

Employee Retention

A Guidebook for Businesses



Retention of employees is a critical business and community issue. Turnover is costly and creates negative workplace morale. It can even affect the greater community, especially as employees leave the region, taking skills, knowledge, and community contributions with them. These negative ramifications of turnover are particularly true in Northwest Lower Michigan, where demographic trends point toward aging populations, and limited competition makes for lower-than-average wages. Both factors sum up to equal a very tight labor market. Businesses have great difficulty attracting employees, and the cost of recruiting, onboarding, and training are higher than ever. Keeping great employees once you've invested in them is the most effective way to avoid these costs, and mitigate other impacts as well.

This guidebook provides 8 strategies and 30 accompanying actions for achieving a high level of employee retention. There are many types of turnover.¹ This guidebook is concerned with methods to prevent voluntary turnover, which is when an employee chooses to leave. Other types of turnover, such as when the boss asks someone to leave, has different causes, but many of the same negative effects on business finances, social morale, and community. Since the causes and effects of turnover surround financial, social and community issues, we find it helpful to organize the strategies in this Guidebook into these three issues areas. The Guidebook presents ways that employers can influence the financial, social, and community reasons why employees choose to stay and leave. Many of the strategies are concerned with building social relationships, while others involve very pragmatic actions.

¹ Voluntary turnover can be functional or dysfunctional, avoidable or unavoidable. This Guidebook is concerned with "dysfunctional, avoidable, voluntary turnover," which is when an employee with hard-to-replace, unique characteristics and/or skills, chooses voluntarily to leave an organization, and the organization could have done something to influence that employee's decision to leave. Definitions of turnover can be found in "[Retaining Talent: A Guide to Analyzing and Managing Employee Turnover](#)," written by David G. Allen for the SHRM Foundation, 2008.

Introduction

The Comprehensive Costs of Turnover

Employee turnover is costly, and that cost is exacerbated by the tight labor market. When adding up the cost of replacing an employee, most people think about the cost of running an ad, and perhaps some down production time. However, estimates of the cost of turnover range from 20-400% of annual salary, and include many direct and indirect costs.² The table below summarizes the costs of turnover. When the labor market is tight, the effort and length of time to fill a position is much greater, which magnifies the cost. If an employee stays in the region, the industry still benefits from that employee’s skills and knowledge, although the particular employer takes a hit; however, if an employee leaves the region, the industry and community suffer both tangible and intangible costs.

Table 1: The Cost of Turnover³

<p>TANGIBLE Financial, Social and Community Costs</p>	<p>HR and Manager staff time (for separation process and for recruiting, selection, training of new employee) Paid time off and other benefits payouts Temporary employee and/or overtime pay</p> <p>Advertising and application fees Recruiter or staffing agency fees Cost of selection tools (assessments, realistic job previews, other’s staff time) Attraction incentives (sign-on bonus, relocation, referral bonus to current employee)</p> <p>Orientation time and materials Training (time, materials, equipment, travel, other’s staff time) Socialization with current employees</p> <p>Productivity loss Loss of clients/customers</p> <p>Community costs, if employee leaves the region: Loss of charitable contributions and volunteer time Potential for loss of school aid funding Un-hired home and childcare services</p>
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² Sources: Numerous articles from Society for Human Resource Management to Forbes to Center for American Progress to private HR firms and industry associations cite ranges of 20-30% of annual salary for entry-level workers to a high of 150-400% of annual salary for high-level, specialized skilled workers. Many articles reference the US Department of Labor estimate of 30% of annual salary, although the source for that reference could not be found.

³ Adapted from Allen, Bryant, Vardaman. “Retaining Talent: Replacing Misconceptions With Evidenced-Based Strategies.” Academy of Management Perspectives, 2010.

INTANGIBLE Financial, Social and Community Costs	<p>Increased competition (if employee goes to competitor or starts own venture) Lower quality production while position is unfilled, loss of potential clients/customers during that time</p> <p>Loss of institutional memory and mentorship Loss of knowledge and skills (a community loss if employee leaves region) Morale dip (productivity loss, disruption of projects, poor customer service, contagion of voluntary departures) Loss of workplace and community diversity</p>
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How this Guidebook is Organized

The Guidebook presents 8 strategies and 30 actions that create incentives for retention and that influence employees’ decisions to stay. The strategies and actions are appropriate for small businesses in Northwest Lower Michigan. Some strategies require little time and money, while others are more involved; however, all of the strategies included are appropriate for small businesses, whether or not they have dedicated HR systems in place. Whether you have 4 people on staff or 400, the Guidebook contains a mix of strategies and actions for you.

The strategies are organized into three main sections: Social, Community and Financial. The three

The most proven technique for high retention is hiring the right person to begin with. Contact your Northwest Michigan Works! Business Liaison to learn about recruitment and training services.

realms of social, community and financial are meaningful, because employees’ decisions to stay or go are associated with

social, community and financial reasons, and these three realms are also affected deeply by turnover. Social incentives to influence employee retention are presented first, as research has found them to be foundational to the reasons why employees stay. Each strategy includes a summary of concrete actions, and many also include real-life examples and resources to get you started. While this Guidebook does not intend to present ideas for employee recruitment, you’ll find that many of the ideas are also useful for attraction efforts.

Before We Dive In, Let’s Take a Step Back...

