randstad's comprehensive guide:

employee retention.

randstad
technologies

contents.

chapter 1

what you need to know about employee retention.

Why do you think some workers remain loyal to their employers for years, while others start interviewing for other jobs from day one? The question gets to the core of your employee retention strategy — and how you're answering it often determines both short- and long-term talent outcomes.

For insights, let's unpack the topic of employee retention in a bit more detail, starting with a few simple definitions, then moving on to the latest data points to give you a sense of where things stand right now — and where we may be headed next.

Given the backdrop of ongoing uncertainty, what can organizations do these days to keep high-value contributors from leaving? Here's everything you need to know.

what's the difference between retention and turnover?

First things first: a few quick definitions, including the mathematical equations for calculating employee retention and employee turnover, just to make sure we're all on the same page. Note that while retention and turnover are closely linked, there are some important differences that should stand out to you in the following definitions, as well.

employee retention

- Employee retention measures the percentage of employees who stay with your company over a specific period of time.
- Mathematically, employee retention rates are typically calculated by dividing your headcount on the last day of that period by your headcount from the first day of that period, then multiplying by 100 to make it a percentage.
- If the first number is larger than the second — for example, your company started the time period with 50 employees, but had ramped up to 60 by the end — you would have an employee retention rate higher than 100 percent.

employee turnover

- Employee turnover measures the percentage of employees who voluntarily or involuntarily leave your company during a specific period of time.
- Mathematically, your employee turnover rate is typically calculated by dividing the number of employees who voluntarily left your company during that time period by your headcount at the beginning of that period, then multiplying by 100 to make it a percentage.
- For example, let's say your company started a given month with 50 employees, then lost three employees to competitors by the end of that month, your one-month employee turnover rate would be 3/50 x 100, or six percent.

All clear? Good, because we'll need to be able to use these terms with some precision going forward.

why retention matters — and what you can do about it

For starters, employee retention is a topic that couldn't be more timely than it is right now. The quits rate in the U.S. — the number of people who quit their job as a percent of total employment — continues to hover around all-time high levels, for example.

That alone could explain why SHRM predicts that a "turnover tsunami" looms on the horizon.

With that in mind, now is the time to start thinking seriously about your employee retention strategy, and making changes where needed. Plus, the good news is that companies aren't powerless to move the needle when it comes to employee retention — far from it. In fact, there are proven levers at your disposal today. Think: upskilling, reskilling and learning and development.

The latest stats strongly back this up:

- A whopping 94 percent of employees said they would be more likely to stay with companies that actively invested in helping them learn, according to one large-scale survey. This link between upskilling or reskilling initiatives and employee retention rates is something to bear in mind.
- Unfortunately, however, this is an area where far too many organizations are still dragging their feet. In fact, 80 percent of employees don't think their current employers offer sufficient opportunities for growth through learning and development.
- Perhaps not surprisingly, then, the same study found that more than one in three employees believe the best way to advance their careers is simply to seek a different job with a new company. Fewer than one in 10, on the other hand, believe that talking to their bosses is an effective route to professional advancement.

Stats like these are plainly troubling, for it appears that misalignments around upskilling, reskilling and learning and development are being compounded by communication breakdowns between managers and direct reports. Whatever the case may be at your company, these findings are worth investigating, and soon. Otherwise, your best employees just might start leaving in droves.

key takeaways

We've broken down the distinction between employee turnover and employee retention, given you a sense of where things stand today (and where they might be going next) and indicated an area where you can start moving the needle on the employee retention strategy at your organization right now. At this point, you should have a clear idea of next steps — and it probably involves initiating the conversation around upskilling.

Looking for more hands-on support and solutions? Get in touch with Randstad today.

chapter 2

4 signs you need to improve employee retention.

Just a generation or two ago, it was the norm for workers embarking upon a career to start a job right after school and stick with the same company until retirement. Today, however, the situation is vastly different and employee quit rates are hovering around record highs. There are a variety of reasons why people quit, but regardless of the reason, job hopping has become the norm — and it looks like it's here to stay. In fact, 60 percent of millennials have indicated they're currently open to new job opportunities.

But even though a lifetime commitment is no longer a realistic expectation for employers, that doesn't mean your employee retention strategy is a lost cause. Keeping your staff intact — especially your top performers — is critical for staying competitive in today's economy. But how do you tell the difference between a retention crisis and normal, expected employee turnover rates?

