related to Work-Life Balance Reasons for Leaving, we find two sub-themes make up 88% of this category: Shift/Schedule and Commute. Workers either find they spend entirely too much time commuting to and from work or find the demands of the specific schedule they are required to work are not conducive to integrating their work and life effectively.

Organizations must understand and implement policies and practices that help employees find a more complete balance with their work and life. In a 2023 SHRM article, Tracy Bower the Vice President of Workplace Insights for Steelcase was quoted as saying *"When there's continuity between your personal and professional life, work can be part of a fulfilling life."* She went on to state that *"Work-Life Balance integration is the key to Work-Life Balance fulfillment."*

From my perspective, **Work-Life Balance is largely centered around three key tenets: flexibility, boundaries and autonomy.**

Flexibility in the workplace, including options such as remote work and flexible hours, has profound effects on Work-Life Balance. It reduces stress by allowing employees to integrate personal and professional responsibilities, boosts morale, and enhances job satisfaction. Additionally, flexibility increases productivity by enabling individuals to work during their most productive hours and in environments they feel comfortable. It also makes a company more attractive to talent, aiding in both recruitment and retention. Moreover, flexible work arrangements promote diversity and inclusion by accommodating the needs of employees from various backgrounds, ultimately fostering a more equitable and supportive work environment.

Clearly not all types of employers based on their industry can offer as much flexibility. Employers such as those in manufacturing, hospitality, certain service providers and certainly healthcare have flexibility limitations. However, being more creative in finding ways to offer some level of flexibility is likely to be applauded by employees.

Establishing boundaries at work is crucial for maintaining well-being and productivity. Clear communication of expectations helps delineate work hours, tasks, and personal time. Setting limits on availability, such as during evenings or weekends, fosters a healthy work-life balance. Asserting boundaries ensures respect for personal space and prevents burnout. Employers can support boundary-setting by encouraging breaks and discouraging after-hours communication. Employees benefit from defining their limits, managing stress, and maintaining focus on tasks. Establishing boundaries cultivates a positive work environment where individuals feel valued, respected, and empowered to perform at their best while preserving their mental and physical health.

Lastly, **autonomy** in the workplace significantly influences Work-Life Balance. Employees who are granted autonomy over their schedules and tasks experience reduced stress and greater flexibility in managing personal and professional responsibilities. This empowerment fosters a sense of ownership and control, allowing individuals to prioritize tasks according to their needs and preferences. With autonomy, employees can better integrate work and personal life, leading to improved well-being and job satisfaction. Moreover, autonomy promotes creativity and innovation, as individuals feel trusted and empowered to make decisions independently. Overall, autonomy enhances Work-Life Balance by enabling individuals to achieve their professional goals while maintaining a fulfilling personal life.

It is possible the adoption of alternative work arrangements by many employers will be looked upon as the most impactful development in our post-pandemic workplace. Although not all employers have embraced fully remote or even hybrid arrangements, employees seek this level of flexibility. When managed effectively, there are clear benefits to the employee's ability to better balance their work and lives.

MODIFYING JOBS BASED ON STRENGTHS & PURPOSE

by Mary Fink

Annual Retention Reports reveal one of the Reasons for Leaving that increased in the past few years are job reasons and specifically Type of Work. This appears to indicate there is a disconnect between the work itself and what the employee expected. While managers may think this Reason for Leaving is uncontrollable, there are indeed things that managers can do to mediate this issue. As we know, the more managers know about their employees, the more likely they can take action that will help staff want to stay in their jobs.

One action is to understand employees' goals, ambitions, and purpose to confirm alignment with the organization's. Knowing is the first step but once managers have this information, they can take steps to help employees achieve their goals and realize their purpose.

A second action is to learn from those who previously left the company what drove them to seek employment elsewhere. This often happens in the form of exit interviews, and it reveals action-items that would likely increase retention.

The third, and perhaps the most impactful, is to work with employees to discover their strengths, and use those strengths to satisfy the employee and benefit the company. **Those employees who engage in work that optimizes their strengths are 3 times more likely to report having an excellent life and 6 times more likely to be engaged in their jobs.** No surprise, really.

When employees can do work they are passionate about and for which they have a natural talent and/or ability, they will find their work to be satisfying and will want to continue doing that work. Managers who help employees work in their strengths will be much more likely to develop and retain them.

When employees can work to their strengths, they are happier, more productive, and more positive in their positions. They look forward to going to work, have higher productivity and are generally more positive in their attitudes about work as well as their coworkers.