The most proven technique for high retention is hiring the right person to begin with. It doesn’t sound like deep thinking, but it is easier said than done. Recruitment and selection processes are challenging and imperfect. Employers and candidates put their best feet forward in an attempt to make a great first impression, which can be misleading. Sometimes the person and the job don’t fit, and sometimes the person and the organization don’t fit. You could point blame on both sides: Perhaps it’s

the fault of the candidate, who is trying to be all-things-to-all-people to land a job. Or it could be the fault of the employer for setting up false job expectations in order to compete in a tight labor market.

Sometimes, recruitment and selection processes are flawed because the employer lacks strategic direction, and may not be entirely sure what skills they need now and in the future. This alone can cause high rates of turnover, due to constantly changing expectations. If you are in this situation, then instead of asking how to better retain employees, you might first ask: What are you retaining employees for? Schedule time to ponder that question, and seek out resources for strategic planning. You'll gain clarity on roles and which employees are critical to retain, and which skills need to be developed as opposed to sourced. Then, talk it over with your Northwest Michigan Works! Business Liaison (www.networksnorthwest.org/business-services) for a third-party, expert view. You may just come up with a new training program, a new position to recruit for, and new techniques for attracting and selecting the right candidates.

Part I: Understanding Retention

No matter what your business' specific retention rate, it's beneficial to take actions to prevent turnover. However, not all turnover should be treated equal. Voluntary turnover, by your best and brightest, is usually the concern. Does all turnover cost money? Yes, almost always. Does all turnover have the ability to derail your business? Not necessarily. Sometimes turnover offers the opportunity to promote from within, replace with a lower-cost employee, leave a vacancy and experiment with new roles, or gain new skills and fresh ideas.

While you can calculate and benchmark your employee retention rate to other companies' rates, it may be more relevant to make an internal judgment about how satisfied you are with your retention experience. No two businesses are alike, even within the same industry. For example, some turnover

may be acceptable to you.⁴

For other businesses, even a small amount of turnover may be crippling.⁵

Depending on time and

Some turnover may be acceptable to you. For other businesses, even a small amount of turnover may be crippling. It's important to know your own business.

resources, you may want to know your exact turnover rate and how it compares to others'. In that case, there are government statistics on average monthly rates by industry⁶ and online tutorials on how to calculate company turnover.⁷ But remember, there are different types of turnover, and looking at one rate will not tell the whole story.

It's important to know your own business and not be afraid to ask tough questions. What type of turnover are you experiencing? If it's voluntary, do you think you could have done something to prevent it? Who is leaving, and when? Hourly or salaried employees? High performers or disengaged workers? If high-performing employees are voluntarily leaving, is there a pattern to when it is happening? If their tenure is short, could it be job fit, or something else? (If it's job fit, then that's a clue to look into your recruitment practices.) Do you have dozens of employees or a handful; how well do you know your employees? There may be some underperforming employees that you might want to leave; can you pinpoint the different reasons why those employees might stay as opposed to your high-performers?

Not all businesses are blessed with dedicated HR staff, which might have turnover data and separation surveys at their fingertips. Even without data on your workforce, it's important to take time

⁴ For example, some companies assign menial routinized tasks to lower-level positions in order to provide greater job satisfaction (and therefore better retention) to higher-level positions. The lower-level positions have an acceptable, albeit higher rate of turnover, but recruitment and training costs are minimal. See UPS example from Cappelli, Peter. "A Market-Driven Approach to Retaining Talent." Harvard Business Review: Jan-Feb. 2000.

⁵ For example, the cost of turnover is out of proportion for very small businesses that may have: fewer workers to cover until replacement is made and to train the new worker (which, in turn, creates a greater negative effect on morale and productivity than larger businesses), lack of dedicated HR to recruit and select, and tighter overall margins.

⁶ US Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS): <http://www.bls.gov/jlt/>

⁷ Calculate your own costs of turnover with the [Cost of Turnover Worksheet](#).

to think about your current retention situation. Hiring a professional HR consultant to conduct an independent analysis of your turnover situation could be a wise investment, especially if you don't have the internal resources to do it on your own. Once you have a sense of what might be occurring, you can validate your hunches by reviewing the research presented in this Guidebook, and by asking a few key employees or reviewing your employment records for patterns.

It's important to go through this exercise of self-analysis before trying the strategies in this brief. Take caution not to focus too heavily on why people leave, because those reasons are not always the same reasons why people stay. Focusing too much on why people leave can cause employers to overlook the reasons for retention. Also, not all turnover is bad. Recognize that retention of some employees is more important than others. Take the time to understand your business's unique situation and individual needs, or you might just end up spending time and money on a retention program for under-performers instead of your top people.

How to Influence Employees' Decisions to Stay

There is debate about how much employers can really influence employees' decisions to leave. Sure, some voluntary separations are unavoidable, like illness or relocation with a spouse. However, some reasons for leaving could be avoidable, like feeling underappreciated, having no voice, or poor job match to a person's skills and interests. One company discovered through exit interviews that 68% of employees who left said the company could have done something to keep them!⁸ Undeniably, there are ways to improve your overall workplace relationships and offer pragmatic benefits that trigger emotional rewards for your employees. The key is listening to your employees, treating them equitably

Relational contracts are about intrinsic rewards, like meaningful work and personal support, and these rewards sustain a relationship long-term.

(not necessarily equally), and using a mix of strategies that increase the stay factor.