Here are four signs you've got a retention problem.

1. high levels of employee turnover

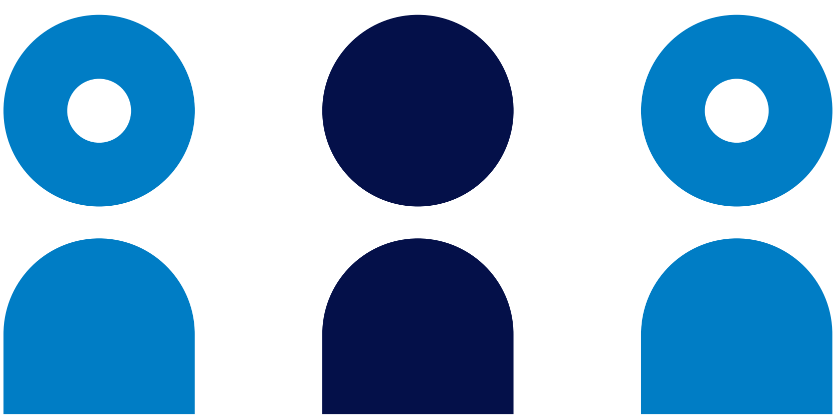
This one may seem like a no-brainer, but it may not always be so obvious — especially since a river of exiting employees often begins as a mere trickle. There are significant business costs to replacing employees, so it's crucial to stanch the flow as quickly as possible. It's also key to keep office morale steady when there's a mass exodus of familiar faces.

Low compensation, limited career paths and issues of work-life balance are all common reasons employees leave their jobs, so you must take action today to diagnose the root cause of the employee retention issue at your organization.

2. employee tenure is shrinking

Maybe you're not facing a crisis yet, but HR records show you're hiring more frequently than you used to, and employee turnover is occurring at a faster rate. If your employees are leaving to take on new roles, that means they were either looking for a new job soon after joining or were successfully poached by another employer. They may have been offered better salary and benefits, a bigger challenge — or they just weren't happy with your organization.

If your employees are leaving without a new role in place, that's a dire sign indeed. Quitting without securing a new job is a sign that they were so unhappy that they were willing to risk their financial stability to escape your organization. And we're all aware that a brief tenure looks questionable on a resume, so consider why your employees are risking having to answer questions about it to prospective employers.



3. negative online reviews

You should be conscientious about revisiting online job sites on an ongoing basis to ensure that you're staying up to date on the latest round of reviews and feedback that employees have recorded about your company.

Why is this so important?

First, one in three job seekers said they rejected an offer after reading a bad online review about the company. Clearly, then, those reviews are going to have a significant sway as to whether candidates decide to accept your offer — or whether they even interview with your company in the first place.

Beyond that, negative online reviews can exert a powerfully negative impact on your overall brand, too. So you'll need to read these reviews carefully. And don't just read reviews — look for information that can be used to establish common threads, like workplace disorganization, employees feeling unchallenged or salary levels that aren't competitive. From there, you should be ready to take action.

These may not be easy fixes, but with the cost of replacing an employee being 1.5 to two times their annual salary, you want your employee retention rates to stay as high as possible.

4. your top performers are leaving

Ordinarily, it would be reasonable to assume top-performing employees are the easiest to retain, right? Think about it: They're engaged, aligned with goals and consistently deliver great work. However, for companies where employee retention has become an entrenched organizational challenge, it's time to think again.

That's one of the reasons that conducting exit interviews can be so valuable. They're your chance to finally get the scoop on why employees are deciding to jump ship. So be sure to ask your departing stars not only why they're leaving, but also what you could have done to retain them.
Next, make a checklist in which you summarize where — and in what ways, precisely — your company is falling short. Here are a few key questions for you to consider.

- Is there a clear path for advancement for everyone in your organization?
- Is performance being adequately rewarded — and does it reflect differences between high- and low-performing employees?
- Do employees feel valued by your company?

Remember that, at the end of the day, loyalty goes both ways. Demonstrating to your employees that you value and trust them is critical to building an engaged, loyal workforce — and improving your employee retention strategy.

key takeaways

If even one of the telltale signs we discussed — high employee turnover rate, shrinking employee tenure, negative online reviews, top performers leaving — is in evidence at your company right now, alarm bells should be going off. The good news, fortunately, is that it's probably not too late: You can make changes today that will allow you to more effectively retain employees going forward. But you have to act fast.