Managers must take the time to understand their staff's strengths, what those strengths look like in the workplace, and how to ensure they can engage in work that utilizes their strengths. Identification of employees' strengths is the first step. While there is a survey, the Clifton Strengths©, that can provide information in several report formats, there are other ways to identify strengths. They include asking:

- **What are you doing when you're doing your best work?**
- **What do others tell you you're good at and ask for your help with?**
- **What do you look forward to doing?**
- **What are you doing when you find that you are unaware of time passing?**
- **What do you learn easily?**

Once identified, managers must work with employees to ensure they can use those strengths as much as possible in their everyday work. Those with different strengths may have the same role but can approach their tasks and activities in different ways to utilize their strengths. For employees who perform the same role, managers can create ways each employee owns the part of the role they do best. It may require creativity for manager's, but when done well it offers employees a way to do what they do best.

The challenges that today's managers face are many and complex, and utilizing strengths to help employees enjoy the best work experience possible is one way to create an environment where employees want to stay.

INCREASING PAY: A TEMPORARY RETENTION FIX

by Danny Nelms

Work Institute's data consistently shows how increasing Pay does not solve retention problems in the long-run. Less than 10% of employees identify pay as the core reason for quitting their job. However, that does not mean that pay is not important, and **it is a significant *attractor* to a new job.** It is reasonably documented that attitudes towards pay tend to contrast when evaluating higher earning employees with their lower earning counterparts.

For instance, the culture and values of an organization become increasingly important for higher earners, accounting for a larger portion of their overall satisfaction. This suggests that these employees seek alignment between their employer's values and their own, as well as a positive company image.

Similarly, aspects such as the quality of senior leadership and career opportunities gain more importance as compensation increases. Higher earners place greater emphasis on long-term considerations like organizational culture, leadership, and growth opportunities.

For lower-paid employees, the immediate financial aspect of their job often outweighs considerations such as organizational culture or leadership quality. They may prioritize factors like job security, fair treatment, and work-life balance more heavily, as these aspects directly affect their day-to-day lives and well-being.

Unlike higher earners who may prioritize long-term considerations like growth opportunities, lower-paid employees may focus more on immediate benefits and opportunities for advancement within their current roles. They may also place greater emphasis on extrinsic motivators like monetary rewards, as these incentives can significantly impact their quality of life.

Conversely, some factors become less important for higher-earning employees. Work-life integration, for instance, declines in significance as income levels rise, indicating that high earners may prioritize work commitments over leisure time. Additionally, while compensation and benefits remain important, their predictive power for workplace satisfaction diminishes as income increases.

Despite the diminishing importance of compensation as income rises, employers must still prioritize competitive pay and benefits to *attract* top talent. However, beyond a certain threshold, further adjustments to the compensation package may not significantly enhance employee satisfaction, particularly among higher earners.

According to Daniel Pink's insights on motivation, there are two distinct types: intrinsic and extrinsic. Intrinsic motivation stems from internal factors such as personal fulfillment, while extrinsic motivation is driven by external rewards like money or praise. Pink also distinguishes between algorithmic tasks, which follow a set path to a predefined conclusion, and heuristic tasks, which require creativity and experimentation.

Extrinsic rewards, such as monetary incentives, can be effective for routine tasks but may hinder performance on more complex, heuristic tasks. Offering rewards for specific achievements, known as "if, then" rewards, can initially boost motivation but may lead to decreased intrinsic motivation over time. Moreover, extrinsic goals can narrow focus and prompt unethical behavior, particularly in contexts where short-term results are prioritized.

Instead of relying solely on extrinsic rewards, employers should focus on fostering intrinsic motivation by emphasizing the value and purpose of tasks, acknowledging autonomy, and avoiding over-reliance on external incentives. By aligning rewards with individual interests and offering unexpected acknowledgments for completed tasks, organizations can enhance motivation and performance without relying solely on monetary incentives.

In summary, while compensation remains important for attracting talent, higher-earning employees prioritize factors such as organizational culture, leadership quality, and growth opportunities. **Employers should strive to create a workplace environment that fosters intrinsic motivation and aligns with employees' values and career aspirations, ultimately leading to greater satisfaction and engagement across all income levels.**

DEVELOPING A GREAT CULTURE

by Greg Freeze

Do you have a cultural disconnect? Do you have the right conditions to grow your culture?

Roughly 7% of employees cite the Environment as the core reason they chose to quit their job. Within that theme, 65% identify Organizational Culture as the primary reason.

My first knowledge of culture was that it is something grown in a lab. Or it was the different languages, rituals or elaborate clothing of a different country, society, or religion.

When I first started focusing on workplace culture, I learned I wasn't all that wrong. In the lab, growing culture is about cultivating conditions for things to grow. In society, culture stands for the values, ideas, beliefs, customs, codes, rituals, and ceremonies a group shares as representation of their way of life.

So, at work?

Culture is the culmination of collective actions and expectations of how people work and behave.