There is an entire psychological side to work and why we like it or don't. A lot of it has to do with a personal cost-benefit analysis: how much do I give to this job, how much do I receive in return, and are these things in balance? Beliefs about the obligations of employees and employers are called psychological contracts.⁹ There are two types of psychological contract, transactional and relational. The transactional contract is about short-term extrinsic rewards, like pay and benefits that can be quantified easily in an employment contract. Relational contracts are about intrinsic rewards, like meaningful work and personal support, and these rewards sustain a relationship long-term. Relational contracts are also intangible and unpredictable, which might sound like a

⁸ Craig R. Taylor, "Focus on Talent," Talent & Development Magazine: December 2002, written about Sprint's experience transferring HR's retention responsibility to operations by training front line managers as retention coaches.

⁹ This "psychological contract" concept is attributed to Chris Argyris, 1960, as refined by Denise Rousseau, 1989.

weakness, but actually, this is a boon to employers because it means that the relational contract can be influenced easily to boost retention.

The psychology of work has changed over time. The employer-employee contract used to be dominated by loyalty—you work for me forever, and I will take care of you forever with a defined retirement benefit. We all know that doesn't exist anymore. Now, the obligation is expected to be shorter-term, because employers want adaptability and the latest and greatest skills, and in turn, employees want to know what they are going to learn on the job, so that they can keep giving employers the latest and greatest.

In our achievement-based culture, the need for the relational contract rises, because our work selves and our personal selves have blurred. We look to work for personal development (which requires lots of feedback on performance), social support, meaning, and friends that aren't virtual. We don't have time to make personal impacts on our community, so we expect our work to be impactful and

Why Do Employees Stay?

- *Organizational Commitment*
- *Leader-Member Exchanges*
- *Role Clarity*
- *Tenure*
- *Job Satisfaction*

socially responsible. Our work is an extension of ourselves, so we care about its reputation. These characteristics of the relational contract are very strong in the Millennial Generation, birth years 1981-1997, which is expected to become 46% of the workforce by 2020.¹⁰ Many young workers prioritize the intrinsic, relational rewards of work over salary.¹¹ And, these young workers don't mind working around the clock (as long as they can use social media) because, again, the line between personal self and work self have blurred.

Why Do Employees Stay?

Numerous studies on why people stay have revealed what may be considered generalized “predictors” of retention.¹² The strongest predictors of retention, in rank order, are organizational commitment, leader-member exchanges, role clarity, tenure, and job satisfaction. Higher pay is less than half as strong a predictor of retention as the reasons listed above. Moderate predictors are promotion opportunities,

¹⁰ Employer Training Council, a public-private partnership of Northwest Michigan Works!, Networks Northwest, and private-industry human resource professionals. Presentation by Warren Call, Huntington Bank and Chair of Traverse City Young Professionals, November 2013: <http://www.networksnorthwest.org/business/services/employer-training-council/past-workshops/recruiting-and-retaining-young-talent-workshop.html>

¹¹ David Smith, Katherine LaVelle, Mary Lyons, Yaarit Silverstone. “The Gig Experience: Unleashing the potential of your talent and your business. Insights from the Accenture Strategy 2016 U.S. College Graduate Employment Study.” Accenture, 2016.

¹² The following meta-analysis, or summary of individual research studies, was conducted by Allen, Bryant, and Vardaman. “Retaining Talent: Replacing Misconceptions With Evidenced-Based Strategies.” Academy of Management Perspectives, 2010.

communication, job scope, socialization, and satisfaction with supervisors, co-workers and work groups. Unlike the external market forces of attractive pay elsewhere, these are all very internal forces that employers can encourage and control. Employees need a clear understanding of their role, what they need to accomplish in that role and for the organization, and a good work environment to carry out their tasks. These are all things that employers can provide for their employees.

Another reason people stay is job and community embeddedness. Over time, employees develop networks and relationships, some of which extend beyond the workday. Leaving the job would mean dissolving these networks, or drastically rearranging one's connections to them. Many of the strategies in the section below work to strengthen embeddedness.

Why Do Employees Leave?

The strongest predictors of turnover are withdrawal symptoms like job search behavior, turnover intentions (some people simply have a plan to leave after making so much or attaining training), and weighted application blanks (a highly-customized test for job applicants). The next strongest predictors of turnover are role conflict, stress, and role overload.¹³

Other research has put forth that employees' perceptions of their own mobility have a large role in decisions to leave.¹⁴ This is usually the case for in-demand skill sets. High performers with greater levels of occupational training and experience can more easily leverage their skills to attain new opportunities, even when the job market is down. One study found that 42% of high performers are willing to relocate out of state or region for such opportunities, so local labor market trends don't always have an effect on their decision-making.¹⁵ Along this line of thinking, businesses that retain high performers must use very organization-specific strategies to keep these mobile people on staff. The sections below offer ideas for tailoring retention strategies to your organizational strengths.



¹³ Allen, Bryant, and Vardaman, 2010.

¹⁴ The literature review by John Hausknecht, Julianne Rodda and Michael Howard in "Targeted Employee Retention: Performance-Based and Job-Related Differences in Reported Reasons for Staying", Cornell University Center for Advanced Human Research Studies, 2008, cites J.G. March and H. E. Simon as originators of the "movement capital" concept in 1958.

