



Talent Retention: How to engage your workforce in the age of uncertainty



Retaining talent matters more than ever

In a recent PWC study, 74% of CEO's expressed concern over their organization's ability to access skilled labor in the future¹. And while this can be attributed in part to a global shortage of skilled workers, it is also indicative of an upcoming crisis in employee retention and engagement.

Of course, such difficulties existed before COVID-19: a 2017 Gallup poll showed that 85% of the global workforce were either not engaged or actively disengaged². But things have only intensified during the pandemic, with polls from 2020 finding the largest dip in workforce engagement in twenty years³.

While employers pivoted to survival mode, workers have had time to reassess their values and rethink their approach to work. The result has been strained relations between workers and their employers, where nearly a third of the US workforce report actively looking to change jobs post-pandemic.

This confronts leaders with a challenge: in an increasingly uncertain economy, with an increasingly dissatisfied workforce, how will they ensure they have access to the talent they need and make the most of the talent they are able to hang onto?

The following report attempts to provide an answer. In it, we analyse the key factors which cause excess talent turnover; explore five areas leaders should focus on to engage and retain their workers; and what future trends will most impact employer-employee relations.

Why Engagement Matters

87%

Highly engaged workers are 87% less likely to switch organizations⁴.

20%

Highly engaged workforces perform 20% better than their competitors⁵.

41%

Highly engaged workplaces experience 41% lower absenteeism⁶.

¹<https://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2020/trends/talent.html>

²<https://www.gallup.com/workplace/238079/state-global-workplace-2017.aspx>

³<https://www.gallup.com/workplace/313313/historic-drop-employee-engagement-follows-record-rise.aspx>

⁴<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-cons-engaging-the-workforce.pdf>

⁵https://www.stcloudstate.edu/humanresources/_files/documents/supv-brown-bag/employee-engagement.pdf

⁶<https://www.gallup.com/workplace/236366/right-culture-not-employee-satisfaction.aspx#:~:text=Showing%20up%20and%20staying%3A%20Engaged,to%20stay%20with%20their%20employers>

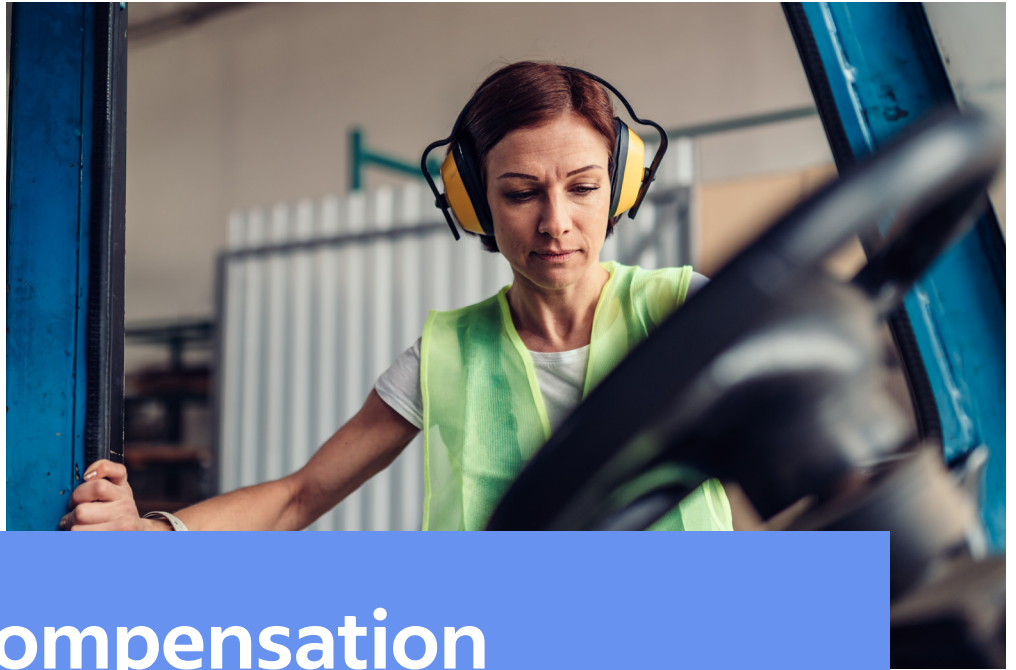
Diagnosing the Problem: What Really Causes High Employee Turnover?

