Managing Staff Retention

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It wasn't so long ago that UK employers were worried about labour surpluses. Inevitably, as recession turns into boom, concern about growing levels of employee turnover and skill shortages bubble up once more. This leads, as it always does, to mild frenzy among HR professionals whose job it is to respond to the call from line managers to 'do something' when a key employee has the effrontery to leave. Those of us who were around in the late 1980s will remember, with foreboding, the panic that drove many employers to throw money at people both to join and to stay. We also remember, with a wince, the difficulty of 'buying out' market supplements and car schemes long after they had ceased to be useful. So are employers right to press the panic button again? Should they brace themselves once more for long-forgotten turbulence in the labour market?

The short answer is 'probably not', but with certain important caveats. The first is that, this time around, concern over staff retention is about quality not quantity. Many employers, as we saw with the Y2K problem, were prompted to offer significant loyalty bonuses to relatively few people with key skills. If they stayed to complete vital millennium projects, they people stood to receive bonus payments of up to one years' salary.

A second is that, even with labour turnover rates at a relatively low level, the loss of even a small number of employees can cause a good deal of 'collateral damage' in an organisation. Making special payments to high risk groups of employees in order to prolong their stay can, for example, seriously compromise the integrity of a pay system. Many companies claim with pride that their pay systems are open, transparent and equitable. It is surprising how ready they are to ditch these principles when a team of their COBOL programmers are swooped upon by the competition! Such losses can also stimulate some dangerous 'bidding up' among line managers, each claiming dire consequences if any of their own people left.

Retention bonuses

A third caveat is that, perhaps unsurprisingly, massive bonus payments may well not make much difference to whether an individual stays or leaves. They are guaranteed, however, to inflate pay in some specialist labour markets. Despite this, an increasing number of organisations are considering the use of retention bonuses as a tool, either to head off a potential resignation or to encourage individuals to delay or defer their decision to leave. Underpinning the use of such bonuses is a view that they can increase (in the short-term) the service the organisation gets from an individual, particularly if they have a valuable set of skills. However, several problems remain unresolved or exacerbated by retention bonuses.

For example, they can cause resentment among those ineligible for bonuses, either because they (or their post) are not considered vital enough, or because they have not made sufficient fuss compared with others. In addition, there can be a 'dead-weight' effect, meaning that bonuses might be paid to people in high risk posts who would not have left anyway (but who are grateful for the windfall), or to individuals who the organisation would not be sorry to lose.

Even if they are successful in deferring resignation, retention bonuses can be rendered ineffective by predatory employers buying them out in their enthusiasm to secure the services of particularly valuable individuals.

In some circumstances, retention bonuses can look like a rather blunt instrument: they send out a message that the business is serious about retaining some people, even in the absence of any evidence that they are even remotely effective. They do have the attraction, of course, of making HR professionals appear very responsive to the needs of the business, which is often sufficient in organisations where activity is valued more than results. What seems clear is that retention bonuses can only have limited impact. Unless, in parallel, other approaches to retention are being adopted, it is unlikely that retention bonuses by themselves will yield the expected return.

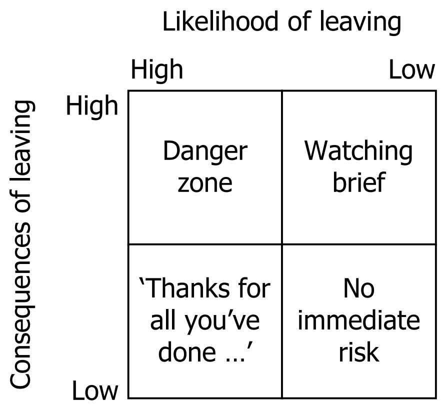
So what else can be done to keep marketable folk a little longer? We suggest the following. First, use risk analysis to find out where the real retention 'hot spots' are. Second, find out the real reasons underlying people's decisions to quit. Third, develop a retention strategy which emphasises prevention, which is based on evidence rather than panic, and which has a shelf-life of more than a week.

Risk analysis

Risk analysis for staff turnover means looking at two things. The first is the *likelihood* that an individual will leave. Statistically, this means that younger, better qualified people, with shorter service, few domestic responsibilities, marketable skills and relatively low morale, fall immediately into the high risk category. However, building up and acting upon such a profile needs to take account of both equal opportunities policy as well as the second key element of risk analysis — the *consequences* of a resignation.

Thus, if a key postholder's departure would seriously impede product or service delivery, would cause serious replacement problems or costs, or would represent a serious advantage to direct competitors, then they would also count as a high risk. The key here, however, is to examine the combination of *likelihood* and *consequences*. Figure 1 shows how these factors combine to show how much urgency to attach to the four scenarios.

