

## Predicting Pent-Up Turnover

### Dramatic Departures on the Horizon?

By this point most have heard the story of Steven Slater, the controversial JetBlue flight attendant who quit his job in dramatic fashion this past August. After being berated by an impatient passenger, the frustrated Slater grabbed a beer, got on the loudspeaker, told a plane full of passengers he'd had enough, deployed the emergency exit, and slid his way to freedom.

For frustrated employees around the world, Slater is a folk hero, implementing an exit strategy that most of the demoralized and downtrodden only dream about.

For senior leaders and HR directors trying to retain top talent, this story taps into a gnawing fear that has been spreading in recent months. After two years of Recession-induced stress, frustration, and workload, have our employees had enough? Could my organization be facing an upcoming turnover crisis?

In this month's *SirotaReport*, we take a closer look at pent-up turnover and the distant early warning signs that can help you determine if your organization is facing a looming threat.

### Job Satisfaction: A Starting Point for Understanding Voluntary Turnover

Researchers have been studying voluntary turnover for decades, mainly because it is an expensive but preventable problem. Turnover costs vary widely depending on industry, job type, and employee performance. One recent study found that turnover costs range from 93 to 200 percent of the exiting employee's salary (Cascio, 2000).

For the past fifty years, starting with influential work by March and Simon (1958), many researchers and HR managers have hypothesized that two main factors influence an employee's decision to quit: the perceived ease and desirability of finding a new job. When new jobs are available and current jobs are not enjoyable—the logic goes—employees are more likely to leave.

Decades of research now show that the relationship between job availability and turnover is weak and inconsistent, but there is a moderate empirical link between job satisfaction and turnover. When employees indicate that they are not happy with their jobs, or report that they want to leave, they are in fact more likely to take action and quit. A recent meta-analysis shows that job satisfaction accounts for 3.6% of the variance in turnover, while intention to stay accounts for 12% (Griffeth, Hom, & Gaertner, 2000; Hom & Griffeth, 1995). Although neither job satisfaction nor intention to stay provide an overwhelming amount of predictive power, both can be used to gain a general, high-level understanding of turnover intentions.

## Sirota Science: Developing Deeper Insights through Linkage Analysis

For a more accurate picture of turnover potential in your organization, it's necessary to take a closer look at the unique drivers of turnover for your employees. At Sirota, we do this through turnover-focused linkage analysis; this allows us to determine which aspects of the employee experience are critical for retaining employees. By integrating employee survey results with time-lagged turnover data, we can develop a customized model of retention for an entire organization or a specific sub-group of employees.

We recently linked three years of survey data with three years of voluntary turnover data for one of our clients. In year one, we utilized relative weights analysis to identify nine key drivers of employee commitment (see Table 1), which in turn was significantly related to actual turnover in the months following the survey. Using these items, we identified employees who were "at risk" for voluntary termination. In year 2, we sought to validate these items and determine if they really predicted turnover. As expected, they did. Among those who voluntarily left in year 2 of the study, more than two-thirds were identified as "at risk" employees the year prior. The same pattern occurred in year 3 of the study. Based on this analysis, this client was able to identify the critical commitment factors they needed to focus on to retain employees.

Table 1: Key Drivers of Employee Commitment and Retention at Company XYZ

Drivers of Employee Commitment and Retention	Relative Impact
I feel my career goals can be met at this company	1 (Top driver)
I feel a sense of belonging at work	2
My work gives me a sense of accomplishment	3
I am paid fairly	4
Senior Leaders treat employees as valuable assets	5
People are rewarded for their performance	6
I can balance my work and life	7
I receive recognition for my accomplishments	8
My supervisor supports me	9

## Other Factors that Impact Voluntary Turnover

In recent years, researchers have started looking beyond job satisfaction, exploring other factors that lead employees to quit. Five new findings are worth noting.

1. **A sense of community makes a difference.** Mitchell, Holtom, Lee, Sablunski, and Erez (2001) found that employees stay at jobs when they feel a sense of fit and connection with their coworkers, job, organization, and community.
2. **Work and life changes can lead to turnover.** Lee & Mitchell (1994) found that shocks—significant events that happen at work or outside of work—often precede voluntary turnover. Examples of shocks include being passed over for a promotion, going through an organizational change, having a baby, getting married, losing a parent or loved one, or being berated by an angry passenger.

