

## Five Ingredients for an Employee Retention Formula (Special Report on Recruitment & Retention)

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\*reprinted with permission: HR Focus, Sept 1998 (v75 n9) p. S9(2).

*Abstract: Aon Consulting embarked on a three-year study of employee loyalty to create an annual index of workforce commitment and examine the organizational factors and conditions that affect the level of commitment. The results indicate that employee commitment has fallen across all industries, job functions and levels; that job-related stress has increased; that the number of employees having difficulty balancing their professional and personal lives is growing; and that more employers are willing to change jobs if offered higher pay. The study also identified five factors that strongly influence the decision of employees to stay. These are a fearless corporate culture, job satisfaction, opportunities for personal growth, organizational direction and recognition of employees' need for work/life balance.*

Employee loyalty - a casualty of the transition from an industrial age to an information society - is dead. Organizations tore up the old social contract as part of merging, streamlining, outsourcing and rightsizing. Meanwhile, a new U.S. workforce has emerged and it is more independent, educated, entrepreneurial, diverse and wary than ever. Is there a new "mutual commitment contract" that will allow organizations to recruit and retain a highly motivated, dedicated workforce into the 21st century?

That question launched Aon Consulting's three-year study of employee loyalty in America in 1995. The purpose of the research was to establish an annual index of workforce commitment (WCI), and continually investigate the following organizational factors and conditions that enhanced or depressed the commitment level.

(1) **Lagging Commitment.** The study was replicated in 1998, and the WCI fell a significant 2.2 points to 97.8. The trend showed lower commitment across all industries, job functions and levels, with customer service workers taking the steepest dive in that category. The data indicates that the WCI drop is best explained as a function of increased stress, work/life imbalance, and the favorable employment conditions of a tight labor market.

(2) **Soaring Stress Levels.** Job-related stress is on the rise. The percentage of employees reporting job-related "burnout" rose from 39 to 53 percent in the last three years. This workforce is winded from working longer hours. The percentage of workers reporting regular 50-hour workweeks nearly doubled from 1995 to 1998. In addition, the number of days lost due to stress increased by 36 percent from 1995 to 1998, from 1.1 days to 1.5 days.

(3) **Work/Life Imbalance.** Increasing numbers of workers are feeling the struggle and the pressure

to balance work with other parts of their life. Caring for a sick child or relative, or the absence of daycare has added another day lost, from 3.6 to 4.6 days per year since the first 1995 measure. When America@Work ranked 23 common benefits by importance, paid vacation and holiday time jumped six spots, from 10th to fourth place.

(4) **Jumping Ship for Greener Grass.** Employees know it is their turn to have the upper hand in the marketplace. More than a quarter of respondents said they would consider another job if there was a pay raise of 10 percent. More than half would check out the opportunity for a pay raise of 20 percent. Pay, however, will not be the deciding factor in whether employees stay or go.

## TOP FIVE COMMITMENT DRIVERS

The 1998 study investigated a variety of factors or conditions (independent variables) that could affect the Workforce Commitment Index. Seventeen factors were found to be significantly correlated with the WCI, but the true drivers of retention are as follows:

1. **A FEARLESS CULTURE.** Of several items in the study dealing with the work environment, the following factor had the highest correlation to the Index: "The extent to which the organization encourages you to challenge the way things are done." Being able to speak up and speak against the status quo would be possible only in a culture where there was no fear of retribution.

Action plan: Assess the willingness and ability to encourage open, honest and confrontational communication.

2. **JOB SATISFACTION.** Job satisfaction has been a recognized driver of organizational performance for 25 years. Just as job satisfaction affects productivity, quality and morale, there is a strong correlation to commitment. Being placed in the right job, with the right orientation, training, tools and resources is still a key organizational success factor.

Action plan: Make sure selection and assessment processes are putting the right person in the right job.

3. **OPPORTUNITIES FOR PERSONAL GROWTH.** The American worker wants to grow and learn. This does not necessarily mean formal training programs. Personal growth can be found in job sharing, task forces, conferences and expanded responsibilities.

Action plan: Review current performance management processes to ensure that they provide a valuable learning experience. Think creatively about types of experiential learning opportunities that can be provided at no/low cost.

4. **ORGANIZATIONAL DIRECTION.** "The direction the company is heading" was the second most highly-correlated item to the WCI. Employees today want to believe

in and have confidence about their company's future. Faith that all will be well for the company and its employees is a key driver to retention.

Action plan: Communication of the company's mission, vision, strategies and goals cannot be done enough. Building consensus and enthusiasm through employee participation in "where" the company is going and "how" to get there is a sure commitment creator.

5. **RECOGNITION OF WORK/LIFE BALANCE NEEDS.** The factor most significantly affecting workforce commitment is "management's recognition of the importance of personal and family life." Balancing the demands of work with the need to deal with personal and family issues has become a hot topic in the last few years. This finding supports the attention given to work/life concerns. It is important to note, however, that the item does not presuppose or support any particular program or policy. Employees are saying that they want to observe an acknowledgment, and an awareness from their employers that family and personal life are important. In effect, supervisors and managers of people can go a long way to leveraging this commitment driver by simply showing that they know the type of "balancing acts" employees are trying to maintain.

Action plan: Carefully study what the company could do to show support of work/life balance issues. Just announcing a program - EAP, childcare, financial planning, etc. - may not be a commitment builder unless the program truly fits a lifestyle need for a number of employees, and is consistent with an overall culture that values work/life balance.

## **CREATING THE WORKFORCE COMMITMENT INDEX**

We conducted focus groups with more than 600 American workers to create a definition of commitment that could be measured and tracked over time. The actual Workforce Commitment Index (WCI) was established in 1997 through phone interviews with a representative national sample of more than 1,800 U.S. workers. The Index is a compilation of results stemming from the following

six behavioral statements:

### **DIMENSION**

### **STATEMENTS**

(1) Team development

\* The people I work with make personal efforts to improve their skills so that they can make a better contribution to their jobs.

\* The people I work with make personal sacrifices when required to help our work group succeed.

(2) Referral behavior

\* I would recommend my company's products and services as the best that a customer can buy.

\* I would recommend my company as one of the best places to work in my community.

(3) Tenure intentions

\* I intend to stay with this company for the next several years.

\* I would stay with my company even if offered a similar job elsewhere with slightly higher pay.

The 1997 baseline WCI norm was set at 100, following methodology similar to other established measures such as the Consumer Confidence Index. The WCI was remeasured in 1998 through Aon's America [at] Work study, which included the investigation of 75 possible "drivers" of workforce commitment in five organizational areas:

- \* Benefits and compensation;
- \* Organizational culture and leadership;
- \* Change management;
- \* Employee selection and development; and
- \* Work/life balance.

Source: AON Consulting

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