¹⁵ Karie Willyerd, "What High Performers Want at Work", Harvard Business Review, November 2014.

Retention Strategies Checklist

Below is the list of the strategies and actions (with page numbers) presented in this Guidebook. If it is helpful to you, please utilize this page for reference and notes.

Social Incentives for Retention		
1	Engage & Commit (9) Connect Values to Roles (10) Collect Input, Mindfully (11) Offer Decision-Making Opportunities (11) Weave Together Personal-Organizational Values (12) Offer Training & Development (12)	<input type="checkbox"/>
2	Leadership Behavior & Role Clarity (13) “Talk the Talk” (Internal Communications) (14) “Walk the Talk” (Culture & Policy) (17) Fairness (17) Train First-Line Managers (18) Evaluate Early & Often (19) Picky Roles Clarification (20)	<input type="checkbox"/>
3	Work Environment (21) Empower & Challenge (21) Rewards: Goals & Job Design (22) Mindset: Productivity vs. Hours (22)	<input type="checkbox"/>
4	Socialization (24) Orientation & Onboarding (24) Forced Fun (25) Teams, Friends & Family (25)	<input type="checkbox"/>
Community Assets for Retention		
5	Community Embeddedness (27) Community Volunteerism (27) Chamber Leadership Programs (27)	<input type="checkbox"/>
6	Housing & Transportation (28) Understand the Problem & Share with Others (29) Manage the Crisis (Chip Away at Barriers) (30) Solve the Crisis (Community-wide Solutions) (30)	<input type="checkbox"/>
7	Support Family – Work Balance (30) Influence Cost of Family Care (31) Influence Access of Family Care (32) Influence Quality of Family Care (33)	<input type="checkbox"/>
Financial Incentives for Retention		
8	Show Them the Money (34) Adjust the Terms of Employment (36) Offer Problem-Solving Bonuses (37) Create Cost-Savings for Your Employees (38) Develop a Workplace Wellness Program Be Transparent (38)	<input type="checkbox"/>

Part II: Social Incentives to Influence Employee Retention

Strategies to create social incentives for retention are presented first in this Guidebook, because research has found them to be foundational to the reasons why employees stay. Social incentives can also help other strategies to have maximum effect (because what's the point of a great benefits program if the workplace environment is lousy). Social incentives can also be implemented universally, unlike financial incentives which sometimes have the effect of creating a "chosen few" sentiment.

The strategies below are organized by effectiveness. The research on why employees stay has uncovered "predictors" of retention. The strategy to achieve the strongest predictor—organizational commitment—is presented first, followed by other highly-effective "predictors" of retention.

Most of these strategies and accompanying actions in this part relate to workplace culture, which can be difficult to gauge and manage. Consider hiring a consultant to work with you on intentionally developing a strong and effective culture. There's a saying in the organizational development field: If you don't create workplace culture, someone else will. So it's better to plan and develop the culture you want, rather than letting it happen through passive means. If hiring a consultant isn't for you, do some research and select a book or web site to help you. There are thousands of resources available; pick the best fit for your company and start small.

Strategy 1: Foster Engagement and Organizational Commitment

Across many studies, organizational commitment has been the strongest predictor of retention, as it reflects employees' levels of attachment. The mechanism for fostering commitment has changed over time. Employees used to exchange their loyalty for job security. In a modern, fast-paced world, skill

STRATEGY #1: Engage & Commit

ACTIONS:

- *Connect Values to Roles*
- *Collect Input, Mindfully*
- *Offer Decision-Making Opportunities*
- *Weave Together Personal-Organizational Values*
- *Offer Training & Development*

needs are ever-changing, and employees must prioritize their personal and professional growth over long-term organizational commitment in order to stay in-demand by employers.¹⁶ In a 24/7 world, work and personal selves blend, and the alignment of values between worker and organization has become more important. Where loyalty—the old hallmark of commitment—was stagnant, personal growth, values,

¹⁶ Chew, Girardi, Entekin, 2005. "Retaining Core Staff: the impact of human resource practices on organisational commitment." *Journal of Comparative International Management*: 2005, Vol.8, No.2, 23-42.

and the meaning of work, are in a dynamic state. This creates an opportunity for employers to have influence.

With the modern-day understanding of organizational commitment, employers engage employees and foster commitment by framing work in terms of how the employer and employee can mutually fulfill a purpose (in the immediate term), and what the employee will gain in personal and professional growth by completing each task that is required of them. This requires task-by-task framing, and constant maintenance to cultivate longevity. Mary Slaughter of Deloitte Consulting puts it like this: “Employee engagement and retention today means understanding an empowered workforce’s desire for flexibility, creativity, and purpose. Under the evolving social contract between employer and employee, workers become “volunteers” to be reengaged and re-recruited each day.”¹⁷ Sound exhausting? Possibly, but the effort is definitely worth it. An in-depth six-year, international study found that disengaged employees’ discretionary effort (i.e. going above and beyond) was 50% lower than employees with average levels of engagement.¹⁸

Below is a summary of actions to get you started with this kind of employee engagement. Focus on the action steps below to make sure you’re developing the kind of culture that retains your best employees.

Actions

Connect Values to Roles. How often are the organization’s mission and values discussed? Are employees familiar with them? The goal of this action is to instill purpose, and to make connections between the organization’s values and the employees’ values and individual work. You’ll have achieved success when every person knows how they contribute to the whole, and resonates with that role (i.e. buys in).