It is how we get work done and what is acceptable and expected in doing it. It can help grow productivity or stifle it.

Companies spend considerable time in the development and communication of their mission and value statements. Hours are invested examining what they stand for, getting feedback, and crafting the message. All of these are an attempt to identify a set of shared norms for creating a positive, productive culture. But do they live it? The real culture knows.

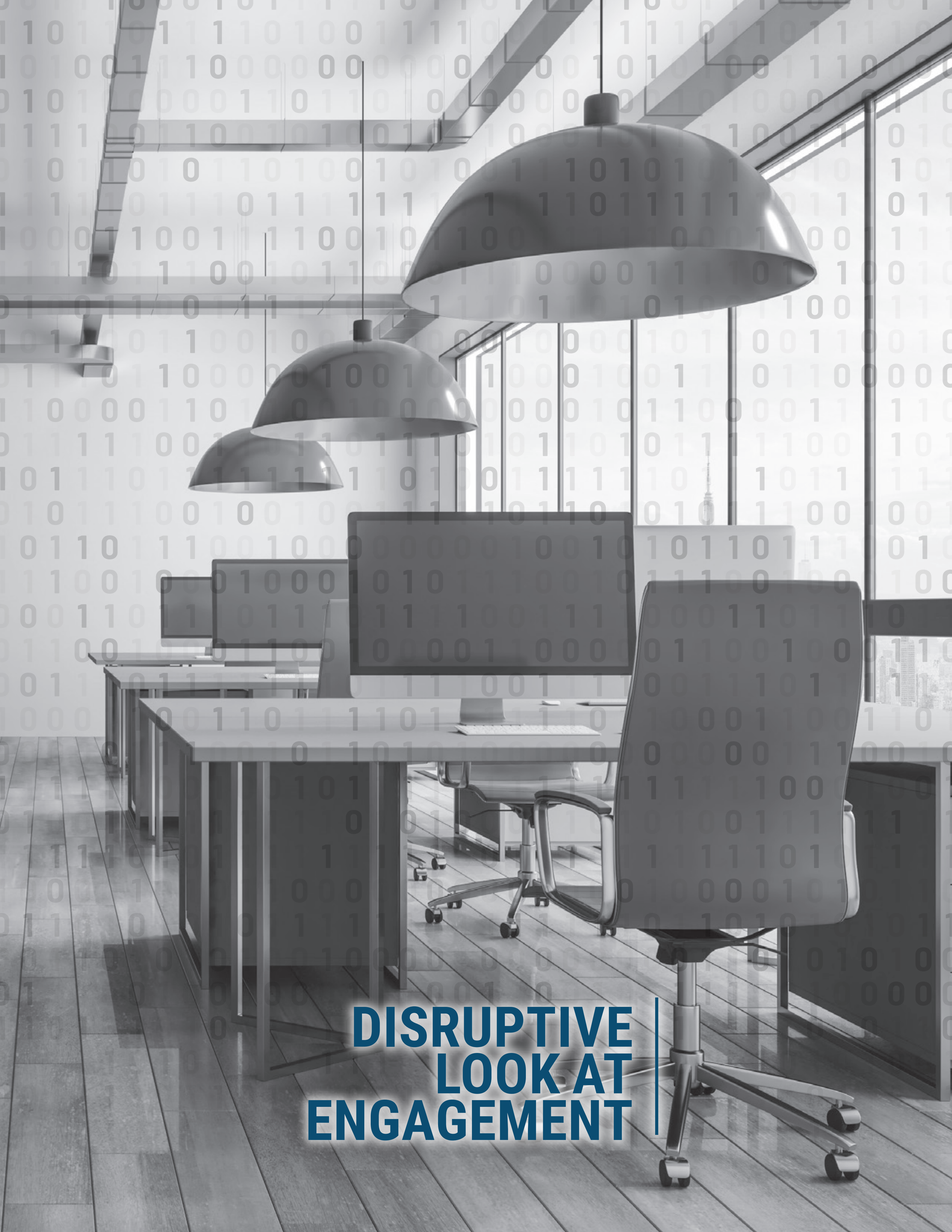
The difference between what we say and what we do can be where culture lives. If leadership, management, and co-workers follow the mission and values devoutly, (assuming they were well crafted) then those who align to the mission will thrive and jump to aide success. When there is disconnect, "do as I say, not as I do" approach is the first sign a potentially negative culture is growing.

How much work gets done can be measured, and often reflects elevated levels of satisfaction. Simply, the more people are willing to offer discretionary effort, the more work gets done. Based on research from McKinsey and Company of over 1,000 organizations that encompass more than three million individuals, **those with top measurable cultures post a return to shareholders 60 percent higher than median companies and 200 percent higher than those in the bottom quartile.**

When productivity declines, or simply doesn't meet expectations, is it because the invisible culture has killed the desire to put in the little extra?

