7 MISCONCEPTIONS ABOUT **EMPLOYEE RETENTION**

WHITEPAPER

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When it comes to employee engagement, there is a first and obvious principle: you can't engage someone who isn't there. Employee retention is integral to employee engagement. Having a clear understanding of your turnover rate and why employees leave your company fundamental to your engagement strategy, talent acquisition efforts, and long-term planning.

A break-up on any level is difficult, which is why it is tempting for organisations to treat each employee departure as either a one-off or a blessing. Instead of looking for root causes and connecting the dots, companies may be tempted to rationalise their employee turnover, by explaining it away with one or more of the following misconceptions:

- **The cost of turnover isn't that high:** Even if you aren't tracking it, employee turnover is costing you real money. There are the direct costs of recruiting, advertising, and training, estimated to be as high as 50% - 60% of an employee's annual salary. When you add in the indirect costs including lost productivity, lost intellectual capital, the breakdown of informal information networks, disruption of customer relationships, etc. It's estimated that the total cost of turnover is 90% - 200% of an employee's annual salary. The resulting sum is one very big number.

- **We really don't need the people who've left anyway:** Although it's true that managed turnover can be positive, organisations typically lose a disproportionate percentage of their most talented employees - people with knowledge, skills, relationships, customer confidence and options. These people are the first to leave, even in an economic downturn. When "A" players leave, companies are left with their "B" and "C" player employees who are less skilled, less effective, and less engaged and the company's service levels and financial performance suffer.

- **We can't compete with other companies' compensation & benefits:** Although compensation and benefits are necessary to attract talent, they are not sufficient to keep employees committed to and engaged in your organisation. Compensation and benefits are classically defined as "hygiene" factors or "dissatisfiers" if they are absent, but not motivational factors or drivers of engagement.

  Marcus Buckingham and Curt Coffman, the authors of First, Break All The Rules, describe it this way: **"If you are paying 20% below the market average, you may have difficulty attracting people. Bringing your pay and benefits package up to market levels, while a sensible first step, will not take you very far. These kinds of issues are like tickets to the ballpark – they can get you into the game, but they can't help you win."**

- **Retaining Talent will not be a problem since baby boomers can't afford to retire:** It's true that many Boomers will need to delay retirement. The Pew Research Center reports, **"Among those Baby Boomers ages 50-to-61 who are approaching the end of their working years, six-in-ten say they may have to postpone retirement."** The challenge of retaining your best talent, however, is not a problem that will go away. The demand for qualified workers continues to exceed the supply. Research by SHRM shows that **"The issue of skills shortages in the available labour pool appears to be growing…58% of HR professionals reported that some workers lack competencies needed to perform their jobs."** In September 2014, Fortune reported that technology companies such as Facebook, LinkedIn, Airbnb, and Square are already recruiting high school students for their summer internships, as a way to address the talent deficit.

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- **Our turnover will be decrease as our younger workers age and gain perspective:** Much has been written about how the work ethic of Millennials differs from those of their older counterparts. These issues will not go away with time, as they are rooted in deeply ingrained cultural patterns. It is better to accept younger workers as they are and learn how to engage them so they will want to stay for the long term. Companies with high levels of engagement do this by providing a clear sense of mission, showing how their job fits into the overall picture and has meaning, and providing these workers with career opportunities for personal and professional growth.

- **We know why our people leave, based on Employee Feedback:** Often, managers form opinions based on abbreviated hallway conversations or from exit interview excerpts. (News flash: most employees share only "happy talk" during exit interviews, since they don't want to burn their bridges.) It's rare to have a meaningful, in-depth conversation about what really happened during an employee's life cycle and what can be done to improve the work life of remaining employees. If exit interview comments are to be believed, one would think that employees would never look for new job opportunities.

- **Our new recognition programme will solve our retention isssues :** Because a complex issue requires a complex solution, there is no silver bullet. Improving retention requires companies to examine a variety of factors. With careful assessment and research, it's possible to determine the underlying causes of employee turnover and design effective solutions. While an employee recognition effort is frequently an important component of a retention strategy, positive results will take time to develop.

Employee retention is a challenge worth addressing and getting right. In the words of Josh Bersin: "We have to remember that people are what we call an 'appreciating asset.' The longer we stay with an organisation the more productive we get - we learn the systems, we learn the products, and we learn how to work together."

Your first step in developing an engaged workforce is in cultivating one that stays.

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