This is a big task, but it’s easy to start small. What is your mission? Does it need some reframing to be compelling to your

You’ll have achieved success when every person knows how they contribute to the whole, and resonates with that role.

employees? For example, do you manufacture disposable toothbrushes or are you a SmileSaver®? Take the time to talk about your vision, mission and values, and more importantly, listen to what employees say they value about their work. Train front-line managers to do the same. Start off staff meetings with a discussion of what it means for your business strategy, or simply put your vision, mission and values statements at the top of every agenda. It will change the tone and content of the meeting.

Next, work toward relating individually the values and strategies to each position within the organization, especially when doling out new tasks and assignments that offer growth. After studying more than 100 businesses and over 20,000 “emerging star” employees, the Corporate Leadership

¹⁷ Quote by Mary Slaughter, Deloitte Consulting, as interviewed by Ann Parker in Training & Development Magazine’s May 2016 issue.

¹⁸ Martin, Jean and Schmidt, Conrad. “How to Keep Your Top Talent.” Harvard Business Review, May 2010.

Council recommends, “replace broadcast communications about the company’s strategy with individualized messages for emerging leaders—with emphasis on how their development fits into the company’s plans.”¹⁹

What about buy-in? Be inclusive when expressing your company’s mission. Resist word-smithing and jargon in order to keep it authentic: You may need to re-frame values to reflect your employees’ language. If they coin a term or phrase that resonates positively, go with it. You can always nix it from external communications, but if you can support a common “insiders’” language, it’s easier to compel staff to engage and take ownership. If there’s an insiders’ language that refers to tasks or the vision with negative associations, then work to communicate more effectively about how each person contributes to the vision and mission, and why we have to do certain tasks. Provide that rationale as your “because” when you inform staff that you don’t approve. Also see the section below on Work Environment.

Collect Input, Mindfully. As you strive to provide time and effective platforms to communicate values, don’t forget to create opportunities for staff to respond with input and feedback. Some employers have formal platforms for this purpose: virtual space such as an internal website where ideas

Have a way to solicit serious comment and questions about the future of the organization so that employees can imagine themselves in a shared future, which they helped to create.

are solicited and shared²⁰; a physical space such as “office hours” with leadership (which may be in employees’ workspaces to shift the power

dynamic); or a recurring event like an idea pitch, brainstorming meeting, or a regular lunch out. Think about what type of platform works best for the values you are trying to instill. Don’t always expect to have employees come to you; you’ll need to reach out to set the tone of a workplace where it’s anticipated and casual to share ideas with the boss. Have communication in these spaces, however you’re providing them, be about important issues that relate to your vision, mission, and values. There’s a time and place for fun sharing (see the section below about Socialization), but have a way to solicit serious comment and questions about the future of the organization so that employees can imagine themselves in a shared future, which they helped to create. You might even offer a way for employees to “volunteer” to take on specific tasks related to pushing that future ahead.

Offer Decision-Making Opportunities. Soliciting input is a great start, and having employees make decisions takes organizational commitment to a new level. It’s much easier to be engaged when you have a voice in decisions. Some employers provide this through actual voting about business decisions. A more subtle, and perhaps more effective, technique is to ensure that staff has access to management and is heard. Sometimes, it’s just the *perception* of having access to management that needs to be overcome. Have you ever been in a workplace where managers perceived their doors to be open, but

¹⁹ Martin and Schmidt, May 2010.

²⁰ If you build it, don’t expect “they will come.” Education and marketing to employees can boost take-up of online platforms. Keeping the content high-level will help too; an opportunity for contemplation with the CEO might be enough of a carrot to chime in. Otherwise, it just becomes competing noise with the rest of our information-driven age of streaming content.

employees perceived inaccessibility? It can take a lot of communication to convince employees that they are heard. And then, the more difficult step is to show that you've taken their suggestions and done something with them, otherwise employees will conclude that speaking up is futile.

Some techniques are to recognize and give credit to employees for ideas, provide thorough explanation to all as to why the idea was adopted or not, and even consider naming initiatives after employees (which can feel more genuine than "employee of the month"). These conversations can all take place within the platform(s) that you are using to solicit input, so that it becomes part of your culture. If you do go the route of actual voting, you may limit the activity to teams only, where you are trying to promote egalitarianism, or keep it online to promote anonymity²¹. And, of course, make sure that you are comfortable with the content (as not all topics are appropriate) and be transparent with the results.

Weave Together Personal – Organizational Values. What do staff value about work? What makes it meaningful? How does it fulfill a need for purpose and belonging? Personalizing the work experience to meet a psychological need for meaning can foster organizational commitment. There are actions that you can take to align your business' values to those of your employees'.

A simple action that costs only a few days' payroll and is instantly personalized is to provide individual employees regular paid time off for volunteering at a charity of the employee's choice. Not only does this send the message (to both employees and clients/customers) that we are socially responsible and care about you and what you care about, but it has the added benefit of embedding your employee into a community network. Leaving the job would possibly mean sacrificing the volunteer opportunity.

Another way is to have your employees nominate a charity to sponsor for seasonal charity drives, health and fitness contests, or a pay-to-dress-casual Friday. The ideas are endless, and if you inform staff that you'd like to support this type of activity, I'm sure your workplace will come up with its own creative way to weave personal and organizational values together for social responsibility.