The real trick is not just identifying your culture, but figuring out how to make it positive, supportive of fresh ideas and innovation. The Core Drivers of Retention and Engagement may collectively define the health of a culture, but they continue to decline. Data shows employees are less satisfied with their company's adherence to its mission and values, their co-workers, environment, and more. Collectively all these things contribute to culture.

Culture is not about pizza parties, free lunch, shiny awards, or pins. Although if used as rewards, they can't hurt. That is unless someone lacks basic tools for work and sees these types of rewards as a frivolous expense. Looking at consistent feedback, culture is about respect, development, feeling included and valued, and a shared commitment to the people who do the work. It is about trusting well-trained, competent co-workers. It is about good managers who communicate well, give clear directions, and understand workers as humans. It is about good leaders clearly defining and articulating strategy, vision, and purpose.



DISRUPTIVE LOOK AT ENGAGEMENT

DISRUPTIVE LOOK AT ENGAGEMENT

The annual Engagement or satisfaction Survey is a common tool used by employers to collect feedback from all employees with the hope of informing engagement and retention strategies.

Experts rely on the often referenced Service-Profit Chain to explain the return on investment realized when engagement is improved.

What is employee engagement?

First, it is important to understand the challenge of defining Employee Engagement before presenting the guidelines for conducting an effective survey. As employers increasingly seek to measure employee engagement, experts can't even agree on a precise definition.

However, there is a consensus that employee engagement is an employee state of mind, influenced by the employee's motivation to do their work. Furthermore, there is wide-spread agreement employee engagement is dependent upon the specific personality of the individual and the specific conditions of each workplace, which constantly change.

Can engagement be measured?

The problem is most organizations continue to strive to measure employee engagement. This approach does not provide reasons or explanations for engagement or the specific workplace conditions that improve or stifle employee engagement. As organizations attempt to measure engagement, they often fail to ask the questions most important to employees.

This practice led many research and survey companies to search for the secret recipe to attempt to measure employee engagement and to introduce surveys that not only cannot measure engagement, but do not provide adequate or accurate information for organizations to use to make meaningful improvements.

The lack of critical and actionable insights leaves organizations inadequately equipped with specific information to make meaningful improvements to workplace conditions where employee engagement is most likely to occur.

A Disruptive Approach

Work Institute's Employer Engagement Surveys are different. Rather than attempt to measure engagement, Work Institute's unique approach uncovers barriers within organizations that impede employee engagement. Work Institute's Employer Engagement Survey measures the workplace conditions that drive engagement.

To effectively determine the barriers to engagement, employers must first understand what impacts employee perceptions. Work Institute's extensive research on the Core Drivers of Retention and Engagement include the Organization as an employer, the Manager, the Team or employees they work with the most, and the Job itself.

Core Drivers of Retention & Engagement

Having conducted over 600,000 employee interviews, Work Institute knows what impacts perceptions of the identified Core Drivers. From that, Work Institute developed survey items that inform organizations of both the strengths and the opportunities present to improve perceptions of the Core Drivers.

Rather than attempt to measure engagement, which can't be measured, we focus on what employers must do to create the necessary conditions to engage employees. To create an engaged workforce, employers must be aware of the opportunities to improve key workplace conditions that make it more likely for employees to engage in their work.

DISRUPTIVE LOOK AT ENGAGEMENT *(CONTINUED)*

Critical factors of the Employer Engagement Surveys include:

