

# Best Practices for Retaining Employees

## Introduction

Employee retention relates to strategies an organization takes to manage turnover in an effort to keep its most talented employees. Effective retention strategies that promote a positive work culture go a long way to keeping employees motivated and productive, while building higher levels of loyalty and engagement across the organization.

Organizations that do not consider employee retention a strategic priority can suffer negative consequences, for example:

- High costs of replacing workers who leave the organization;
- Loss of institutional knowledge and key skills;
- Lower levels of customer service; and
- Decreased levels of employee motivation and morale.

This guide discusses best practices in employee retention and factors affecting turnover. It covers a range of strategies an organization can use to reach its retention goals, such as promoting training and career development opportunities, having policies and practices that reflect the organization's culture and implementing fair and competitive compensation and benefit practices.

## Factors Affecting Employee Turnover

Although the decision to leave an organization is personal to each employee, employers are responsible for understanding, predicting and controlling turnover. Common reasons that drive employees to search for alternative employment include leaving because they are:

- Dissatisfied with their current employment situation; or
- A better job is available.

Employee churn is costly for organizations. Turnover is most strongly related to:

- Having a job that is unclear, ill-defined, not challenging, or too stressful;
- Having poor interpersonal relationships with supervisors or co-workers;
- Not being appreciated or valued;
- Being treated unfairly, especially regarding compensation packages; and
- Having limited opportunities for growth and development within the organization.

Reasons why employees consider leaving their current employer include:

- Promotion or job advancement opportunities elsewhere;
- Increased compensation;
- Additional financial incentives, e.g., bonuses or stock;
- Additional nonfinancial incentives, e.g., recognition; and a
- Lack of trust in the current employer's leadership.

Even satisfied employees leave because of a more attractive alternative job. External labor market conditions tend to drive this type of turnover. Understanding what other employers in the labor market are providing is useful in staying competitive in a tight labor market and becoming an "employer of choice." Employers interested in reducing turnover should not lag the market in pay, benefits and working conditions.

Employers not only need to understand what is pushing employees to leave the organization, but also what is pulling them to stay. If certain factors are lacking, employees will become dissatisfied and begin a job search. While specific factors may vary by employee group, the most common ones include:

- Compensation and benefits;
- Supervisor quality;
- Co-worker relations;
- General working conditions and safety;
- Trust in leadership;
- Promotions and job advancement opportunities;
- Openness of communication;
- Training and development;
- Participative decision-making; and
- Job duties and design.

Not all employees become engaged in the same manner. When creating practices to reduce turnover, employers should fully understand what motivates each employee to stay. Findings indicate that generational diversity may account for differences that emerge in employee turnover. For example:

- Baby Boomers may focus on practicalities of a position, such as a bad commute;
- Gen Xers may focus on lack of job advancement;
- Millennials may focus on workplace perks and an organization that has a social responsibility conscience; and

- Members of Gen Z average shorter tenures at organizations than other generations and may have higher ethics expectations of their employers.

Thus, a one-size-fits-all retention strategy may not be the best solution for employers.

## Measuring Turnover

Use the correct metric when dealing with turnover. The US Department of Labor promotes two different formulas for calculating turnover, one for hire rates and one for separation rates. Because hiring and separating employees are not the direct opposite of one another, employers need to calculate the hire and separation rates independently.

Formulas for Calculating Hire and Separation Rates

Hire Rate = total hires during the period ÷ average headcount during the period

Separation Rate = total separations during the period ÷ average headcount during the period

Annual average headcount can be calculated by averaging the monthly headcount. The US Department of Labor uses the actual headcount on the 12th day of each month.

Separations include quits, layoffs and discharges for any reason. Analyses can be conducted for each of these separation subgroups. Most common are the calculation of voluntary and involuntary turnover rates.

### Practical Example

Acme Company hires 755 people and separates 813 in a 12-month period. During that period, Acme had an average employment headcount of 4358. Based on these figures, the hire rate is 17 percent and the separation rate is 19 percent.

## Internal Policies and Turnover

Internal policies and practices reflect an organization's culture, which in turn can shape turnover. In general, a culture that supports retention employs the following practices:

- Employees are treated with dignity and respect;
- There are open lines of communication among organizational levels;
- Employees can participate in decisions affecting their jobs;
- Policies and rules are applied fairly and consistently;
- There is a shared understanding of how to advance one's career;
- There is work-life balance; and
- Employees are treated as organizational assets and not costs.

Creating psychologically healthy workplaces, coupled with the ability for employees to perform their jobs successfully and thereby receive ample rewards, results in a high-performance work culture. This, in turn, results in an organization that retains top performers and that replaces those employees who cannot meet its ever-increasing standards.

Employers should ensure that the following policies support a high performance and retention culture:

- Diversity, equity and inclusion;
- Workplace discrimination, harassment and retaliation;
- Pay;
- Open door;
- Promotion and job transfer;
- Sick leave;
- Wellness;
- Flexible work schedules;
- Remote work;
- Discipline; and
- Complaints and grievances.

In-depth study and auditing of internal and external complaints may yield valuable information regarding these practices across the organization.

## **Focus on the Employee Experience**

One way to ensure that all workers thrive within an organization is to pivot from traditional people management models to a broad perspective that encompasses the entire employee experience.

A positive employee experience will yield increased levels of employee motivation, satisfaction and engagement as natural outcomes. An organization should enable a full experience for an individual (from 100 percent on-site to 100percent remote) at any point in time. How an organization enables this full experience is critical and, if done well, an output of the process is engagement - enhanced engagement.

If the workforce is enjoying their whole experience with the organization, then the business will benefit through higher engagement and retention.

When approaching the employee experience, focus on "moments that matter" and the core needs of employees:

- What employees desire and need in coming to work every day, and
- What must be managed and delivered by employers to meet those core needs.

Depending on the organization, a variety of roles or functions may be responsible for meeting aspects of the core needs of employees. Whatever the distribution of responsibility, leaders must ensure that these core needs are met in order for employees to thrive.

<b>Core Needs in the Employee Experience</b>	
Organization	Set overall purpose as an organization; embed purpose, culture in communications; support individuals in life events (e.g., policies and practices relating to health and safety, wellness, leaves, workplace flexibility); enable employee motivation, satisfaction and engagement; innovate to ensure customer satisfaction and attainment of business goals.
Manager/Supervisor	Support workers by listening, leading with empathy, ensuring inclusion of all as part of the team; provide other means of support on a regular basis (e.g., impromptu check-ins).
Work Environment	Ensure a pleasant place to work, even if a remote location; ensure individual has everything necessary to be productive; provide access to support (IT, reimbursement programs).
Team	Foster a structure that supports continued employee engagement; ensure connection to broader team (e.g., video calls); ensure frequent acknowledgment of individual and recognition of contributions.

Embracing an approach that prioritizes the employee experience (and not one that prioritizes certain employees, such as top performers or difficult-to-replace roles, over others) leads to a holistic and inclusive practice that focuses on the needs of every employee in the organization.