

Understanding Employee Retention

Prepared by
The Recruitment Communications Company

April 2002

1. Introduction

Talent is an in-demand commodity these days for almost everyone. As organisations work to recruit new employees and retain existing ones they are discovering that there are no quick and easy answers for success.

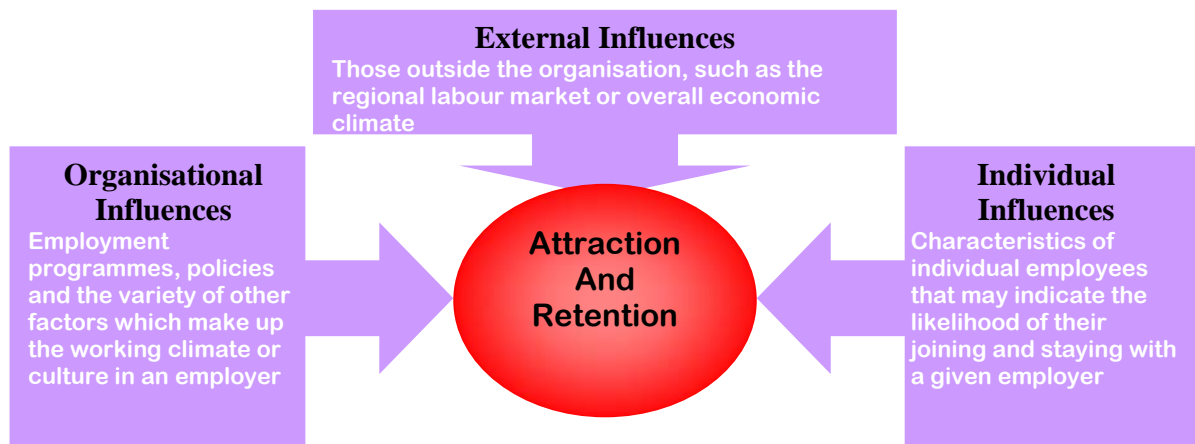
Currently in the UK, HR professionals are reporting that all employees are becoming more transient. For a young person starting their careers today they can expect to change employer on average 7 – 8 times throughout their working life. This compares with an average of 3-4 for their parents.

IPD research last year also estimated that 16.8% of all UK employees leave their jobs annually at an estimated cost to their employers ranging from 50% - 350% of their base pay. Therefore, the imperative for organisations to treat the management of their people assets as importantly as their financial or customer assets is growing.

A thorough understanding of the factors that influence retention in their own specific environment should drive what exactly an organisation decides to do. For this reason many organisations seeking to effectively manage attraction and retention (A&R) strategies decide to undertake the following before implementing any solutions:

- establish internal benchmarks for A&R performance indicators
- measure the cost of employee turnover
- agree targets for employee attraction and retention levels

Broadly there are three sets of factors that determine an organisations ability to attract and retain employees.



Of the three influencing categories, organisational practices are the most controllable given an understanding of what is currently happening and what should be happening. Although it may not be possible (or legal!) to control individual attributes it is relatively easy to identify links between them and job satisfaction and then modify organizational practices accordingly.

2. Our Understanding of Your Needs

Typically our approach to understanding your needs will allow you to:

- Quantify the impact of employee turnover
- Identify the drivers that are currently contributing to the problem
- Isolate, by various demographics, employee propensity to stay with the organisation

- Communicate and promote the necessary research amongst employees
- Devise an appropriate Attraction and Retention strategy

3. Successfully Managing Retention

Part of the challenge in effectively managing retention concerns the various degrees of recognition amongst employees and senior management that a problem actually *exists*.

Without a consensus of opinion that something should be done it is unlikely that any strategy will receive sufficient sponsorship to see it through implementation.

For this reason alone many organisations attempt to quantify the size of the problem and illustrate the potential return on investment.

Depending on the organisations approach to data, various options for costing the problem exist. These range from highly scientific studies of labour productivity and the environment down to a more general rule of thumb.

The general rule of thumb was developed by academics as a quick, but accurate, way of putting some numbers to the problem.

For example, an organization with 500 employees with average earnings of £20,000 and a 20% turnover rate will face annual costs of at least £2.5 million. So, using this example, if turnover was cut by just four percentage points the organization could save up to £500,000 a year.

Having gained recognition of the need to act, the next step in successfully managing retention levels involves gaining an understanding of the dynamics of the problem.

At the Recruitment Communications Company we view the ability to retain employees as a function of the organisations capacity to generate employee commitment. As the diagram in our introduction explains – by using the tools at its disposal, employers must create the right environment to breed commitment, which in turn acts as a magnetic force to keep people attracted.

Consequently, we have devised a quantitative research tool that allows employers to identify the relative strengths of their current attempts to create *commitment*. So, rather than just taking a straightforward attitude survey we have designed a tool that can correlate the relationships between different employee commitment creating factors and their ability to influence employee propensity to stay with the organization.

For example, our research can show whether the pay levels for a particular group of employees is having more of an impact on people's desire to stay, compared with the relationship they have with their line manager. Or similarly, whether there is a causal relationship between the availability of personal development programmes and the prospects for promotion.

4. Employee Commitment Research

Our research tool has been specially designed to:

- Identify the factors, and their corresponding relationships, which are currently affecting employee commitment
- Weight the importance and relevance of each, from an employee and leadership team perspective, on provoking higher retention
- Aid the assessment of the likely impact of remedial actions

Broadly speaking, the questionnaire measures employee's views across a number of dimensions. These dimensions cover areas such as:

- The extent to which individual employees feel that their values and attitudes are consistent with the organizations
- The extent to which employees feel part of an organization that is special
- The extent to which managers and leaders can be counted on to do what is right and good
- The extent to which employees believe they are provided with competitive wages and benefits
- The extent to which employees believe they have an acceptable work and life balance
- The extent to which employees are satisfied with their roles, career, and environment

These dimensions are then used to establish how they affect retention and absenteeism and the importance of each of the dimensions in relation to their impact on employee commitment.

