



Attrition and motivation

Whitepaper

“ All paid work
is slavery.”

Aristotle

Why people leave their jobs and How can we get them to stay?

People are leaving their jobs in greater numbers than ever before. In 2010, the UK's average attrition rate was 10.4%, at a cost of £42 billion to UK businesses. In 2013, these figures had risen to 15% and £63 billion respectively. In 2016, the average attrition rate is expected to rise to as much as 49%, costing UK companies a total of £206 billion.

Accordingly, companies pile their recruitment budgets into developing employer value propositions, sophisticated attraction channels, social media platforms, corporate websites, resourcing teams and technology platforms in order to attract new people. They'll even pay recruiters to do it for them. So why isn't it enough? Will we spend a fortune bringing in an entire replacement workforce if attrition reaches 100%? In this whitepaper, we'll look at why companies seem to be fighting a losing battle against staff turnover; why people leave their jobs and what we can do to keep them.

The two sides of the coin

Companies can normally pinpoint their cost of hire to the nearest penny. Their techniques, processes and systems are all geared towards bringing people in rather than keeping them. Recently, Impellam did things the other way around. Impellam is a leading provider of Managed Services and Specialist Staffing expertise primarily in the UK, Europe, Asia Pacific and North America. Impellam provides fulfilling jobs through its specialist businesses, including Blue Arrow, across a broad range of sectors. Using a whole host of variables, including the costs of hiring and inducting new employees, we calculated that a client's cost of attrition was 13 times larger than their measured cost of hire. The fact that attrition is more expensive than attraction means employers are spending a disproportionate amount of time, effort and money on the latter.

While our client was focused on reducing the cost of hiring, they were creating costs elsewhere - and they didn't know it. They just accepted that people left. It's almost like plugging a leak in the boat by making a hole somewhere else.

The five farewells

It doesn't have to be that way. Recent work in big data analytics and workforce science - simultaneously analysing detailed information on worker characteristics, applications and assessments, workforce data, job types and the economy - have enabled us to identify why people leave their jobs.

1. Rising economies

When the economy's looking good, there are more jobs available and people feel more confident. When people feel more confident, they're more likely to look for another job. With the UK boasting the fastest growth rate (2.8%) of the G7, unemployment reaching a lowly 5% in June 2016, weekly earnings up 2.4% in the last year and the number of job vacancies growing at their fastest rate for 15 years, it's fair to say we're enjoying something of an upturn. Indeed, the UK's expected to have Europe's biggest economy by 2030. Unsurprisingly, demand for staff remains high.

All this means that people now have a choice. 42% of permanent job offers are rejected because candidates accept a different offer. As a result, employers have to work harder than ever to keep their staff. With Investors in People revealing that 49% of employees look for another job because they don't feel valued, the way you treat your staff and candidates is critical to your success.

2. Corporate cloaks and daggers

To many, the suggestion that recruiters 'stretch the truth' would be far from a surprising revelation. In fact, with 43% of candidates encountering discrepancies between job descriptions and the actual role, job hunters would be shocked if recruiters didn't stretch the truth. Companies are increasingly crow-barring job descriptions together to save money when people leave. If someone moves on after a number of underpaid years, employers often end up paying more for a replacement as the market rate catches up with the company.

In this age of smartphones and virtually limitless access to information, candidates can tap into a world of CV and interview advice to help them get a new job. And they can check websites like Glassdoor to see what's really going on behind the scenes. If a job doesn't turn out to be what it said on the tin, companies will face an understandable exodus of those who feel a little let down.

3. Strained relations

There's a saying that you leave your manager and not your job. After all, managers have a massive impact on our happiness, our engagement and even our health. They influence the way we are treated, trained and developed. So workforce relationships are by far the most critical factor.

The relationship between employees and managers has changed. Historically, managers would have viewed their employees as numbers, as a human resource, having little regard for their lives outside the workplace. Work and personal relationships were very separate. But today, fluid working practices have blurred the boundaries between personal and working lives. Accordingly, leaders realise that to help people grow, they need to connect with them, to take an interest in their lives, to treat them with respect. When managers are more empathetic, they have a better understanding of their employees and can motivate them more effectively. When they don't, that's when things can go wrong.

4. It's not us, it's you

Too often, companies hire people without the required characteristics - the wrong person for the wrong job at the wrong time. If a company keeps hiring and firing for the same role but no-one seems quite right, there's one common denominator: the company itself. Before recruiting a role, employers need to understand exactly what kind of person they need to do the job. This goes beyond their basic skills. Many candidates will have a certain level of technical proficiency for the role, but their level of behavioural proficiency - their ability to engage with the rest of the team, to coerce, to influence - might make all the difference.

Employers need to observe their best staff and understand what makes them most effective. Is it their skills or is it their behaviours? Once they understand this, the employer will need to cater their hiring process and interview questions to uncover candidates who have these characteristics. An employee's previous experience does not predict their future performance - their aptitude and work style do.

