

Why engaging your people

IS THE KEY TO BOOSTING RETENTION



Introduction	3
The cost of employees who quit...but stay	4
Assessing the median tenure of your people	6
The benefits of retaining contented employee	7
Five tips from experts to help you retain top talent	9
Engagement is the way forward	15

Introduction

Let's face it, budgets are tight. And for many global businesses, they only seem to be getting tighter by the day, as companies grapple with a global recession and the need to keep finances lean.

But as CEOs and senior executives hunt for measures that will save money without sacrificing output, there's one area that is all too often overlooked: **employee turnover**.

Employee retention matters because your employee turnover rate can be the secret killer when it comes to unnecessary expenses. Not only is recruitment itself typically a hugely costly process, but the time it takes to train a new hire. And gaps in your workforce while you recruit also drastically reduce your capacity.

However, simple retention isn't the sole answer either, as unmotivated team members who stay with the company can be far less productive than their engaged counterparts.

As a result, a dual strategy to boost retention and improve your **employee engagement** can pay dividends in the long term. In this guide, we'll explore how to reduce your turnover rate by considering:

- The cost of employees who quit...but stay
- The benefits of retaining talent
- Innovative retention tips from today's top employers

We'll examine **the bigger "why" of retaining top talent**, why employee retention matters, and the steps you can take to engage your teams in a way that reduces the chances of people feeling discontent.

The cost of employees who quit...but stay

The **cost of turnover** and replacing people who leave can weigh heavily on any organization. Although the average turnover rate has declined recently, dropping to **2.5 percent** in January 2023, it remains higher than at any point between 2000 and 2020. That means it's making a real dent in business budgets.

Not only do departures open you up to recruitment costs, but they also reduce the output of your teams. Indeed, researchers have found that lost performance adds a significant cost—even in the days before someone actually leaves. **According to HubSpot**, lost productivity costs businesses in the United States \$1.8 trillion annually.

“Two-thirds of the damage comes before the employee actually leaves.... Each departure costs the company in terms of lost output the equivalent of 63 days of compensation for the employee who left, or the equivalent of about one-third of their annual pay,” reports HR Executive.

“This is just the costs of lost performance of the front-line workers, not the hiring and administrative costs that typically are found in turnover calculators.”

On the other side of the equation, disengaged employees who stay create significant costs and damage. **HubSpot** attributes \$550 billion of annual lost productivity in the US to people who aren't engaged with their jobs. Globally, **Gallup's research** suggests that 11 percent of GDP is lost as a result of disengaged employees, who represent almost four-fifths of the total workforce.

These numbers suggest that when an employee mentally or emotionally quits your organization, they can create issues—and costs—that may be comparable to your employee turnover costs. Retaining talent doesn't improve your results if they're underperforming, decreasing morale, or preventing you from hiring someone new.

In short...

It's not as simple as just reducing turnover numbers. You must also address the costs and issues of retaining employees when they no longer benefit your organization.



Assessing the median tenure of your people

Before you overhaul your entire employee engagement strategy, it's essential that you get a grasp of your current **employees' tenure** within your organization. To understand how you compare to other organizations, consider data from the Bureau of Labor Statistics (BLS).

As of January 2022, **the BLS reported** that the median number of years that employees worked for their current employer was 4.1 years. Within those 4.1 years, there are variances to note.

Job type appears to affect tenure:

- Employees in management and professional roles have a median tenure of 5.0 years.
- Service occupations had the lowest median tenure of 2.8 years.

The BLS data also found that age impacts tenure:

- Workers aged 25 to 34 have a median tenure of 2.8 years.
- Employees aged 55 to 64 have a median tenure of 9.8 years.

These data points can help you evaluate the current tenure reality in your organization and how it compares to others.

Try not to assign “good” or “bad” to your turnover numbers. As we've mentioned, having a high average tenure in your organization can be an indicator of engagement. But it may also indicate you have employees who have “quit but stayed.” Use your turnover and retention data merely as starting points for your research and conversations about what's happening in your organization when it comes to engagement.

