

Should I stay or should I go? New insights into how to create loyalty and boost staff retention

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One of the important reasons for employers to care about the well-being of their people is that well-being is linked to a range of important outcomes, not just for the individual employee but for the organisation itself. These important organisational outcomes include sickness/absence, customer satisfaction, productivity and employee retention (see Robertson, 2007). At Robertson Cooper we already know that well-being makes an important contribution to employee retention but to help focus and improve our work in this area, I have been looking at some of the research on employee retention and the factors that influence retention and turnover.

The latest CIPD survey (conducted in December 2006) shows that the number of employers reporting retention difficulties has climbed from 69%, in the previous year's survey, to 78%, with private sector businesses reporting particular difficulties (83%). In general, organisations don't want to lose employees who are contributing well – whenever a productive employee leaves an organisation voluntarily there is a cost to the organisation. My estimate, based on CIPD data, gives a cost to the organisation of at least £8,000 for each person who leaves – some estimates put the cost per person at over £20,000!

Of course not all employers want to increase employee retention, some are happy with their current situation – with a minority (10%) wishing to increase turnover. One critical issue of course – regardless of how happy an organisation might be with current turnover statistics – is to ensure that good performers stay and poor ones leave. Interestingly some research evidence suggests that the people most likely to stay are those in the middle range of performance, with good and poor performers more likely to leave (Trevor et al., 1997; Salmin and Hom, 2005).

According to the CIPD report, the most common reasons for people to leave were career development (including promotion) and pay; so it would also seem that improving people's career prospects (e.g. through promotion) would be one way of keeping people. Again the research is interesting, with at least two studies suggesting that promotions may lead to higher, rather than lower, turnover. It seems that people who move up the organisation levels more quickly are more likely to leave and also that this effect is more marked for poorer performers (Trevor et al., 1997; Salamin and Hom, 2005).

As far as pay is concerned the research findings are perhaps more predictable, showing that pay increases can be a cost-effective way of making it more likely that people will stay. Interestingly the "stickiness" encouraged by salary growth is especially strong for high performers (Trevor et al., 1997; Sturman et al., 2003).

After career development (including promotion) and pay, the most frequently cited reasons for people leaving were lack of support from their manager and stress.

In this area the research findings show very clearly that poor and unsupportive management and stress will damage retention. For example one recent study (Stortdeur, et al., 2006) looked at the turnover of nurses from 12 different hospitals. They compared hospitals with much lower than average turnover (turnover<3.1%) from those with normal levels of turnover (turnover>11.8%). Differences were observed for a range of factors that are established sources of stress, including emotional demands, role ambiguity and conflicts, work-family conflicts and the sense of purpose (meaning) of work - all in favour of attractive hospitals. Relationships with management, were also better in the low turnover hospitals. Job satisfaction and commitment were also higher in the low turnover hospitals, whereas burnout and intention to leave were lower.

So, overall, what are the messages from this research for organisations? Well, first and foremost, the research confirms the widespread benefits of looking after the psychological well-being of employees. Perhaps the major secondary implication is that there are differences in the ways that good and poor performers react to things and policies and practices designed to control turnover need to be carefully tailored to achieve the desired impact.

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