Finally, it's important to recognize that busy adults with hundreds of virtual "friends" may value real friendships at work. If your business values reflect trust and healthy relationships, then supporting some social time helps align your employees with this notion. By endorsing and attending the lunchtime potluck, you send the message that you like the friendly event your staff planned, that there's an important time and place for socializing and trust-building, and then we get back to work. (See more ideas under the Socialization strategies below.)

Offer Training and Development. As discussed previously, opportunities for personal and professional development are the new currency for Organizational Commitment. As employers, we forged this new psychological contract by our selection of candidates that showed promise to be

²¹ Sometimes using anonymous methods gives employees the impression that there's a risk to revealing their true feelings, thus the *need* for anonymity. Voting is one activity that most people see as private, so it can feel more fun and natural and not raise suspicions like an anonymous suggestion box or survey can.

*On Training & Development for
Top Performers and Millennials:*

Both your top performers and the millennial generation expect employer-supported training, frequent feedback and mentoring. While we didn't uncover any research specifically about the relationship between evaluation practices and training, it makes sense that the two go hand in hand. That's because training plans shouldn't happen in a vacuum. If you're doing both evaluations and training well, you're probably seeing great results. Unfortunately, the opposite is probably also true.

When employees receive frequent feedback about their performance, it creates a loop where managers also gain insight to their level of satisfaction and their personal and professional aspirations, which helps managers link explicitly the employees' individual goals to the those of the company's, and to keep expectations realistic for both parties.

If you are a larger employer, you may not want to leave the training and feedback task to managers alone, or you'll risk aligning employees' goals to their particular business-unit, and not to the breadth of the organization, which certainly offers more development opportunities and tenure.

versatile, jacks-of-all trades in our downsized, on-demand world. If we require our workers to "learn it all, do it all," then we are obligated to provide the resources for continuous learning and trial of new roles and responsibilities, lest we lose them.

By offering training and development, employers can have their cake and eat it too with new skills and less turnover, not to mention higher productivity, enhanced reputation, and perhaps even new profit-making ideas.

There are several types of training. Some training programs are formal classes or on-the-job programs that lead to specific credentials. Some training and development opportunities are informal project- or team-based learning. Cross-training is another area that can help employees understand business processes, empathize and appreciate other's roles, and alleviate job routinization.

Some types of training may be valued more than others. Strategies to manage this are to be goal- and outcome-oriented and to have a mutual understanding of how the training will benefit employer and employee. Discuss what the employee will learn, and the purpose or what outcome is expected. Employers also have training preferences: Sometimes employers fear that employees will take their newly-acquired skills to another employer. Strategies to manage this are to offer very job-specific training, or to require tuition reimbursement if an employee leaves before a specified length of service after receiving formal, credentialed training.

Another training method is to throw high-potential talent into the fire. Often times, we plan out training of new staff by providing sheltered exposure to new skills through job rotations or the like. We think this method protects the business from disruption and helps employees build confidence, but does it really? More likely, it creates a group of employees that are underdeveloped and bored, which can truly disrupt the business if they are not qualified for the new challenge when you need them (and let's face it, the "when" is often unexpected).

Throwing your employees into the fire doesn't mean they are without supports. This is where coaching and mentoring become the training platform. And employees don't have to do it alone—sometimes a high-level team-based project can yield the most satisfaction. Better yet, give the team a closed-door briefing about a

strategic problem, ask them to work together to develop recommendations, and give them lots of leadership face time with instant feedback. This development activity combines many of the actions recommended for Strategy 1: Engage and Commit (i.e. access to leadership, relating their work to a high-level strategy, decision-making, team embeddedness, etc.)

Strategy 2: Leadership Behavior and Role Clarity

Have you ever had a job where you didn't really understand your role? You'd ask your boss for direction and get a wishy-washy response. That experience leads to two assumptions (and then a job search): One, you assume your boss, or worse, the entire business, doesn't know what they're doing! Two, you feel like you're not important enough for your boss to take the time to think about your role and what's best for both you and the company. Then, while you're searching for a new job, you're left to hash out your role with unhappy colleagues, and deal with the resulting stress.

As a leader, what, how, and how often you communicate to staff has a huge impact on the very

STRATEGY #2: Leadership Behavior & Role Clarity

ACTIONS:

- *“Talk the Talk” (Internal Communications)*
- *“Walk the Talk” (Culture & Policy)*
- *Fairness*
- *Train First-Line Managers*
- *Evaluate Early and Often*
- *Role Clarification*

atmosphere of the business. Your communication and behaviors indicate to staff what you care about, how competent and fair you are, and how much you truly value those around you. Leaders are also responsible for setting expectations, recognizing talent, and motivating and developing it. Many refer to the powerful Gallup study on management, and simply conclude that when people quit a job, they are actually quitting their boss.²² Managers definitely influence their employees' job

satisfaction (and that's what this Guidebook is all about!). This influence has less to do with being a stereotypical crabby boss, and more to do with the extent to which leaders communicate roles and expectations, set the tone for positive workplace culture, treat employees fairly, and provide recognition and feedback to motivate and develop employees. This is why “leader-member exchange” was found to be the second highest reason (after organizational commitment) why people stay.²³

Role clarity, stress, and role overload are strong predictors of why people leave. These three factors are very intertwined, and stem from how effectively a boss assigns roles that leverage employees'

²² Buckingham, Marcus and Coffman, Curt. First, Break All the Rules: What the World's Greatest Managers Do Differently. Simon & Schuster, 1999.