The benefits of retaining contented employees

We'll say it again: Your goal shouldn't be to **avoid turnover** and retain every employee you hire. That's never going to be a realistic or productive goal. Instead, companies should aim to build lasting relationships and genuine engagement with their people.

A sense of loyalty to an organization increases a person's investment in their job and in the company's overall success. Team members who are loyal and invested are less likely to search for an alternative role and are more likely to commit to staying—not because it's their only choice, but because they want to.

With discontent seemingly widespread, it begs the question: **What can we gain by retaining people who are content?**

One of the most obvious benefits of retaining engaged employees is the cost savings—you don't need to recruit, hire, and train a new employee, helping you keep your budgets lean as the economy shrinks. Satisfied people who understand your company and have in-depth experience in the role also deliver better customer service, as well as increased productivity and work output.



Best friends at work can drive engagement and retention

Cost benefits are often top of mind when it comes to retention. But if we're considering engagement and the impact on culture, another significant benefit is that the longer people work together, the better they get to know each other.

Team members who have worked together for a few years have a grasp of one another's personalities, preferences, and working styles. This level of understanding leads to a valuable sense of camaraderie and collaboration in the workplace—and helps them work more efficiently and effectively.

Working with people you like, some of whom you may even refer to as your “best friends,” makes a difference. It's why Gallup recommends asking that very **question in employee surveys**: “Do you have a best friend at work?”

According to Gallup, “These authentic friendships deepen employees' sense of ownership for their work and enable employees to be more effective and sustainable, regardless of where or when they work.” People who have made connections with coworkers have someone to lean on during periods of sudden change and are more likely to stay committed. For **remote** and **hybrid teams**, it can make a huge difference.

If you want to retain happy employees, find ways to structure teams that foster friendships. Be sure you're tapping into the power of referrals when searching for new talent—your current team members may have a great working relationship with a former colleague or friend.

Not only will your organization benefit from retaining engaged employees, but you'll also benefit from empowering them to surround themselves with people who make them happy.



Five tips from experts to help you retain top talent



Tip #1

Monitor your retention and turnover data

As the saying goes, **“You don’t know what you don’t know.”** It’s crucial to monitor retention and turnover data to glean insights about workforce patterns in your organization.

High turnover will highlight discontent and the need to make some changes. Similarly, high retention rates may indicate that things are going well, which is the perfect time to ask people what’s working for them and why they’re choosing to stay. Use your HRIS to collect the “people analytics” you need about onboarding, development, performance, and retention. Then, use that data to uncover how to evolve your engagement efforts.

Advice from an expert:

“As each organization is unique, the first step is for HR professionals to identify key reasons why their employees are leaving. They can then benchmark those reasons and their

available budget against the nationwide data and identify strategic solutions to create better workplaces.” – **Mark Smith, Ph.D.,** director of HR thought leadership at the SHRM Research Institute.



Tip #2

Provide development opportunities

If your work is interesting and provides ways for people to learn and develop, it's less likely they will feel discontent. The Society for Human Resource Management (SHRM) Research Institute's **Better Workplaces on a Budget study** found that a lack of career development and advancement was the second-biggest reason for turnover, listed in the top three by 61 percent of HR professionals and as the top reason by 21 percent. Yet too many businesses are simply failing to effectively support development programs.

Make sure you have a way to **deliver and track learning** that helps employees do their jobs as well as boost their skills as professionals.

Advice from an expert:



In this challenging period, we've seen that learning and development can make a significant impact on both employee retention and attraction of new hires." – Thanos Papangelis, chief executive officer of Epignosis

Tip #3

Make time for open dialogue and communication

Encourage your leaders to find ways to personally communicate with your people. While they may have relied on hallway conversations in the past, as we adjust to hybrid and remote work, they should consider hosting virtual chats that anyone can sign up to attend. An opportunity to have an informal exchange with a leader can help team members slow down and connect. It's key to also have **a survey system**, such as via your HRIS, that you can use to gather formal and ad hoc feedback.