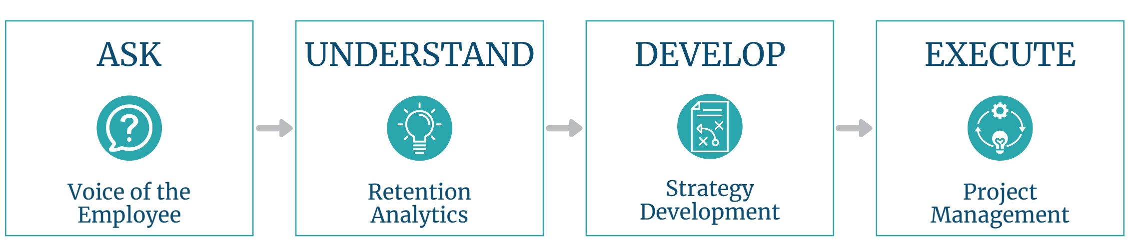
- To ensure accuracy, our Employer Engagement Survey is deployed by us to remove barriers to employees who feel they can't speak truthfully about their perceptions of the workplace conditions that encourage engagement. When conducted internally, it's likely the true intentions and root causes related to engagement barriers are not revealed. Employees may not want to risk burning a bridge or disappointing a manager.
- To obtain detailed reasons for perceptions of workplace conditions that drive engagement, it's critical to use a methodology that provides employee-centric insights informing barriers to employee engagement. Our Employer Engagement Survey was developed utilizing over 600,000 employee interviews in which employees shared what is important to them related to the Core Drivers of Engagement.
- Excellence is the Goal. A mistake most employers make is to lower expectations of themselves. Most survey providers report findings associated with favorable ratings of employee perceptions, which is the same approach as accepting a passing grade rather than pursuing excellence. Work Institute's Employer Engagement Survey utilizes a proprietary Net Excellent Score (NES) which shifts employers' mindsets towards achieving excellent ratings rather than favorable ratings. Research shows business outcomes improve dramatically when elevating an employee's perceptions of core drivers to Excellent. Grouping Excellent responses with favorable responses only accepts mediocrity.
- Action Planning: Most organizations rely on organizational leaders to interpret their survey data and then develop appropriate actions to improve employee perceptions. Work Institute provides a more hands-on approach that improves business outcomes. Working alongside organizational stakeholders, we assist in the data analysis and collaborate to develop appropriate action steps for improvement. We also follow up 45 and 90 days after actions are developed to ensure accountability or alter specific approaches that are not working.

The signs of employee discontent are obvious, yet often ignored by organizations. Workplaces suffer from unnecessary turnover, unfilled positions, lost customers, overworked staff, and compromised profit. Employee perceptions of the Core Drivers of Retention and Engagement are on the decline, and clever but empty perks fail to engage and retain employees.

Organizations must have employees with the necessary skills and knowledge required to compete, grow, and win. That approach to compete and succeed needs to be more than cosmetically different from the competition. It is imperative to utilize the perspective and inside knowledge of employees to learn what needs to change to help them be more productive, willing to stay with the organization longer, and to be more engaged.

The Employer Engagement model is for organizations willing to innovate their people strategies to stay ahead of their competition, and for those tired of paying too much for bad results from conventional employee engagement practices.

Our Employee Retention Process:



BEFORE WE GO

The world of work in our estimation is as complex as ever. Worker preferences, expectations, and intents are in a constant state of change. As evidenced by this Report, retention solutions remain elusive and engagement strategies are failing.

There are two topics that don't necessarily reveal themselves specifically when we evaluate our exit interview data. How diversity and inclusion impact our organizations in the wake of significant focus shifts of the last several years and how will artificial intelligence ("AI") impact the workplace on both how it alters the way we work but also how we utilize it to solve problems.

Again, we have sought out experts to contribute to our annual Report and lend their expertise to these two critical workplace topics.

WHERE IS DEI GOING?

by Thomas Barnette

Creating diverse, equitable, and inclusive (DEI) workplaces is not just about ticking boxes or meeting quotas. **DEI is about fostering an environment where every individual feels valued, respected, and empowered to contribute their unique perspectives and talents.** While diversity initiatives often focus on representation, inclusion and belonging initiatives take it a step further by ensuring that individuals from all backgrounds feel a sense of connection, respect, and ownership within the organization.

In recent years, there has been a significant shift in the conversation around DEI from a focus solely on diversity to a more holistic approach that emphasizes inclusion and belonging. This shift reflects a deeper understanding of the complexities of workplace culture and the importance of creating environments where everyone feels welcome and able to thrive.

So, what should organizations focus on to promote inclusion and belonging?

First and foremost, organizations need to recognize that fostering inclusion and belonging requires a cultural shift. It's not enough to simply have diversity training or a diversity statement; leaders must actively work to create a culture where everyone feels heard, respected, and valued. This starts with leadership commitment and buy-in at all levels of the organization. Leaders must set the tone for inclusivity and model inclusive behaviors in their interactions with employees.

One way organizations can promote inclusion and belonging is by creating opportunities for meaningful employee engagement and participation. This could involve forming employee resource groups (ERGs) where employees from underrepresented groups can come together to share experiences, support one another, and advocate for change. ERGs can also provide valuable insights to leadership about the unique needs and challenges faced by different groups within the organization.

Additionally, organizations should prioritize creating inclusive policies and practices that ensure equitable treatment for all employees. This could include implementing fair hiring and promotion practices, providing equal access to training and development opportunities, and offering flexible work arrangements to accommodate diverse needs. By removing barriers to success and creating a level playing field, organizations can empower employees to reach their full potential regardless of their background or identity.

Inclusion and belonging also require fostering a sense of psychological safety within the workplace. Employees need to feel comfortable speaking up, sharing their ideas, and challenging the status quo without fear of reprisal or judgment. This requires creating a culture of open communication, empathy, and trust, where differences are celebrated rather than suppressed.