²³ Allen, Bryant, and Vardaman, 2010. See “Why Do Employees Stay” in Part 1 of this Guidebook for a summary of their meta-analysis of the “predictors” of retention and turnover.

strengths (and hires the right people to begin with), communicates the expected outcomes and feedback on progress, and provides resources such as coaching and training to support and motivate success. It's also about asking questions and listening to answers that might be difficult to accept. What do employees value about their work? What are their personal and professional development goals? How could their job design be tailored to better align? How do they feel about their work-life balance? Or ask the question outright, what would cause you to seek another job?

The following set of actions is designed to boost "leader-member exchanges" in your favor, and to recognize the challenge and opportunity of leaders' responsibilities of clarifying roles and assignments. Like the actions for Strategy #1, the actions for Strategy #2, Leadership Behavior and Role Clarity, are presented with the low-hanging fruit first, and followed up by more intense actions that require additional time and resources.

Actions:

"Talk the Talk:" Internal Communications. Think about all of your external communications to clients or customers, and the effort placed into their presentation. Now, think about the hours and hours you spend perfecting internal communications. It's probably none, or very little. Has staff ever found out about something from reading the client newsletter? Efficiency-wise, that may not seem like a bad thing, but relationship-wise, it can leave an employee with a feeling of insignificance and a lack of trust. Staff needs to know what's going on, whether that be with a new product, a competitor, or the boss. Staff also needs frequent reminders about what the business is accomplishing, why the work is impactful, and how they are contributing to a bigger picture. This type of communication not only increases organizational commitment (remember the discussion about re-recruiting your employees as "volunteers" every day?), but also inspires confidence and trust in you as their leader.

Staff needs frequent reminders about what the business is accomplishing, why the work is impactful, and how they are contributing to a bigger picture than their day to day.

Before you get started, create a strategy. What are your goals for improved communications with staff? How do your communications reflect upon you as a leader? What's your ideal? What's holding you back? There are many companies out there with expertise on internal communications. Seek out one if you need help. But no matter what, start with the goals and values that you want reflected, and that will shape how and what you're communicating to staff. It's not just information. You want your leadership behavior to inspire action.

Also consider that some communications are relevant for all staff, while others might be directed and individualized. Make sure that you have a tiered plan, and strive to be transparent at all levels. Even though you can't share all information with everyone, no one should feel intentionally left in the dark, or they'll make up their own story about what's going on. And finally, as discussed previously, communication is a two-way street; make sure there's an open line back to you.

Examples of Internal Communications Activities

Daily check-in for transparency, accountability, and empowerment: This short, open communication between employees and their teams and leaders can replace or dramatically shorten a weekly staff meeting. It offers a chance to focus daily on goals and outcomes as they relate to the big picture. It empowers staff to be self-directed in their workload and learning, but in a supportive environment where managers can motivate, inspire, and help problem-solve if necessary. This communication can happen online in an app like Hipchat or Slack, or can be a physical meeting such as a morning/shift change huddle.

One company uses an online app for employees to “check-in” by answering these questions each morning: “what did you do yesterday, did you meet your goal, what is your goal today, and is anything blocking your progress?” Then, a discussion can ensue between team members to help problem-solve, and the manager can celebrate accomplishments and reiterate the big picture goals.

Another company uses a physical meeting of two different business units to discuss customer leads. Affectionately called the “Hug and Snug,” their small team meeting builds camaraderie and the speed of trust. The manager can crash the “party” to inspire action and help the teams refine mutual goals. And, of course, the friendly name turns the event into more than “just another meeting,” and makes the office atmosphere more fun, even for staff not directly involved.

The informal and regular nature of these communications allows staff a new form of engagement (and therefore attachment). Daily check-ins empower staff to ask more questions and offer solutions, giving them a sense of agency and voice. This is the opposite feeling of discovering that the business is launching a new product by glimpsing the marketing materials.

Make the Boss Real. At large businesses with dispersed locations, the CEO can feel distant, and the “us” and “them” corporate disconnect can start to take over. This can happen even if leadership is simply on the road a lot.

When the CEO of a large company started a simple weekly email, the culture started to become more positive. The communication included performance metrics and industry updates, but also always ended with a deeply personal message about why the CEO loved the company or loved a Michigan summer weekend. Employees started to feel like they knew him, even though some only saw him once a year. When the CEO’s wife was diagnosed with breast cancer, he wrote a deeply personal message with an announcement of time off. The business rallied in support. The dispersed managers all started talking to each other and strategizing how they could achieve the best absolute performance in the CEO’s absence.

Think back to your strategies and goals for internal communications; how could you open up personally to your staff to achieve some of them? Not a writer? Do a video blog. Maybe they need to see your face, calm and smiling. Recognize achievements. Tell a story about the business’ history. Use the “royal we” to instill belonging and an “us, us” mentality. Tell them about a decision that you are struggling with. Make yourself human. Include a way for staff to provide feedback and suggestions.