5. Do not consume beyond display date

Some jobs have a different shelf-life to others. Due to the fast-moving and more transitory nature of certain sales roles, the employee may look to move on relatively quickly. Call centres are notorious for their pressured environment and high turnover. The England football manager's role rarely lasts for more than a couple of years. At the other end of the spectrum, some CEOs will be in the job for a number of years as they look to instigate long-lasting change in a steep corporate environment where it takes a long time to get anything done.

The motivational mix

Knowing why employees leave is one thing. But if companies want to persuade them to stay, they need to know what their people want. Research from over 100,000 employees has revealed that workers crave five things:

- ▲ Management that provides encouragement, empowerment and clarity;
- ▲ Training that enhances the work experience and improves long-term career prospects;
- ▲ Opportunities for advancement and greater responsibility;
- ▲ An organisation with a good brand image and a positive working culture; and
- ▲ Incentive-based remuneration and a fair wage for work performed.

That's a lot of bases to cover. But what's most important?

In motivational theory, there are two primary sources of motivation at work. Extrinsic motivation comes from sources outside the individual, such as money, fame, grades and praise. Intrinsic motivation comes from within the individual, including learning, mastery, meaning and the simple pleasure of doing the job.

When motivating their staff, should employers look to the tangible or intangible? Materialistic or spiritual? Extrinsic or intrinsic?

The money myth

The perennial debate about whether money is the best motivator seems to have been going on for almost as long as money's actually been around. But money can't necessarily buy you love. When a star employee threatens to accept a role elsewhere, companies frequently make a counter-offer to convince them to stay. But while more money might keep them on-board in the short term, it won't address the reasons for them wanting to leave in the first place. It will only delay the inevitable.

Various scientific studies show that rewards are not enough for the majority of jobs.

A study by American economists Ariely, Gneezy, Lowenstein and Mazar, which offered a group of students three kinds of rewards for solving a given task, found that "As long as the task only involved mechanical skill, bonuses worked as they would be expected: the higher the pay the better the performance." But once the task called for "even rudimentary cognitive skill," a larger reward "led to poorer performance." Similarly, "In eight of the nine tasks we examined across three experiments, higher incentives led to worse performance."

Rewards are ideal for certain tasks; they narrow the focus, heighten one's desire to achieve a specified goal while the solution remains on the periphery. At the same time, though, work that is repetitive, that involves following a process, can be outsourced or automated. McKenzie expects three million blue collar workers in the US to be permanently unemployed within the next four years as their work will be done by robots.

The strength within

The reality is that while extrinsic motivators serve their purpose, employers also need to use methods that transcend the purely financial. In his book "Drive: the Surprising Truth About What Motivates us," career analyst Daniel Pink identifies mastery, autonomy and purpose as the key factors in motivation.

Autonomy is the urge to direct our own lives, to feel a sense of ownership for our work and control over our own destiny. Mastery is the desire to get better at something that matters. We all aspire to master what we do. Purpose is the yearning to be part of something larger than ourselves, to feel that what we do is important and valued.

Staying power

When you know why your people leave and you understand some of the factors that might convince them to stay, you can then put a few strategies in place to keep them. Fortunately, there are just as many ways to keep people as there are to lose them.

Ready your resources

The economy will cause your attrition to increase in 2016 and beyond. Prepare for the potential increase in staff turnover by adjusting your HR and resourcing teams and devising effective retention strategies.

Be specific on the spec

Before candidates become employees, make sure they're aware what they're letting themselves in for! Detail the responsibilities of the job and ensure candidates know exactly what would be required of them.

Know what you want - and who you want

Understand what kind of person would be a good candidate for the role - their technical as well as behavioural characteristics - so you can select the right people.

Manage your managers

Be aware of your good line managers and the characteristics that make them effective. If any of your team aren't good managers, you might want to ask why they're managers at all.

Know their needs

Give your employees an individual purpose and suitable rewards that address their specific needs as a human being.

Share your interests

Tie in an individual's goals with those of the wider organisation. This will ensure the employee feels the work they do is valued and actually has an impact on the company's performance. Aligning their personal interests with those of the company will engender loyalty.

Trust them

Design your roles to be autonomous and to enable mastery. Trust your people to do a good job and give them all the tools they need to do it. Let them choose what to work on and how to work on it, introducing side projects to keep them engaged. Help them master their skills by encouraging them to participate in relevant events or training courses.

Attribute attrition

Understand who is responsible for, tasked with or measured on attrition and engagement. This will formalise it as a genuine company process.

Conclusion

In a way, attrition is a good sign for businesses. It shows that the economy's improving, that good people are out there and looking for opportunities. But if you don't manage it correctly, it can erode your business and deplete your workforce.

To keep attrition under control, companies need to change their line of attack, to focus on ways of keeping their existing people rather than bringing in new people - people who might only be bound for a premature exit themselves.