In the next article in our employee retention series, we'll explore these changes in greater detail, beginning with a discussion of some of the ways retention can be tied back to ROI and bottom-line value. Mastering this information should help you make the business case internally in support of strategic initiatives specifically addressing employee retention rates.

Looking to get all our employee retention articles in one, easy-to-read format? Click here to get your copy of the full series.

chapter 3

how poor employee retention can impact ROI.

You've got everything you need to know about spotting the signs of an employee retention problem, but how exactly does it all tie into the bottom-line health of your business?

Here, we'll cover the tools and frameworks you'll need to understand employee retention, and give you the numbers you need to make the business case that addressing it should be an urgent priority at your own company.

Needless to say, given the myriad ways that failed retention strategies can check the growth of your company, this one's going to be a doozy.

businesses are losing $1 trillion annually

Just how pricey are retention-related challenges for businesses overall? Stop and think about it for a moment. Try to come up with a ballpark figure. Ready?

One study found that the net impact of employee turnover and retention ultimately costs businesses as much as $1 trillion dollars annually. That's right — trillion with a "t."

In other words, if employees are leaving your company in droves, or even if they're simply not sticking around long enough to deliver the most value, then you need to start rethinking your employee retention strategy. And you need to do so ASAP.

the steep cost of squandering talent

Across jobs, how much do you think it costs, on average, to replace a departing employee? While estimates vary, the answer is almost certainly higher than you think — generally about 1.5 to two times that employee's annual salary.

So whatever the exact number is at your company, we assure you it ain't pretty.

On top of direct financial outlays, there are other, less obvious ramifications associated with poor employee retention, each with hidden costs. For example, even one departing person can have a "butterfly effect" across your entire organization, inducing others to jump ship in turn. And when you factor in a host of other, not-so-easily quantifiable side effects — like lower morale and reduced productivity — it becomes clear that implementing a best-in-class employee retention program is an urgent business priority.

your most motivated employees will be the first to leave

Providing employees with access to opportunities where they can continue to grow and develop is a crucial component of any successful retention strategy. Indeed, some 70 percent of employees would be at least somewhat likely to leave their current companies for ones that prioritize employee development.

These folks are hungry and motivated to embrace new ideas. They possess the commitment, drive and willingness to learn your business needs in order to move forward. But if your growth-focused employees aren't engaged, you're going to lose them — fast.

key takeaways

Businesses today are leaking literal billions in unnecessary financial outlays each year as a result of failed retention strategies. And to make matters worse, they're losing their high-potential talent, to boot.

It doesn't have to be this way — as we'll explore in greater detail in later articles. But first, get a closer look at some retention benchmarks that can help you understand how your company's current approach stacks up, and where there might be room for improvement.

Looking to get all our employee retention articles in one, easy-to-read format? Click here to download your copy of the full series.

chapter 4

do you have an employee retention problem?

What numbers matter most when it comes to employee retention? If you're not tracking the right benchmarks for early detection, by the time you realize you have an employee retention problem — it may already be too late. With turnover costing U.S. businesses nearly $1 trillion a year, few companies can afford to wait until the eleventh hour to identify a retention problem.

These benchmarks, which draw on Randstad's deep domain expertise and diverse experience with clients across industries, should help give you insights into the current state of employee retention efforts at your company, as well as where you should focus on making improvements.

Let's see how you stack up.

employee tenure length

How long should folks be sticking around at your company? Ultimately, of course, a lot of that depends on the role and industry, but here are some useful benchmarks from U.S. Bureau of Labor Statistics' latest annual report.

- median overall employee tenure: 4.1 years
- employees between 25 and 34: 2.8 years
- employees between 55 and 64: 9.9 years

If the numbers at your organization aren't lining up with these figures, it's a clear sign that you have an employee retention problem — and need to take action immediately. That might sound rough, but if you take steps today to proactively address the issue, you'll find that you stand to deliver considerable value to your company over the long term.

exit interviews

Exit interviews are a core component of any effective employee retention strategy. It's your way of understanding why people are leaving, and which adjustments to make to keep it from happening in the future. How else do you expect to develop an informed employee retention strategy?

Yet, for a variety of reasons, many companies today report that these interviews often don't take place — even when there are processes in place to ensure they do. For example, at companies that conduct exit interviews, research shows that, on average, the actual response rate is a paltry 15 percent.