To develop a meaningful response to the employee retention crisis, we need to understand what is causing it. Considering the complexity of the issue however, this proves far more difficult than we might anticipate.

Many HR professionals and leaders have 'pet theories' about workers' motivations, often based purely on their intuition. But analyzing a wide source of robust data, it becomes clear there is no single 'reason' workers become disillusioned or quit.

Instead, there are a number of interrelated elements which, in combination, lead to disengagement and excessive turnover. Below, we highlight four crucial factors that play an outsized role in employee turnover and disengagement.





1 Compensation

According to Gallup, nearly half of all employees would be willing to leave their current employer for a salary increase of 20%⁷. This will come as no shock to leaders, as compensation is a perennial concern in terms of employee retention

However, a recent study from Glassdoor provides further insight. They found that:



35% of employees are currently so dissatisfied with their salaries that they will leave their current employer soon if they're employers don't offer a raise⁸.

This isn't simply about moving to get a better salary; it's about feeling actively undervalued by their current employer.

Ultimately, it points us to an important factor which is often overlooked: compensation isn't only about financial wellbeing, it's also about status and recognition. Leaders should therefore look not just at individual's compensation, but how that compensation compares to co-workers and others in similar jobs elsewhere.

⁷<https://news.gallup.com/businessjournal/188399/retaining-employees-money-matter.aspx>

⁸<https://www.glassdoor.co.uk/employers/blog/7-things-your-competitors-can-teach-you-about-staff-retention/>

2 Lack of opportunities or recognition

A report from O.C. Tanner claims that:



79% of people who quit their jobs cite “lack of appreciation” as their reason⁹.

While this is a broad, somewhat nebulous statement, we can tie this down to two key factors which are central to workers' notions of appreciation.

The first is a lack of opportunities for progression. When employers invest in their workers' development, it demonstrates their appreciation and commitment – and the worker is compelled to reciprocate.

Somewhat inevitably, this issue is more pressing for younger workers. 71% of HR professionals claim that unclear career paths and development opportunities cause increased workforce attrition¹⁰.

Talent is attracted not just to the best positions or salaries but the best opportunities to grow and thrive; research from Udemy has found that nearly half of all employees feel bored at work or disillusioned with their employers because of a lack of earning opportunities¹¹.

The second factor is recognition. Employees need to feel their efforts are rewarded not just with financial incentives or opportunities, but with respect. A 2016 Gallup poll revealed that just one in three employees felt they had been adequately recognised for the work they'd done in the last seven days. And those employees who felt under-recognized were twice as likely to report expecting to quit their job in the next year¹².

Given the challenges 2020 faced workers with - and their resilience in dealing with it - recognition is an increasingly important subject for employers to address. Indeed, McKinsey's recent surveys suggest that employers could see a 55% increase in employee engagement by addressing employees' need for recognition¹³. This is not just about back patting – it's about organizations appearing as engaged with what their employees do as they expect the employees to be.

⁹https://www.octanner.com/content/dam/oc-tanner/documents/global-research/White_Paper_Performance_Accelerated.pdf

¹⁰<https://www.allegisgroup.com/insights/millennials-and-genz>

¹¹<https://about.udemy.com/press-releases/udemy-study-discovers-that-lack-of-learning-opportunities-leaves-half-of-u-s-workers-bored-or-disengaged-on-the-job/>

¹²<https://www.gallup.com/workplace/236441/employee-recognition-low-cost-high-impact.aspx>

¹³<https://www.mckinsey.com/business-functions/organization/our-insights/covid-19-and-the-employee-experience-how-leaders-can-seize-the-moment#:~:text=For%20example%2C%20while%20organizations%20may,work%20recognition%20through%20nonfinancial%20means.>



3 Disappointed expectations

Many workers enter a role with clear expectations, only to have those expectations quickly disappointed by the reality of their role. This is a particular problem when recruiters or hiring managers have sold them on an inaccurate or misleading vision of the company culture.

