



The Time for Retention is NOW

“The Great Recession isn’t stopping employees from looking or leaving”

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Mass layoffs and high unemployment lead most executives to the logical conclusion that remaining employees feel lucky to have a job. But the data tell a different story.

According to the U.S. Bureau of Labor Statistics (BLS), nearly as many employees voluntarily quit their jobs in 2008 as in 2007. Or said another way, The Great Recession isn’t stopping employees from looking or leaving.

Voluntary quits were down just 11% year-to-year, so your employees were 89% as likely to quit on you for another job in a bad year versus a good year. Health Services and Education face the greatest retention challenge as their quits were down just over 6%, and the number of new hires stayed the same year-to-year. Healthcare employees seem to be sitting out this recession all together.

You might think, too, that recession fears caused fewer employees to quit as the year went on. This was true but only to a point, as voluntary quits in December 2008 were down just 20% over the same month in 2007. So your employees were 80% as likely to quit then compared to a year earlier.

This behavior is counter-intuitive to the notion that workers hang onto their jobs in bad economies. Even more surprising is that survivors after layoffs are more likely to look and leave *after the layoffs than before*, according to another study. So there is no sign that workers are saying “My peers just got laid off so I better work hard and keep my head down”. Instead they are keeping their heads up and looking for other jobs.



DO JUST THE GOOD ONES LEAVE?

While we don't have specific data regarding who quit or their reasons why, there is a logical argument that voluntary quitters are the best performers. Unemployment increased from 4.9% to 7.2% in 2008, and as a result each advertised opening attracted high numbers of applicants. Companies, then, could be much more selective in who they hired. Those applicants who win these openings must have the best skills and work ethics, and these are the employees you can least afford to lose.

It seems less likely that those who quit are leaving without another job, even if they are being pushed out for performance. Most employees know that unemployment benefits are available only if their employer decides they must leave versus they leave on their own.

CONSEQUENCES OF TURNOVER TODAY

Losing a good performer hurts companies more in bad times because:

- "Lean" departments have cut to the bone so there is nowhere to assign extra work
- Remaining employees look up to their peers and might follow them out the door
- Poor performers might slide by and occupy a needed job because managers are reluctant to fire them and potentially lose a position
- Re-assigned managers take on new and larger teams and need full support from their newly-acquired best producers.

Those companies that have conducted layoffs must make decisions about survivors, too. Some employees are better than others and merit special discussions and commitments to ensure they stay. This is especially true for companies that announce they will "reduce staff by attrition". By taking no efforts to lock in high performers, they presume all employees are equal and passively watch the parade to the exit door until their staffing goals are reached.

Most importantly, those with the skills to leave are watching how companies treat their current and former peers. During these times employees measure the hearts of their employers, and disrespectful treatment or shoddy severance packages are long remembered. These are stories that replace the ones that used to comprise your company's culture.

WHAT'S A COMPANY TO DO?

Employee retention has long mystified workforce professionals because there hasn't been a comprehensive, research-based plan. Instead, companies have implemented programs like dress-down Fridays and career days to encourage workers to stay. Employees, though, want



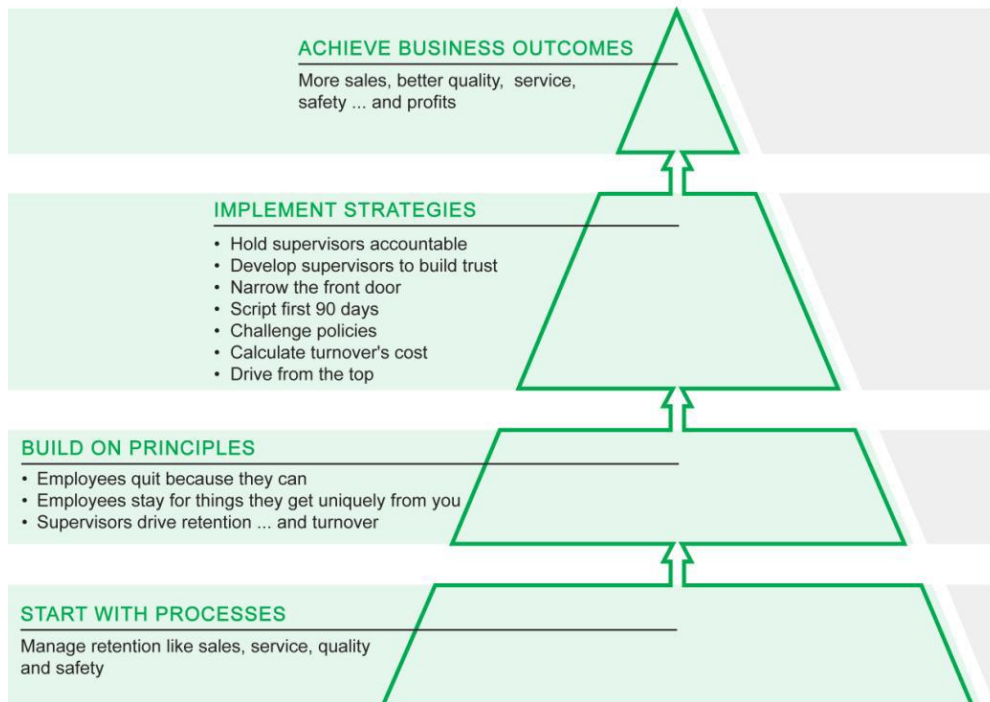
more...including fair treatment, supervisors who are smart and caring, and relationships all around that are productive and feel good.