Whatever the number is at your company, it needs to be substantially above this baseline average. And if, on the other hand, you aren't currently conducting exit interviews — well, you have your work cut out for you, but that's an obvious starting place for you to make improvements.

employee engagement

The percentage of U.S. employees who are actively engaged reached new highs in the past year — only to settle at a still respectable 36 percent, according to the latest Gallup annual employee engagement survey.

At the same time, that's hardly cause for celebration — only slightly over a third of all employees are engaged, after all. No less troubling is the fact that 13 percent of all employees are classified as "actively disengaged." Meanwhile, the majority of workers (51%) remain "not engaged," according to Gallup.

The bottom line is that employee engagement and retention are closely correlated. So whatever approach you're currently taking to measure engagement at your organization, if the majority of employees are not engaged, you're in for trouble.

key takeaways

Think hard about these benchmarks in the context of your own organization. By uncovering potential focus areas for improvement, they should give you a baseline for implementing a more effective employee retention strategy. From there, you'll need to be diligent about tracking its impact on performance — and do so on an ongoing basis, making adjustments as necessary.

In the end, the solution might not be obvious or easy, but it just might save your company's top talent. And as we discussed in the previous article, it will translate to substantial cost savings. In the next and final article in our employee retention series, we'll outline how you can do exactly that.

Looking to get all our employee retention articles in one, easy-to-read format? Click here to download your copy of the full series.

chapter 5

5 steps to achieve employee retention success.

High turnover costs. Lower productivity. Sinking morale. There's no question that increasing employee retention is a challenge that needs to be tackled head-on and fast to avoid these and other drawbacks. But poor employee retention isn't simply a fact of life or a cost of doing business — it's a solvable problem with discrete causes you can fix.

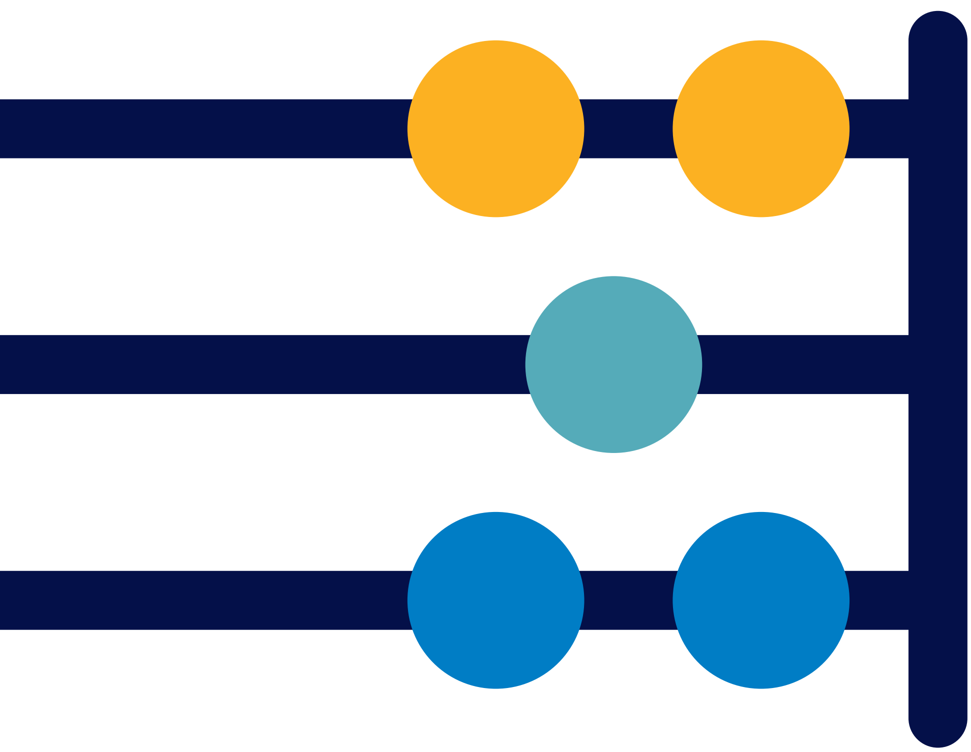
Ready to take improving retention into your own hands — and see measurable impact? Here are five actionable employee retention strategies to help put you on the path to success.

adjust salaries

While this might seem like a no-brainer — after all, people are naturally going to jump ship if there are higher-paying opportunities for similar work at other companies — it's nonetheless a smart place to start for improving employee retention.