The most commonly reported issue is disappointment over the nature of the work they do: according to Deloitte's Talent 2020 survey:



42% of employees have considered leaving their current job because it doesn't adequately make use of their skills¹⁴.

It's important to note generational differences. According to the Harvard Business Review, employees between the ages of 30 and 45 have the greatest resignation rates with a 20% increase noted from 2020 to 2021. Resignations actually decreased among employees in the 20-25 range and the 60-70 age range.¹⁵

Given that these are workers generally in entry-level or unskilled positions, we might infer that managing expectations is particularly important when the work is least traditionally glamorous.

¹⁴https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/about-deloitte/Talent2020_Employee-Perspective.pdf

¹⁵<https://www.statista.com/statistics/916274/us-economy-satisfaction-employees-current-job-generation/>



4 Poor communication

Fundamentally, employees need to feel they understand what is going on. While workers can't be made aware of every C-Level consideration, a pervasive sense that things are being hidden or adequate information isn't being shared quickly leads to disillusion.

A study from DynamicSignal found that nearly two thirds of employees claim they have considered quitting their job because of a lack of workplace communication¹⁶. Such a lack of communication makes it harder for employees to feel connected to the organisation's larger goals or values, and ultimately leads to disengagement.

Communication is a complex phenomenon, but across the board organisations are being found wanting. According to Workforce:



60% of companies have no long-term strategy for internal communications in place¹⁷.

This problem increased during 2020: according to Accenture, employees wanted far more communication from their employers during the height of the first wave of the pandemic¹⁸.

However, there is also reason for optimism: the same studies found that workers trusted information from their employers more than they trusted any other outlet, suggesting that strong internal communication could be a powerful source to build trust and confidence in the future.

¹⁶<https://www.globenewswire.com/news-release/2019/03/20/1757785/0/en/Dynamic-Signal-Study-Finds-U-S-Workforce-Stressed-and-Ready-to-Quit-Compounding-Concerns-From-Tight-Labor-Market-and-Possible-Economic-Downturn.html>

¹⁷<https://www.workforce.com/news/poor-internal-communication-can-be-a-costly-mistake-for-businesses>

¹⁸https://www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF-2/Accenture-COVID-19-New-Human-Truths-That-Experiences-Need-To-Address.pdf



The Anatomy of an Engaged Workforce: Five Key Factors for Retaining Your Talent

1. Flexibility equals empowerment



In short: allow employees as much freedom and autonomy as possible

The pandemic has necessitated a new level of flexibility as to how, where and when employees work; leaders will reign that freedom in at their peril.

While most employees report wanting to return to the physical workplace for at least some percentage of their working week, engagement will be far higher if this is allowed to be workers' own decision.

A recent Gartner study has found that when employers are given at least some choice over

where, when and how much they work, they perform far better¹⁹. But it isn't just about performing better: they feel less heavily managed and more able to enjoy their life outside of work.

This freedom is empowering, and employers that allow it will ultimately benefit from improved relations with their workforce. Studies suggest that facilitating remote work and flexible time increases retention over both the short and long term²⁰.

¹⁹<https://www.gartner.com/en/newsroom/press-releases/2020-10-13-gartner-identifies-three-dimensions-that-define-the-new-employer-employee-relationship>

²⁰<https://bluesignal.com/2021/06/22/work-from-home-key-to-retention/#:~:text=86%25%20of%20people%20feel%20that,%3A%20happy%20workers%20%3D%20retained%20workers/>

2. Culture is king



In short: create a meaningful culture that is attentive to workers' needs

Culture is the bedrock of any strong workforce, and successful leaders need to consciously cultivate the kind of culture their workers will thrive in.

Recent research from PWC demonstrates that young workers in particular are motivated by ethical values and a sense of meaning at work²¹; putting shared purpose at the heart of your workplace culture will help both entice and retain this new wave of talent.

This is borne out in practice: Gartner has found that employee engagement increases by 20% across the entire organization when a business takes meaningful action on important social issues²². And according to research reported in the Harvard Business review, nine out of ten employees would accept a wage decrease in order to feel their work was more meaningful²³.