Furthermore, organizations should invest in diversity, equity, and inclusion (DEI) education and training for all employees. This goes beyond one-off diversity training sessions and involves ongoing education and dialogue around issues of bias, privilege, and systemic inequality. By increasing awareness and understanding of these issues, organizations can create a more inclusive and empathetic workplace culture.

Another key aspect of promoting inclusion and belonging is fostering mentorship and sponsorship opportunities for employees from underrepresented groups. Mentorship programs provide valuable support and guidance to help employees navigate their careers and overcome barriers to advancement. Similarly, sponsorship programs can help ensure that employees from underrepresented backgrounds have advocates in positions of power who can help them access opportunities and advance within the organization.

Finally, organizations should regularly assess and evaluate the effectiveness of their inclusion and belonging initiatives to identify areas for improvement. This could involve conducting employee surveys, analyzing demographic data, and soliciting feedback from employees at all levels of the organization. By taking a data-driven approach to DEI, organizations can ensure that their efforts are having a meaningful impact and continuously strive to create more inclusive and equitable workplaces.

In conclusion, promoting inclusion and belonging is essential for creating diverse, equitable, and thriving organizations. By focusing on creating a culture of respect, engagement, and psychological safety, organizations can empower all employees to bring their full selves to work and contribute to their fullest potential. This requires a concerted effort from leadership, as well as ongoing education, dialogue, and evaluation. Ultimately, organizations that prioritize inclusion and belonging will not only attract top talent but also foster innovation, creativity, and long-term success.

ARTIFICIAL INTELLIGENCE, RETENTION, AND THE EXIT INTERVIEW

by Luke Viera at The Human Capital Institute

Generative AI, a subset of artificial intelligence focused on generating new content, has seen its applications expand from art and literature to more nuanced business functions, including human resources (HR) practices. Indeed, a recent Human Capital Institute (HCI) survey of 309 HR professionals found that 69% of respondents reported using generative artificial intelligence (AI) tools in the past twelve months. Results of this survey found that AI users reported incorporating the tools primarily into their "Recruitment" (28%) and "Training and Development" (27%) HR functions. Sixty-three percent (63%) of AI users reported being either "satisfied" or "very satisfied" with the accuracy of generative AI tools in assisting decision-making within HR.

As has been made clear in this 2024 Retention Report, organizations continue to be challenged to retain employees. As the emerging workforce's preferences and expectations change, many of the tools and strategies we utilize to improve retention may also have to be adapted. One of the most valuable tools for organizations in their efforts to improve retention is the exit interview. A high-quality exit interview is crucial for gathering insights on workplace culture, identifying areas for improvement, and understanding the reasons behind employee turnover. The integration of generative AI into this process may revolutionize the way organizations collect and analyze exit interview data, offering a more effective approach to employee feedback.

The first significant impact of generative AI in exit interviewing could be the personalization of the interview process. Traditionally, exit interviews have been conducted using standardized questionnaires. However, generative AI can tailor questions based on the employee's role, duration of employment, and the location or department they worked, among other factors. This personalization ensures that the organization can gather more relevant and in-depth insights. For instance, a generative AI system can analyze an employee's work history and performance reviews to formulate specific questions that probe into the factors influencing their decision to leave. This approach enhances the quality of feedback by making the questions more relevant to the employee's experience.

Second, generative AI can significantly improve the analysis of exit interview data. Generative AI can quickly process large volumes of qualitative data, identifying patterns and trends that might not be immediately apparent. For example, it can detect common themes across different areas of the organization, such as issues with management style or work-life balance and quantify the prevalence of such issues within the organization. This capability allows for a more data-driven approach to addressing workplace challenges, enabling organizations to prioritize interventions based on the impact on employee satisfaction and retention.

Furthermore, the use of generative AI in exit interviewing can extend beyond the interview itself, offering predictive insights into employee turnover. By analyzing exit interview data in conjunction with other employee data, generative AI models can identify patterns and predictors of employee dissatisfaction and turnover. This predictive capability enables organizations to proactively address issues before they lead to further resignations, improving employee retention and satisfaction in the long run. For example, if a generative AI system identifies a strong correlation between a lack of professional development opportunities and employee turnover, the organization can implement targeted interventions to address this issue.

Although demonstrating great potential, the application of generative AI in exit interviewing is also not without challenges. Concerns regarding data privacy, the potential for bias in AI algorithms, and the need for human oversight must be addressed. Organizations must ensure that generative AI systems are designed and implemented in compliance with data protection regulations and that the algorithms are regularly audited for bias. Moreover, while generative AI can significantly enhance the effectiveness of exit interviews, it cannot entirely replace the nuanced understanding and empathy that a human brings to the process. Therefore, a balanced approach that leverages the strengths of both AI and human insight is essential for the successful integration of generative AI into exit interviewing.