If you're not sure how your compensation packages stack up compared to competitors, we've got you covered. Check out our nationwide salary guide, which features detailed breakdowns of pay ranges for virtually every role and industry. We've also got this handy salary calculator to help you out. Once you've familiarized yourself with the numbers, it's probably time to make some necessary adjustments at your organization, too.

Finally, you should bear in mind, too, that compensation affects different employees differently. In particular, it often becomes much more important as workers advance in their careers — junior employees, for instance, might be willing to accept lower-paying roles if that entails gaining valuable experience, whereas more senior professionals very often will not.



get proactive about employer branding

From a high level, employer branding is the most effective way to move the needle when it comes to solving employee retention challenges — indeed, your efforts in this department can pay dividends, not only today but for a long time to come. So how should you get started?

Needless to say, successful employer branding strategies ultimately vary, reflecting vicissitudes of industry, workforces — and so many other factors. So while we can't be unduly prescriptive, you can generally improve your employer brand through the following four-pronged approach.

- Use regular surveys to understand employees' outlook and morale. From there, you'll need to actively incorporate whatever feedback you receive into your employee retention strategy.
- Proactively communicate with unhappy employees. Why are they discouraged? Where are processes breaking down? And what can you do to help? Mutually beneficial solutions are probably a lot easier to identify than you might think.
- Evangelize a workplace culture where everyone feels that they are welcome and valued — which means opinions and input from all employees should be valued, too.
- Identify and begin to measure the metrics that matter. Whether you're looking at overall retention over time or zeroing in on retention for specific functions and roles, only by implementing metrics will you be able to objectively understand how effectively you're retaining employees — and where you need to make improvements.

Hopefully, these tips should be enough to help you get started. What's more, if you're looking for additional insights into employer branding and next steps for your company, click here for proprietary intelligence from Randstad. There, you'll find resources, benchmarks, tools and more — it's everything you need to comprehensively overhaul your company's lackluster approach to employer branding.

allow employees to customize their own benefits

At first glance, this suggestion might sound radical. And perhaps it is — but we wouldn't be suggesting it if it didn't match the expectations of today's job seekers. Different generations of workers require different benefits depending on the priorities of their respective life stages.

In other words, simply giving everyone the same employee benefits — even if you believe those benefits are best in class — may not be the best approach. Certainly, it may not be enough to prevent your most valuable employees from quitting.

Instead, consider experimenting with a more personalized approach to perks and employee benefits. Doing so may require investing time and resources in the near term, but you stand to reap huge bottom-line advantages over the long haul.

map out professional growth charts for all employees

Knowing a company offers growth opportunities allows employees to envision — and plan for — a longer tenure. It also brings with it an indelible, but no less crucial, sense of professional security.

What's more, the prospect of advancement helps teams focus on bigger-picture objectives. And it may even help employees deal with the inevitable ups and downs associated with their jobs.

But when opportunities are limited, on the other hand, high achievers and mid-career employees will often proactively look elsewhere for advancement. For instance, one study found that 70 percent of employees would be open to leaving their companies to work at one that prioritized professional development.

So it's essential for you to make sure everyone on your team clearly understands the pathway to growth, promotion and opportunity — before it's too late.

team up with a strategic partner

Leading companies today are increasingly reliant on strategic partners to enhance some of their core enterprise capabilities. Whether that means relying on independent facilitators that can conduct focus groups and training sessions, or partnering with a staffing firm that can deliver in-depth analysis, improvements and insights, the cost of doing so often pays for itself.

How? What's the value entailed by such a relationship, exactly?

For one, staffing partners can enable you to more effectively gauge morale and employee engagement — for example, through sentiment ratings and other advanced tools to enhance the exit interview process.

More than any one specific tool, however, strategic partners can broadly empower enterprises today, providing deep domain expertise together with recruiting best practices and an in-depth knowledge of industry trends. Plus, by taking an approach that combines human judgement with the latest and most sophisticated technologies, they can repair your talent processes from end to end — and deliver substantial ROI for your company.

final takeaways

Looking to find even more guidance and actionable insights around employee retention in the meantime? Head on over to Randstad's employee retention learning center. There, you'll find all of the business intelligence you need to start spearheading organizational changes now, before it's too late.

You should also bear in mind that, when it's time to take the lead on employee retention, you don't have to go it alone. Click here to learn how the right strategic partner can help solve your retention woes — that way, you can stay laser-focused on moving your business forward.