It is also vital that workers feel supported at work, and this too starts with culture. Leaders should actively look for ways to demonstrate that they care about their workers, whether by expanding benefits, investing in wellbeing program or simply providing greater access to support.

Intention isn't enough here: employees must actually believe they are being supported. And that means regular, consistent feedback is crucial.

Too often organizations invest heavily in employee experience initiatives but never end up adequately assessing their success. According to Deloitte, 64% of companies only measure employee engagement once a year, and 18% don't have any formal measures in place to measure it²⁴.



²¹<https://www.pwc.com/co/es/publicaciones/assets/millennials-at-work.pdf>

²²<https://www.gartner.com/en/newsroom/press-releases/2020-10-13-gartner-identifies-three-dimensions-that-define-the-new-employer-employee-relationship>

²³<https://hbr.org/2018/11/9-out-of-10-people-are-willing-to-earn-less-money-to-do-more-meaningful-work>

²⁴<https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2016/employee-engagement-and-retention.html>



3. Communication should be transparent



In short: ensure that employees feel nothing is being hidden from them

We've established that communication is vital for employee retention, but leaders should focus not just on communicating but on actively opening up to their workers.

An O.C. Tanner study found that transparency during the pandemic increased engagement by 85%: employees felt more confident both in their employer and in their understanding of the situation. The same study found that a lack of transparency increased the likelihood of talent exiting the organization by 87%²⁵.

This is not just about major events like COVID-19 though: there should be a push towards transparency across the board. Employees need to feel they understand why decisions are being made – otherwise they will feel removed from the organizations, which ultimately gives them little incentive to actively engage.

It's also important to note the role consistency plays here: transparency cannot be a valve you turn on and off – even a brief lapse will be difficult to repair, at least with the specific employees who are there to experience it.

²⁵<http://incentiveandmotivation.com/transparency-covid-19-pandemic-increases-staff-engagement-85-per-cent/>

4. Opportunities for all



In short: **provide meaningful access to development and career progression**

Leaders should never take workers for granted: they must actively work to provide employees with opportunities to develop, re-skill and progress in their careers.

Organizations often fail to provide employees with internal opportunities, and this means both parties lose out: the employer misses out on the potential to develop stronger talent, while the employee feels their skills are undervalued and begins to look elsewhere.

While it may cost businesses to provide training and development programs,

it is clear that excess turnover is far more damaging to business's bottom lines. The combination in improved engagement, retention and productivity more than make up for the initial investment.

It's also important to take a consultative approach here: find out what kinds of development or reskilling your employees will actually most appreciate. This will help build up trust and support within the culture, as well as ensuring workers actually make use of the opportunities you provide, maximizing your ROI.

5. Recognize and reward



In short: **go the extra mile to show your staff they are valued**

Recognition comes in many forms, and leaders must work proactively to understand their workforce's specific needs and wants.

In most organizations, improving retention and engagement will require a multi-levelled approach, including greater encouragement from management; more regular personal feedback; better compensation; and more frequent internal communications celebrating specific departmental or personal achievements.

As with improving access to opportunities and development, the trick is to involve workers in the process and map your strategy onto your specific workforce's needs. The majority of employee recognition programs are 'one-size-fits-all', and this is unlikely to create the level of loyalty post-pandemic employers require.

It's also important to align your rewards and recognition strategy to overarching organizational goals: this way, you are not only improving relations with staff – you are actively encouraging the right kinds of attitudes and behavior.



The future of employee retention: Five Questions to Consider

1

How will technology transform your HR initiatives?

Tech promises numerous exciting new ways of managing, assessing and sourcing staff. But it is vital you choose solutions that fit naturally with your existing culture.

How will you determine where tech is and is not relevant to your employee experience? What aspects of your HR and staffing would most benefit from innovative approaches?

2

How might you restructure your workforce, post-pandemic?

An increasingly popular model is the 'blended workforce', where full-time workers are complemented by a strong supply of flexible or temporary workers in order to keep the workforce lean while avoiding the risk of under staffing

How could you utilize novel staffing approaches? What kind of workforce will best match your post-pandemic financial needs?





3

How has the pandemic changed your employees' goals and values?