In conclusion, the use of generative AI to improve retention offers a promising avenue for organizations to enhance their understanding of employee experiences and improve workplace culture. By personalizing the exit interview process, automating data analysis, and providing predictive insights, generative AI may be able to significantly improve employee retention. However, realizing these benefits requires careful consideration of the ethical and practical challenges associated with deploying AI in HR practices. As organizations navigate these challenges, the thoughtful integration of generative AI into organization retention efforts can lead to more insightful, actionable, and data-driven approaches to managing employee turnover and fostering a positive workplace environment.

MISBEHAVIOR IN THE WORKPLACE IS ON THE RISE

Preventing and managing misconduct in the workplace should be an organizational imperative for employers, investors, board members, and of course, employees.

From 2021 to 2023 there was an almost 100% (3.1% in 2021 to 6% in 2023) increase in the number of compliance reports from departing employees. This increase could indicate systemic issues for employers that need to be carefully examined and addressed.

One potential factor contributing to this increase may be a lack of sufficient awareness or training among employees regarding compliance policies and fraud detection procedures. Without adequate education on these matters, employees may inadvertently violate policies or fail to recognize fraudulent activities, leading to an uptick in reported incidents.

Additionally, organizational culture plays a significant role in shaping employee behavior. If the culture does not prioritize ethics, transparency, or accountability, employees may feel less inclined to adhere to compliance standards or report suspicious activities. This cultural environment can foster a mindset where cutting corners or engaging in fraudulent behavior is tolerated or even encouraged, contributing to the rise in reported issues.

Moreover, inadequate internal controls and oversight mechanisms can create opportunities for fraud and abuse to occur undetected. Weaknesses in processes, such as insufficient checks and balances or ineffective monitoring systems, can leave the organization vulnerable to misconduct. Without robust control mechanisms in place, fraudulent activities may go unnoticed until they escalate into significant issues.

Resource constraints can also exacerbate the situation. Limited staffing, budget, or technology investments dedicated to compliance and fraud prevention efforts may hinder the organization's ability to effectively mitigate risks. Without adequate resources allocated to these areas, preventive measures may be insufficient to address emerging threats, leading to an increase in reported incidents.

Societal issues significantly influence the prevalence of compliance, fraud, and abuse reports within organizations. Economic pressures, such as downturns or instability, may drive individuals to resort to fraudulent activities for financial gain. Technological advancements introduce new avenues for fraud, including cybercrime and data breaches. Social norms and values, alongside media coverage, shape employee behavior and organizational expectations. Regulatory frameworks reflect societal expectations, prompting organizations to enhance compliance measures. Cultural diversity and globalization pose challenges in promoting a unified culture of integrity. To address these issues, organizations must adapt compliance and fraud prevention strategies, engage stakeholders, advocate for regulatory reforms, and promote ethical leadership to foster accountability and integrity across diverse contexts.

To address these potential causes, organizations must take a comprehensive and proactive approach. This includes fostering a culture of compliance and integrity, enhancing employee awareness and training programs, strengthening internal controls and oversight mechanisms, allocating sufficient resources to support prevention efforts, staying informed about regulatory developments and industry best practices, and improving governance practices to promote accountability and transparency. By addressing these underlying factors, organizations can work towards reducing the number of reported compliance, fraud, and abuse issues and fostering a healthier, more ethical work environment.

ABOUT THE AUTHORS

Danny Nelms: Danny Nelms is the CEO of Work Institute and the co-author of The Why Factor: Winning with Workforce Intelligence and EmployER Engagement: The Fresh and Dissenting Voice of the Employment Relationship. His twenty-five years of experience have given him the ability to influence corporate climates 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. Mr. Nelms earned his MBA at the Massey College of Business at Belmont University.

William Mahan: William is the Director of Marketing & Sales Operations for Work Institute where he focuses on inbound and outbound marketing efforts since 2010 including lead generation, content development, SEO, advertising, website management, and customer relationship management. William's experience and knowledge in content development and leadership development give him the tools necessary to help create and promote the annual Retention Report. William received his Bachelor of Arts with a focus on Management & Leadership and Human Resources from Trevecca Nazarene University in Nashville, TN.

Kim Nowell: Kim is a senior human resources consultant who works with a wide a variety of organizations on broad-based human resources projects, culture, transformation and change management initiatives.

Prior to entering the consulting arena, Kim served as the Executive Vice President of Human Resources and Chief People Officer for Save-A-Lot in St. Louis. In this role, she was responsible for the talent acquisition, learning and organizational development, total rewards, human resources business partnerships and the internal communications functions of the enterprise.