3. **Downsizing can lead to increased turnover.** In a 2008 study of 267 companies by Trevor & Nyberg, companies that deeply cut their workforce experienced higher rates of post-layoff voluntary termination. There is one silver lining to this study: Trevor & Nyberg (2008) found that HR practices that promoted fairness, fostered commitment, or enhanced career development mitigated the impact of downsizing and helped reduce turnover.
4. **Turnover can spread in teams.** Felps et al. (2009) proposed that when employees see and hear that their colleagues are looking for new jobs, they might be more likely to consider looking for a new job as well. They found preliminary support for their hypotheses; employees may be more prone to leave when their colleagues set the example.
5. **High Potentials and Top Talent are looking for growth opportunities.** Recently Nyberg (2010) found that pay growth—the annual increase in salary an employee receives—is a critical determinant of voluntary turnover for top talent. In fact, as employee performance levels increased, Nyberg found that high pay growth was more important than job satisfaction as a driver of retention.

For organizations that froze salaries and suspended bonuses during the Great Recession, these findings are a call to action. Even if pay freezes must remain in place, now is the time to talk with employees and find out what they want. We consistently find that high performers seek learning and development opportunities (for example, see Table 1 above). While development is not a substitute for pay, it is valued. Without the opportunity for growth—either in terms of pay or learning—your best and brightest may likely leave soon.

### Identifying Pockets of Concern: Two Case Studies

Informed by these findings, we're helping our clients conduct a thorough analysis of the potential for pent-up turnover. Across most organizations, we are not seeing seismic, workforce-wide shifts in turnover indicators. So far this year, levels of job satisfaction, employee engagement, and intention to stay have been relatively stable at the overall company level in most organizations.

In some cases, though, we are finding subtle shifts amongst small but important segments of the organization. In other words, pent-up frustration seems to be building in pockets—parts of the organization where employees are feeling overworked, undervalued, and uncertain about their future.

We are finding these pockets through two techniques, described below.

- **Profiling Potential Quitters:** While analyzing data for one of our clients this past spring, we conducted a careful review of critical employee populations (e.g., high

potential employees, immediate managers, salespeople). Our research showed that a high number of frontline, customer-facing employees were at risk to leave. Using survey results and demographic data, we were able to pinpoint the specific locations where turnover was likely to occur and provide a demographic and attitudinal profile of turnover candidates, all while protecting employee confidentiality. Potential exiters tended to be 25 to 35 year old men working in two regions and a handful of specific units. Using this data, our client was able to conduct targeted focus groups and interventions to prevent turnover from becoming a widespread problem that could disrupt sales and service levels.

- **Learning from 2010 Attrition Trends:** For another client, we conducted a careful analysis of employees who have quit during the first half of 2010. Because the survey was identified, we were able to look back at 2009 survey results for exiting employees and contrast their attitudes with employees who have stayed with the organization. What we found was striking (see Table 2). Exiting employees were 10 to 20 percentage points lower on seven critical retention items in 2009.

Table 2: 2009 Survey Results for employees who have stayed and quit in 2010

2009 Survey Results (Abbreviated Text)	Ees who stayed in 2010	Ees who quit in 2010	Gap
Overall satisfaction	82%	59%	-23
Enthusiastic about future of the Company	76%	54%	-22
Management treated employees with respect	73%	60%	-13
Co. takes a genuine interest in ee well-being	68%	55%	-13
This company has a clear sense of direction	72%	59%	-13
I am rewarded fairly	64%	52%	-12
Plans are implemented effectively where I work	66%	56%	-10

Based on these results, our client is working hard to make sure employees feel confident about the future of the company and supported by their immediate and senior leaders. The organization is also clarifying reward-for-performance policies and reducing operational inefficiencies.

### Predicting and Preventing Pent-Up Turnover in Your Own Organization

What’s the best way to look for and manage pent-up turnover in your own organization? Based on our experience, we recommend three steps.