The events of 2020 have dramatically changed most workers' perspectives, and many report wanting to actively change their relationship with work in the future.

How do you plan to manage this evolution?
What will you do to ensure workers who want more flexibility – or even wish to go part-time – stick with you?

4

How will the post-pandemic economy impact job security?

Many jobs were lost in 2020, but far more have been left precariously hanging. Job security is a major factor in employee wellbeing and engagement, so leaders must be careful in their management of the pressures of a post-pandemic economy.

How will you manage employee expectations?
How will you ensure uncertainty doesn't damage relations with staff?

5

What do reskilling and changes to the job economy mean for your business?

COVID-19 has rapidly accelerated inevitable changes to the labour market, and workers will increasingly need to reskill and undergo extra training to participate meaningfully in the economy.

How will you ensure your workforce is properly skilled?
How will you fund and co-ordinate their training?



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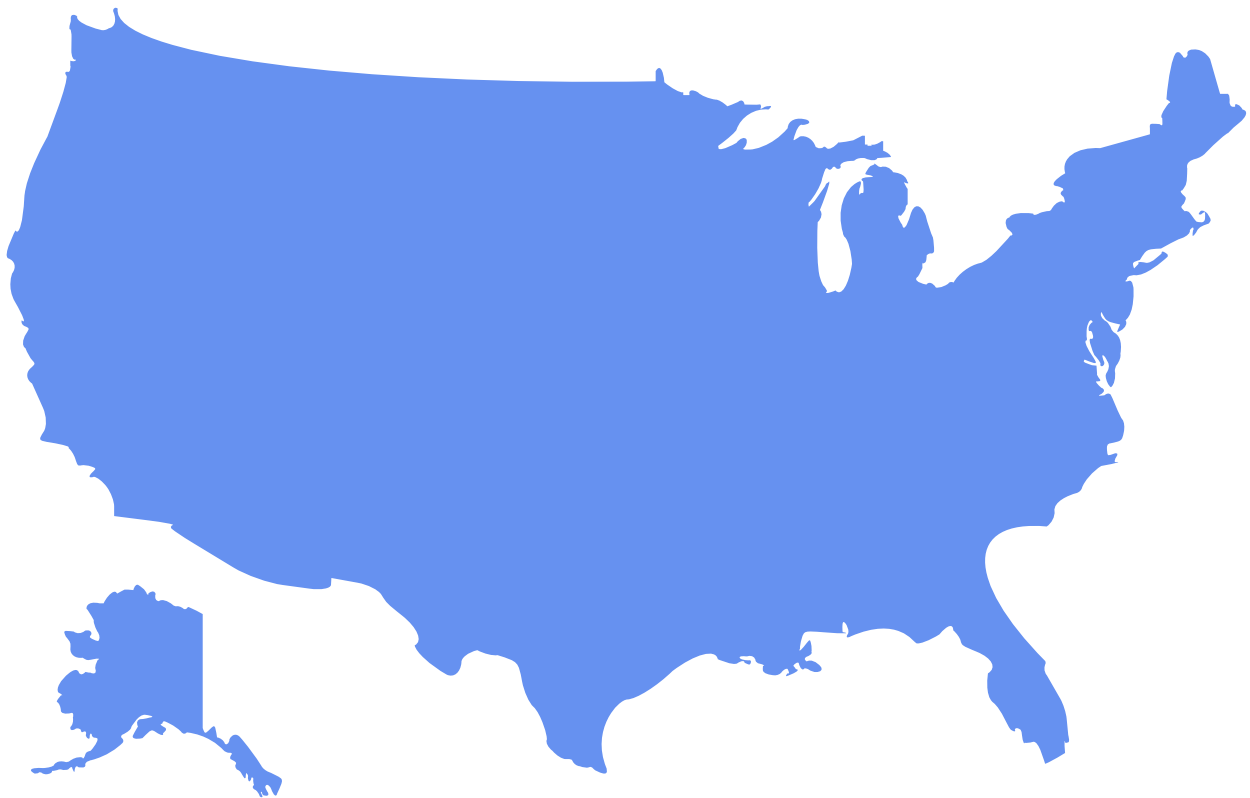
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