Said another way, no clear-cut research has been available to tell companies precisely what to do to keep good workers. Whereas there are proven processes for accountants, auditors, and even purchasers to follow in their work, there has been no research-based path regarding employee retention to keep them.

The Rethinking RetentionSM model provides a comprehensive solution for retaining the employees you want to keep, in good times and bad:

THE RETHINKING RETENTION MODELSM

A Process-Driven Approach to Keeping Your Best People



This model comprises 3 Principles and 7 Strategies, and each Strategy then contains a set of specific, detailed tactics. A few of these tactics are included in this paper. The Principles are:



Principle #1: Employees quit jobs because they can

Principle #2: Employees stay for things they get uniquely from you

Principle #3: Supervisors build unique relationships that drive retention...or turnover

High-performing employees have far too many choices for us to keep them with old-school thinking. Most companies conduct exit surveys that yield unreliable data. Employees leave for many reasons, some of which are beyond our control, so the better and more proactive approach is to build strong companies based on why employees stay.

Think about who you are as an employer. What do you offer that competing companies do not? Employees want to know not only *what they will get*, but also *what they will learn* and *who they will help*. By conducting “stay interviews” with current employees, you will learn what you really offer and why they stay. Then design an Employee Value Proposition that says it clearly and build your hiring, training, and other people-management processes on the things that are uniquely you.

Supervisory relationships are unique levers that deeply impact employees’ stay/leave decisions. Poor supervision usually trumps good employee programs and drives good workers to leave. When have you ever heard a good employee say, “My boss treats me like dirt, but I’m holding on for employee appreciation week”?

Once you’ve stacked hands on these 3 Principles, put the following 7 Strategies into place.

Hold supervisors accountable for achieving retention goals/Develop supervisors to build trust with their teams

The surest way to move retention from programs to processes, and from HR to line management, is to hold supervisors accountable for it. Supervisor accountability changes the conversation when a good performer leaves, from “I’m sorry you lost Shirley” to “How could you lose Shirley?” Retention is now being *managed*, and the conversation moves from co-dependency to accountability.

Supervisor trust is the magic potion for retention. Like the power of supervisors, solid research backs up that employees make decisions to stay or leave...and to work hard or coast...based on how much they trust the boss.

Narrow the front door to close the back door/Script employees’ first 90 days

We all know not to hire job-hoppers, but research gives us deeper insights into who stays longer. Proven techniques include hiring employee referrals, ensuring applicants experience a realistic job preview, and hiring applicants who are *older*. A BLS study makes clear that the older employees are when they start a job, the longer they stay.



Old-style orientation programs talked about company history and mission. Today's now-called Onboarding programs should connect new hires back to your Employee Value Proposition. Employees are listening for you to close the deal on fulfilling what you offered. *What is it I will learn here? Who will I help? Will I really get top-notch supervision from someone I respect?*

Employees make hard decisions on how long to stay in their first months on the job, and the main reasons they decide to leave are about duties as well as relationships with supervisors and peers. So Onboarding activities must be planned and extended throughout employees' first 90 days and include processes for building relationships with key personnel.

Challenge policies to ensure they drive retention

Blow the dust off last decade's thinking and drive your rules toward retention. Design 4 X 10 schedules for all employees and make schedule-swapping simple. Rethink employee benefits: If employees from some job groups are harder to hire and retain, why not give them better benefits than the rest? Offer more vacation and other forms of time off so they can't afford to leave.

Depart from traditional benefits and offer those that make employees' lives better. We know a company that offers a concierge service to enable all employees to reduce stress both on and off the job. The most common request is to buy backpacks in August. Another company pays back student loans directly to the bank.

And for some jobs, pay more. What does it matter if your pay for your top performers is competitive with other organizations when these are your enemies for talent? If they want to afford your top players, they will.

Calculate turnover's cost to galvanize retention as a business issue/Drive retention from the top

Deciding how much you can afford on pay, benefits, and other items depends on how many dollars you lose to turnover. And how much differently would you manage your company if you had to report the real cost of turnover to your Board and the SEC?

Ask Finance to conduct a comprehensive cost study and report the dollars lost or saved on turnover each month. Then policy decisions can be made with real cost information.

CEOs should drive retention in the same way they drive sales, quality, service, and safety. And all executives should solidify their commitment to retention by adding it to their bonus plans with their Boards.



CONCLUDING THOUGHTS

The numbers presented here prove that retention of top talent will continue to be a top-level executive priority despite The Great Recession. We wish improving retention was like pulling a rope but instead it requires pulling many strings. Once you've stacked hands on our Principles, think *processes*...and then build a strong retention company by implementing the Strategies and Tactics we recommend. Your reward will be better sales, quality, service, and safety, and better employees. And you'll have more fun in your job.

*Parts of this article have been adapted from Mr. Finnegan's book, "**Rethinking Retention in Good Times and Bad**", published in 2009 by Davies-Black. Mr. Finnegan may be reached at DFinnegan@TheRetentionFirm.com, P 407.694.3390.*

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