To be kept happy, employees need an appropriate balance of extrinsic and intrinsic rewards depending on the nature of the role. It stands to reason that a worker will want a fair wage so they can pay bills, pursue hobbies, enjoy themselves from time to time. But over and above that, they need rewards that will appeal to their humanity, to their very nature. Rewards that are specific to them. Once we truly understand our people, the crucial factor that makes all our businesses tick, then we can truly come to understand our businesses - and how to keep them successful.

Interested in learning more?

This whitepaper is based on a seminar delivered by Russell Beck, Head of Consulting at the Impellam Group. Russell regularly creates and leads seminars on the most pressing recruitment issues. Russell is currently delivering this seminar to businesses all over the UK, but it can be privately booked and tailored to suit the specific needs and traits of your business.

Contact us to book a seminar or for further information on how Blue Arrow can help meet your staffing requirements:



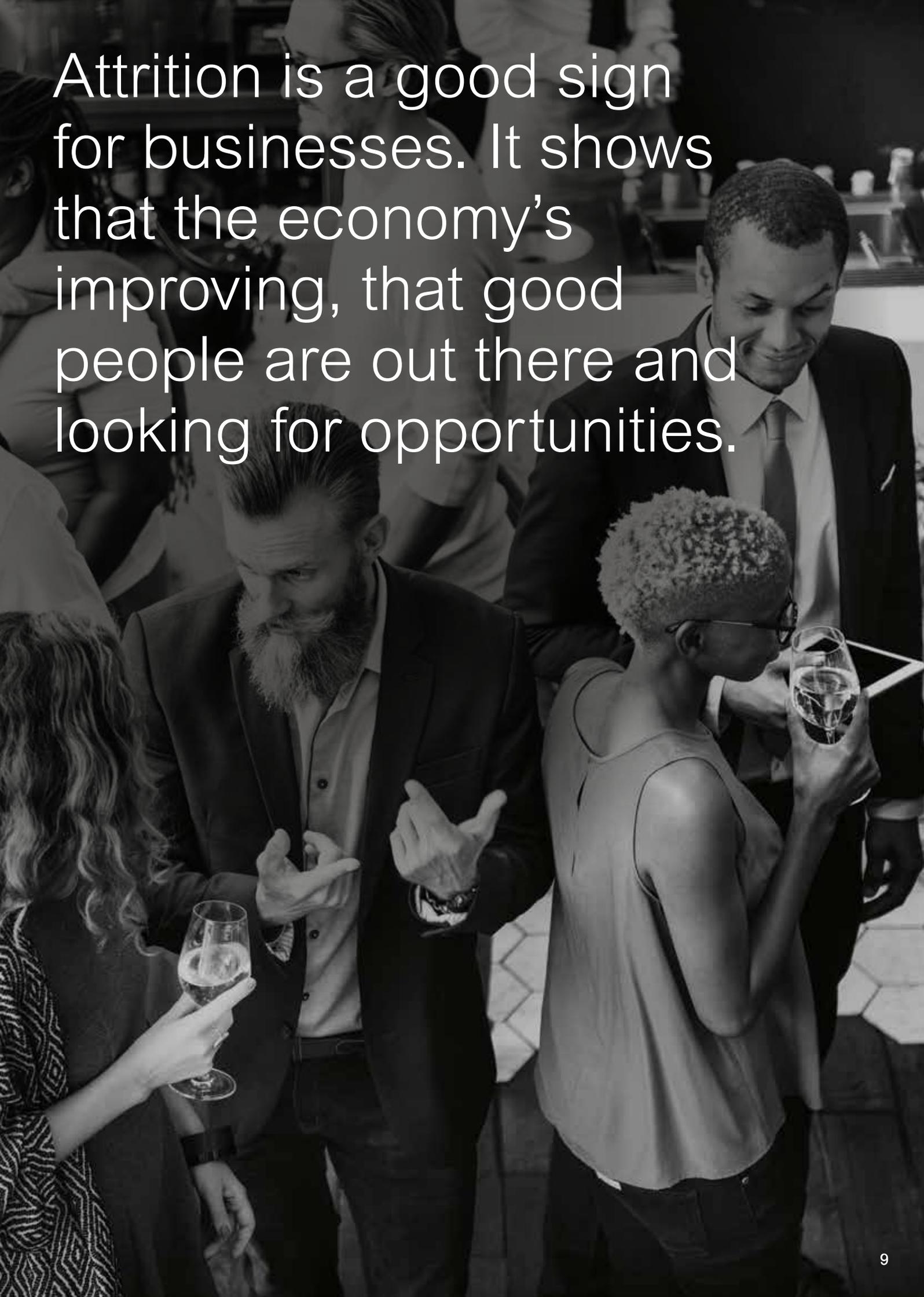
01582 787261



marketing@bluearrow.co.uk



www.bluearrow.co.uk



Attrition is a good sign for businesses. It shows that the economy's improving, that good people are out there and looking for opportunities.