Advice from an expert:



Being honest and upfront with employees is essential...

If employees see organizations making the effort to gain honest feedback and are transparent in the challenges they are looking to address, employees will be a lot more forthcoming in sharing their feedback.” – **John Morgan, president of LHH**



Tip #4

Create a sense of belonging and purpose

People crave collaboration and **a sense of belonging**. When team members work together, they are **50 percent** more effective at completing tasks, thanks to a motivation and engagement boost. **According to McKinsey**, 70 percent of employees say their personal sense of purpose is defined by their work, and when that work feels meaningful, they perform better, are much more committed, and are about half as likely to go looking for a new job.

Company leaders and managers are key in helping your employees live their purpose at work. Make it clear that your organization supports their purpose and your employees will be less likely to seek employment elsewhere.

Advice from an expert:

“**Alignment of purpose is often overlooked but it helps all connect to the ‘why’ behind what you do. Start by articulating the company’s purpose. Each department, team, and individual should align that purpose to their daily work. Understanding how to contribute to the organization’s purpose will keep all engaged. Managers should ensure employees recognize their contributions to the overall purpose.**” - **Chris McGrath, Esteemed Inc.**



Tip #5

Offer the benefits and experience people want and need

In a competitive recruitment environment, professionals are looking for more than a paycheck from their employers. People all over the world are looking for better benefits, such as access to healthcare, development opportunities, and a happy work environment.

While perks like iPhones might be attractive, **these don't necessarily create a meaningful relationship with your people.** If you're not sure what your employees want and need for their benefits or from their work environment, the solution is simple: Ask the

Advice from an expert:

“Companies have been engaged in an arms race to offer the best perks....But once basic needs are met, people are more powerfully motivated by feelings than by material features. Employees today want to be treated as people, not just workers.” – **Carolina Valencia, a vice president in Gartner's HR practice**



Engagement is the way forward

As the economic climate that surrounds us becomes increasingly uncertain, keeping budgets lean and optimizing productivity is at the front of many business leaders' minds.

To achieve those goals, your company needs to retain the best talent. Reducing turnover that can be costly for your business by improving your employee engagement not only reduces unnecessary expenditure but also increases your teams' effectiveness.

To achieve positive changes in your turnover rate, engagement is the place to focus your efforts. Take a proactive approach to mobilize your people around a clear purpose, provide plenty of development opportunities, and help them to form lasting connections with their colleagues. By creating a healthy and supportive workplace culture and reducing discontent, you'll create a stronger organization that can better face whatever challenges the economy might throw at it.

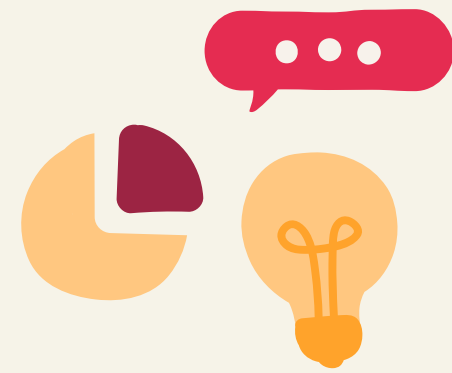


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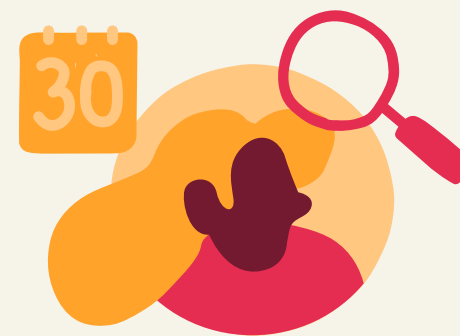
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