Figure 1: Risk analysis of staff leaving



If both the likelihood and consequences of an individual leaving are low, then there is clearly no immediate risk and there can be no case for special measures. If both likelihood and consequences are high, then we enter the danger zone within which the instinct will be to offer loyalty bonuses or a better car. If the likelihood of leaving is high, but the consequences low, then a judgement must be made about whether resignation is inevitable and that you should just be grateful for the service the individual has given. If the likelihood is low, but the consequences are high, then the policy priority is prevention. It is essential to maintain a watching brief on these individuals to ensure they do not migrate to the danger zone.

An excellent use for this kind of simple risk analysis is for prioritisation among the competing demands of line managers. HR managers can use this simple framework to question line managers about the likelihood and consequences of resignations, to help them make sense of the overall risks the organisation faces, and to make decisions or recommendations about where resources are best targeted.

Reasons for leaving

Many companies leap to the conclusion, on the basis of no evidence whatsoever, that paying people more will stop them leaving,. In fact, evidence from over 50 leavers surveys conducted by IES over the last decade shows that only ten per cent of leavers cite pay dissatisfaction as their main reason for quitting. They are far more likely to point the finger at work which fails to make use of their skills, poor management, few promotion prospects and too much work pressure. Among specialists, these factors are often joined by concerns that the organisation is no longer committed to major projects, to innovation, or to keeping up with technological developments.

It is also very common to find that many staff leave within only a year or so of leaving. Indeed, one service company recently admitted to us that it was unable to fulfil all its contracts or take on new work because 40 per cent of new joiners were resigning within a month! It was recruiting its own staff turnover problem. This sort of problem points the finger firmly at recruitment procedures. Either selection methods are failing spectacularly to match the person to the job, or the company is raising candidates' expectations so sky-high that they cannot help but be disappointed once they start their new jobs. The style of management which new recruits experience can also be a problem.

For small numbers of leavers, carefully constructed exit interviews can be revealing. However, they need to be conducted sensitively and consistently. We still see organisations who collect, but fail to use, exit interview results. More reliable are exit surveys, which collect far more reliable data and which can be used to monitor reasons for leaving across the organisation and over time. IES has also developed measures which can be used in standard opinion surveys to predict the proportion of staff likely to leave in the future, as well as the factors underpinning these intentions.

Of course, for some groups, pay will be more of an issue than for others. But the collection of risk analysis and 'reasons for leaving' data can put this one aspect in a broader context, and allow the organisation to target its retention efforts where they are most needed and most likely to be effective.

Retention strategies

Common sense tells us that, with an increasingly diverse workforce, to expect single measures to reduce staff turnover at a stroke is both naive and wasteful. Some companies are beginning to realise that a range of tailored measures including, but not dominated by, loyalty bonuses is the key to having sustained impact.

One2one, the mobile 'phone company, is well aware of the value of retaining valued staff. The company, like many others employing call centre staff, was facing a combination of problems associated with unwanted turnover of staff employed at their Elstree call centre.

One2one was in danger of becoming trapped in a cycle of continual recruitment and training only to lose people at a time when they were becoming most valuable. Penny Davis from one2One estimates the cost of replacing each customer services advisor is at least £4,200. Penny knew before she could begin to influence and manage turnover within the call centre she must first identify the key drivers of attrition by finding out and understanding why people were leaving.

Simply finding out what customer services advisors liked or disliked about their jobs proved a 'quick win' for one2one. A series of focus groups conducted with a mix of staff currently working in the call centre uncovered a range of issues including; what people thought of the company, their jobs, management, communication, recruitment and appraisal processes, customer service and, importantly, people's future career intentions and aspirations. One2one is now developing an action plan from the outputs from the focus groups, reviewing the exit interview procedure, the induction process and the early training available for new recruits in order to reduce attrition rates within the call centre.

So what elements should comprise an effective retention strategy?

The checklist below sets out some of the main areas which we have found to be most useful.

Retention strategy checklist

Good data	Be able to identify turnover 'hot spots', high risk groups, costs and trends over time.
Reasons for leaving data	Use well structured exit interviews or leavers surveys to highlight reasons which are in your control.
Risk analysis	Establish, by looking at the likelihood and consequences of resignation, to what extent you have employees in the danger zone.
Recruitment	Avoid recruiting turnover by matching people to posts and by not inflating recruits expectations before they join.
Training & development	Tailor and deliver training and development opportunities to the needs of both the organisation and the individuals.
Management style	Ensure the managers have the skills to manage people and that they understand that the way they manage can increase or lower staff turnover.
Job content	Allow as much autonomy, team-working and control as practical. Ensure flexibility does not meet only the organisations needs.
Rewards	Use loyalty bonuses only where nothing else will work, — and even then don't expect their effects to last. Ensure rewards are seen to be fairly determined and distributed.
Flexible working	Ensure that employees with a need for flexibility in hour or location feel that the organisation is responsive.