Our work in this area shows us there is a 'psychological' contract between employer and employees. The two main elements of this contract are *transactional* and *relational*. Transactional elements such as pay and benefits are usually less significant in impacting positively on retention than relational elements such as personal development and management style.

Our results also allows the client to establish a consistent and meaningful benchmark against which future measures can be assessed.

5. The Research Process

The process for organizing, implementing and following through a research programme as outlined in this section.

Obviously each of the stages will require further discussion but in principle the programme takes the following approach.

Phase 1 – Scoping & Planning

This stage requires us agreeing the project team participants defining:

- Terms of reference and contact points
- Project timescales
- Project deliverables
- Scope of the questionnaire in terms of demographic groups and wording of questions (already well covered)
- Logistics
- Current cost of employee turnover
- Communication campaign
- Integration with other initiatives
- Questionnaire branding and administration

The questionnaire can be printed to reflect our client's own branding and design guidelines.

Phase 2 – Testing and pre survey communication

Having put down the tracks for the research programme to run on, the next phase considers the functionality of the questionnaire and the raising of employee awareness.

Therefore this phase will set about:

- Conducting pilot completions of the questionnaire to evaluate the ease of completion, ambiguity of questions or instructions and timings
- Developing and delivering the key messages to support the launch of the survey among staff.

The promotion internally of the survey is a key part of the overall exercise and care must be taken to articulate:

- Purpose of the survey
- Timings and logistics
- What it means to the organization in terms of fit with objectives
- The overall process or in other words what will happen next
- Why their support is needed
- Details of completion incentives if any.

In our experience the decision on whether to offer completion incentives depends on a number of factors, not least the overall number of surveys an employee may already have completed in a relatively short period of time.

On balance though, truly effective pre-survey communication can greatly increase response rates and enthusiasm towards the exercise and therefore remove the need for costly incentivisation.

Phase 3 – Distribution of survey, results and focus groups

Once the survey is ready to be launched an appropriate process needs to be in place to support its effective completion. This is usually determined by the structure of the organization, likely enthusiasm and available time.

Once the questionnaires are returned we can commence the processing of results.

An option to consider at this stage is to instruct RCC to facilitate the staging of an appropriate number of qualitative focus groups aimed at drilling down into further detail behind the reasons for opinion in particular demographic groupings or across specific dimensions of the survey.

Phase 4 – Analysis of findings

Taking the results from the survey and the findings from the focus groups, RCC will conduct a detailed analysis to reveal:

- The drivers of retention by demographic grouping
- Underlying causes and likely future trend
- Current strengths
- Current Weaknesses
- Likely impact of remedial actions
- Recommendations

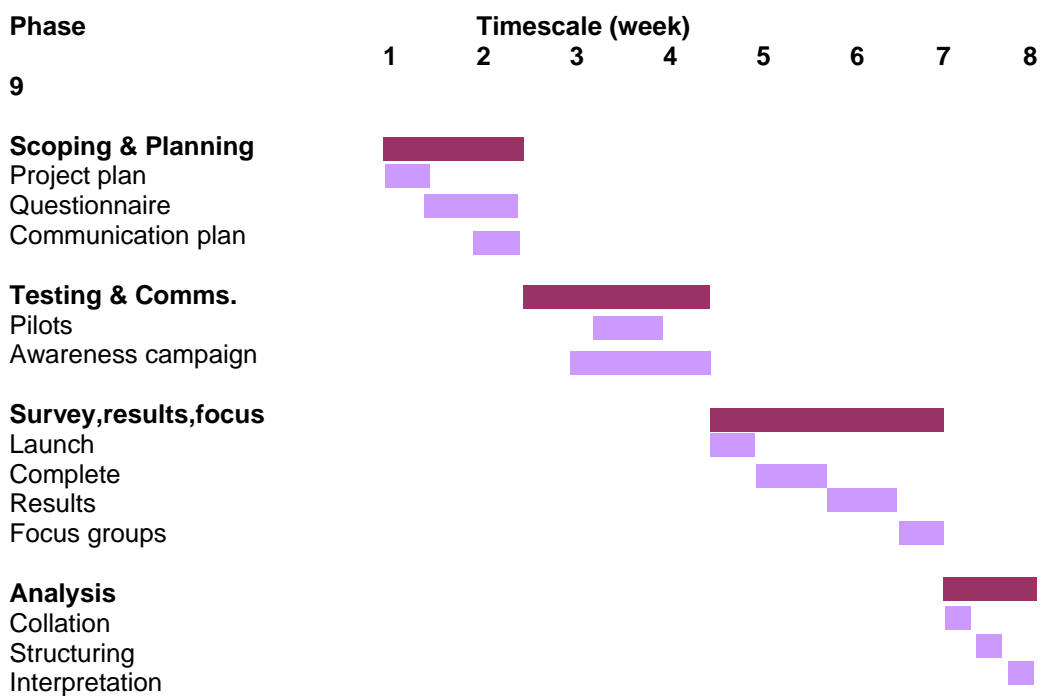
Phase 5 – Feedback & Post survey communication

We will agree with our client the most appropriate method of delivering the analysis to both the senior management and employees.

Typically this phase also involves working with the management or project team to review specific action points arising from the research.

6. Timings

The research programme timescales will need to be agreed with the members of the project team, but some indicative timings for each of the phases and sub tasks are shown below:



Feedback & Comms.
Workshop
Action summary

