

Should I stay or should I go?

Staff retention is becoming an increasingly difficult trick to pull off, says **Ivan Robertson**



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Employers never like to lose their most valued employees. However, this tends to be a fact of life because, research has shown, it's actually the best (and worst) performers who are most likely to leave. This is why the most successful organisations actively invest in managing turnover so that their most talented employees stick with them.

They do this because of the cost of losing good staff, but it seems that staff retention is becoming an increasingly difficult trick to pull off. The most recent Chartered Institute for Personnel and Development (CIPD) survey (2007) reports the UK's labour turnover rate as 18.1 per cent – almost the same as the previous year's 18.3 per cent. But the survey also showed that the number of employers reporting retention difficulties has risen from 69 per cent to 78 per cent in the past year. So where does the organisational pain come from when employees leave? Some of the following areas represent a source of cost and lost productivity:

- Administrative costs of leaving – removing the employee from payroll, conducting an exit interview, termination and calculation of benefits, loss/return of equipment.
- Replacement/recruitment costs – advertising and selection processes, medical examination, and induction.
- Training costs – job-related training, and transmission of organisational rules and regulations.
- Performance deficits – losses in productivity caused when others have to cover during the recruitment phase and while the new employee is getting up to speed.
- Lost knowledge, skills and experience – 25 per cent of leavers are likely to have been with you for over five years (CIPD, 2007), meaning that a lot of expertise and knowledge walks out of the door every year.

In terms of monetary costs, my estimate, based on CIPD data, is that the full cost of replacement for a typical employee on an average salary (approx £25,000 in the UK), is at least £8,000. But other, less conservative, estimates have put this figure at over £20,000. When applied to a whole organisation the costs cannot be ignored. As an example, the annual cost for a public service organisation with 2,000 employees is likely to be more than £2m!

Although the costs are significant, most managers would agree that some level of movement of people in and out of the organisation is a good thing. This is backed up by the CIPD survey, which showed that not all employers want to increase employee retention. Some are happy with their current situation – and around 10 per cent actually wish to increase turnover.

The overall turnover rate for the public sector is 14 per cent. At first sight this may seem fairly healthy, especially when compared with private sector rates, but closer examination reveals a dif-

ferent story. There are quite marked differences between different parts of the public sector, with the CIPD report showing lower rates in central government (6 per cent) and much higher rates in the health sector (17 per cent), the latter reflecting recently publicised issues around employee engagement and morale in the NHS.

So what is the reason for these differences? Is a rate as low as 6 per cent healthy? Are staff in this organisation happy and motivated or comfortable and overpaid? Of course, without knowing much more about what lies behind these figures it is difficult to say. But whatever the answer, it is important for public sector organisations to ask these questions and to encourage their managers to think about desirable rates of turnover and what influence they themselves may have on the movement of staff.

Regardless of how happy employers might be with current turnover, it stands to reason that they generally want good performers to stay and poor ones to leave. So the issue of who leaves an organisation is just as important as how many employees leave. If the best people stay and those who are contributing less tend to leave, the capability of the workforce will gradually improve over time. Unfortunately, in reality things are not that simple and research shows that it is actually average performers who tend to have the longest tenures (Salmin and Hom, 2005). So another question for managers is: who are the people contributing to an organisation's turnover rate (regardless of whether it is high or low)?

Surveys tend to ask people retrospectively about their reasons for leaving and depend on people being willing and able to recall the reasons behind their decision. An alternative approach is to collect information about people before they leave and then examine which factors turn out to predict subsequent turnover. In some respects, this approach can provide more reliable management information.

Griffeth, Hom and Gaertner (2000) looked at a large number of these studies and aggregated results to look for the trends. One of the strongest predictors of whether a person would leave was the quality of exchanges between employees and their boss – stronger than gender, ethnic origin and intelligence. Indeed, the role of the manager in employee retention arises time and again in the literature and it is also frequently cited as a reason for quitting by employees after departure.

After career development and pay, the most frequent reasons for people leaving cited by the CIPD were lack of support from their manager and workplace stress (which itself is often caused by the line manager relationship). So it is fairly clear that line managers are key operators of an effective retention strategy and this leads us to the final and most important question for managers to ask themselves: "What impact am I having on the turnover of my own people?"