Kim has served in similar capacities in other organizations as well, often as the first strategic human resource executive invited to join the team. She worked to effectively deliver transformational human capital initiatives while creating alignment with each company's people and financial objectives.

Kim has diverse experience in industries including transportation, insurance, consumer services, manufacturing, retail, hospitality, and financial services, with a proven proficiency in successfully growing companies through effective human resources leadership.

Greg Freeze: Greg is an HR leader with over 25 years of experience in all aspects of Human Resources. Currently working as a Senior Consultant, he has led teams working across a variety of industries in financial services as well as restaurant and retail organizations. Working with both public and private companies of varying sizes, he has managed multiple mergers and acquisitions from both sides and been instrumental in the development of strategy, process improvement, and employee development initiatives.

Most recently, Greg served as the head of Human Resources for Nashville based FirstBank directing the HR strategy and execution that saw the company through a period of significant challenge and growth, including multiple mergers.

Mary Fink: Mary is currently the VP of Solutions for Work Institute, her expertise includes team building, communication, change management, conflict management, continuous process improvement and leadership.

Fink is a certified trainer of the Implications Wheel and The Strategy Matrix, strategic exploration tools developed by process futurist, Joel Barker. Mary is the former VP for Operations at Williamson Medical Center, in Franklin, TN.

Luke Viera, Human Capital Institute: Luke Viera is a Research Analyst at the Human Capital Institute. Along with a master's degree in industrial-organizational psychology from George Mason University, he has twenty years of experience in the areas of market research, testing/measurement, survey methodology, and statistics. Throughout this time, he has designed and managed research projects for government and private-sector clients, such as the Department of Defense (DoD), Internal Revenue Service (IRS), American Nurses Association (ANA), Hewlett-Packard (HP), and PricewaterhouseCoopers LLP (PwC). He has presented his work at national and international conferences of the American Association for Public Opinion Research (AAPOR) and the Society for Industrial and Organizational Psychology (SIOP). His work has also been published in refereed, scholarly journals such as Survey Practice and Personnel Psychology.

Thomas Barnette: Thomas has 28 years of experience as a facilitator, trainer, mentor, keynote speaker and coach of transformation and change, Thomas' mission is to impact and transform thoughts, behaviors and lives. Thomas has worked within public and private business sectors and is dedicated to the enhancement of his clients' professional and/or personal endeavors. He is a leading facilitator of organizational change, continuous improvement, diversity, equity & inclusion, unconscious bias, communication, engagement, presentation and leadership skills.

People, processes, and purpose are Thomas' passions. He has set out to connect and engage with others and help them access a better understanding of themselves and the world around them; enabling them to expand their ability to live their best life expressions.

ABOUT THE DATA

The data utilized for this 2024 Retention Report is considered the most comprehensive and accurate reflection of departing employee's Reasons for Leaving and perceptions of their former employer in the U.S. Over 90% of the exit interview data was collected after the employee left their employer and by an objective third-party (Work Institute).

From 2019 to 2023 Work Institute conducted 123,550 exit interviews with the 2023 specific Reasons for Leaving made up of 21,291 interviews.

The data set includes a statistically significant number of interview demographics to include sex, ethnicity, age, and hourly/salary employees.

Exit interviews were conducted with over 175 companies ranging in industries to include Healthcare and Hospitals, Pharmaceuticals and Medical Devices, Insurance and Financial Services, Manufacturing and Industrial, Retail and Consumer Goods, Education, Transportation and Logistics, Technology and Consulting, Non-Profit and Philanthropy, Utilities and Energy, Facilities Management, and Hospitality and Leisure.

ABOUT WORK INSTITUTE

Established in 2000, Work Institute is the leader in employee retention programs, employee engagement strategies and workplace solutions. We provide employee research, consulting, action planning, development courses, and evaluations of organizations of all sizes including many Fortune 500 clients across multiple industries and geographies.

Our workplace experts help companies attract & retain talent, improve performance, diminish risk, and manage human capital cost by improving workplace conditions.

Through our commitment to asking the right questions, matching research and analysis to the client's needs, Work Institute provides employers with employee retention and engagement programs that drastically improve overall employee satisfaction, reduce costs, improve retention, and promote profitable growth.

Work Institute's surveys and interviews marry sound scientific methodology with meaningful conversations. Asking the right questions makes a huge difference in the quality of data collected and the insights needed to drive higher employee retention and engagement. Work Institute is the leading authority in workforce intelligence and retention. Utilizing evidence-based research methods that capture "the why" behind employee thoughts, feelings, and behaviors, Work Institute helps organizations improve employee engagement, performance, and retention.

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