- **Assess Risk Factors.** First, it’s important to assess organizational risk factors. Has your organization undergone major changes over the past few years? Based on research we conducted with a sample of Senior HR leaders this past Spring, we found that organizations went through—on average—four major workforce changes during the Great Recession. The most commonly implemented changes were operational budget cuts, layoffs, restructuring, training budget cuts, and pay freezes. Considered against the backdrop of turnover research cited above, these types of

changes may have caused shock for some employees. Others—angered by layoffs or pay freezes—may now be looking for other jobs. In line with these predictions, in our study we did find that employee loyalty—as assessed by Senior HR leaders—was lowest in those organizations that experienced the most dramatic changes during the Great Recession.

- **Re-Visit Survey Data.** Second, it's critical to understand how your employees are thinking and feeling during these challenging economic times, especially if your workforce has experienced a significant number of changes over the past two years. We recommend starting this analysis by looking for large-scale, workforce-wide attitudinal shifts on retention marker items. If you have developed a customized model of retention via linkage analysis, start by looking at results on these critical survey items. If not, consider results on general retention marker items that measure intention to stay, job satisfaction, employee engagement, and commitment.

Stable or improving organization-wide results on these items are good signs, but don't be lulled into a false sense of security. As noted above, the pent-up turnover problems we're finding often exist within specific segments of the organization. With this in mind, consider identifying critical employee populations—such as high potentials, immediate managers, or sales people—and assessing their attitudes on key drivers of retention in your organization. Also, we recommend giving open-ended responses a close read, looking for signs of shock, frustration, misunderstanding, or stress. Comments such as the following deserve attention:

*"It was understandable not to get a raise two years ago when the economy was so bad. However, last year when the company did exceptionally well...merit increases should have reflected that."*

Exit survey data can help you determine if new turnover threats are emerging. And a mid-year analysis of 2010 exiters, like the one described above, could identify critical retention levers.

- **Take Action.** Finally, it's important to implement the right interventions to address employee concerns and reduce the potential for turnover. While specific interventions will need to be tailored to the unique needs of your employees, there are a few general strategies that all organizations may want to consider.
  - ❖ **Connect with employees.** Good retention plans always start with the immediate manager. Through their words and deeds, managers set the day-to-day context for employees. Studies have shown that employees are more likely to stay at jobs when they feel supported by their immediate manager (see Giosan et al., 2005). Given the changes that many employees experienced during the Great Recession, now could be a good time to ensure

managers are creating and maintaining good connections with their employees. Managers can be trained to have simple but effective check-in conversations with direct reports, assess their current needs, determine if employees are going through significant changes—or shocks—at home or work, and develop appropriate response strategies to help employees feel supported. During these conversations, managers should assess the extent to which employees feel committed to their work, connected to the organization, and optimistic about their growth opportunities in the firm.

- ❖ **Clarify the new deal.** Supportive words and empathy are a start, but they won't be enough to keep employees. If pay freezes and budget cuts were instituted during the Great Recession, employees will want to know when these offerings will be re-instated. Now is a critical time for HR to clarify and communicate the deal that employees are getting. If certain offerings, such as bonus pay or training dollars, won't be re-instated any time soon, HR should clearly communicate this and determine what alternative rewards, such as paid sabbaticals or flextime, could be provided as substitutes.
- ❖ **Set the context and focus on business success.** Senior leaders can impact employee commitment levels by reaching out to employees and ensuring everyone in the organization is clear and confident about the future of the company. Now is also a good time for senior leaders and business unit leaders to improve cross-functional teamwork and eliminate frustrating processes. Such efforts have the potential to enhance organizational effectiveness while reducing workforce stress and improving the employee experience.

Pent-up turnover can be prevented. Employees like Steven Slater can be reached and problems can be resolved long before they result in dramatic departures. But doing so requires an organization-wide awareness of this potential problem and its causes, a clear assessment of how employees feel and what they need, and appropriate actions to address their concerns.

### **Need More Information about Pent-Up Turnover?**

For more information on recent trends, or to find out how Sirota can support your employee research efforts, please see [www.sirota.com](http://www.sirota.com) or contact us at [surveyintelligence@sirota.com](mailto:surveyintelligence@sirota.com).

And for a listing of upcoming Sirota presentations for HR professionals, please visit: [http://www.sirota.com/index.php?option=com\\_content&view=article&id=20&Itemid=27](http://www.sirota.com/index.php?option=com_content&view=article&id=20&Itemid=27)

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