Piggyback on External Communications. With a little tweaking, sometimes the external and internal communications can go hand in hand. Already have a client newsletter or social media? Give staff a “pre-release” of the newsletter with additional details and information that reflect your values, like who received media attention or community praise, who is having a birthday or baby, or who you are particularly proud of. You can also use your social media page to reflect company values, which will be meaningful to your staff, as well as your clients. A prime example of this is Team Elmer’s (<https://www.facebook.com/TeamElmers>). I know what you’re thinking –a Facebook page for a road construction company?! Yes. Talk about a fun workplace; check it out and you’ll smile. Oh yeah, and they have almost 8,000 “likes”.

“Walk the Talk:” Company culture and policies. It’s critical to embody the ideals that you’ve communicated. Take a hard look at your employment policies, or have a group of employees review them. What do they say about the company’s values? Does the structure limit or empower employees’ actions; is it hierarchical or team oriented? What about technology? Is social media limited, or encouraged as a way to stay abreast and communicate with potential clients? In addition to reviewing what’s on paper, be sure to look at actual practice. Does the actual culture support planning and clarity of goals? Or it is a stressful environment always in crisis mode? Does the culture support open communication, or are employees left in the dark? If there is open dialogue between leadership and employees, then they will help you to “keep it real” by calling out actions that contradict culture or values. Be willing to listen and explain thoroughly if you disagree. Remember to “walk the talk” or your employees will take a walk...right to your competitor’s door.

Fairness. This is a tough one to practice, because the gauge of a leader’s fairness is sometimes influenced by perceptions instead of by reality. In addition, strong emotions, like rejection and betrayal associated with an “out crowd,” can cloud judgment. It’s also like splitting hairs, because leadership can be fair without treating everyone the same, and that’s difficult to communicate. Like many of the actions in this Guidebook, leadership’s success in creating strategies, defining roles and performance metrics, and in communicating these to staff, has direct impact on the practice and perception of fairness. You have to know what you want, where you’re going, and how to get there...with your team. It’s about strategic direction and open dialogue with staff. If your company’s leadership doesn’t share ideas with staff, and doesn’t formulate plans together when reasonable, then chances are that your employees will always judge the leadership as unfair, because they aren’t privy to the strategy behind actions and behaviors.

Let’s boil down this concept with a couple of scenarios:

Sometimes, judgments about fairness are based upon a cost-benefit analysis of how much effort an employee is putting in and how much the employee is gaining in return. If Joe receives a promotion, and staff believes Joe, a hard-worker, is deserving, then not only will they be happy for Joe, but they might

actually work harder themselves. On the other hand, if staff feels Joe is undeserving and instead is receiving special treatment, then resent and feelings of unfairness result, along with decreases in morale and productivity. If Joe's job description is difficult for staff to understand, and performance metrics aren't shared and discussed, then they may be confused as to why he deserves a promotion. Curbing this belief of unfairness means knowing what you expect of each employee, how they are contributing to the whole, and how their success is measured.

Sometimes, judgments about fairness are based upon a desire for equality, but sometimes fairness doesn't mean equal treatment. If Sally is allowed to "go off script" and conduct her job freely, but Henry has strict Standards of Practice, and Henry doesn't understand why, then he'll conclude that it's unfair. (Or if Sally gets a company car and he doesn't, or if Sally gets to attend the conference and he doesn't...you get the picture.) If Sally and Henry have the same position, then fairness should mean equality, right? It's not that simple. Maybe they have different talents or tenures, along with different work content. Maybe they do have different positions, and Henry doesn't understand the expectations

If your company's leadership doesn't share ideas with staff, nor formulate plans together when reasonable, then chances are that your employees will always judge leadership as unfair, because they aren't privy to the strategy behind leaders' actions and behaviors.

of each role. Or maybe the boss is actually treating Sally and Henry unfairly. Either way, Henry is missing key

information, and it's leading him to believe that he is being treated unfairly. If the company doesn't have a culture of open communication and the manager never talks to Henry to uncover his disgruntled feelings of unfairness, then Henry's belief festers, and perhaps poisons others' beliefs, too. Further, if the manager doesn't know what functions she wants Sally and Henry to perform or how to evaluate success, then the situation cannot be resolved.

If either or both of the scenarios above play out, chances are that your employees separate themselves into two camps: the favorites and the out crowd. This creates an unfortunate work environment, where some employees can take advantage and others feel bullied. It makes it challenging to manage staff, because research says that good managers should spend more time with high performers (assuming these are the "favorites"). It's also inconvenient if you plan to offer any of the financial incentives presented in the last section of this Guidebook, because that would just breed more resentment.

So, what do you do to practice fairness and manage employees' perceptions of treatment? Pay close attention to the actions below about training managers, performing evaluations and clarifying roles.

Train First-Line Managers. Your managers are your boots on the ground, so to speak. They are your eyes and ears, first responders (to signs of turnover), and your cultural ambassadors. Training them to take an active role in employee retention just makes sense. You don't have to train them to be experts in Human Resources, but rather train them as coaches, to bring out the best in your employees and form

trusting relationships that both embed employees and sound an alarm if signs of turnover arise. Moreover, if you make employee retention part of your managers' performance evaluations, they will quickly understand the need to get to know and build trust with their direct reports, and to always treat them with respect and fairness. (Just be sure not to neglect retention strategies for the first-line managers, one of which could be this specific training and development.) As a starting place, TalentKeepers (a private firm that consults on retention) has identified ten retention competencies for leaders (see sidebar). Articulating the competencies allows you to evaluate and provide learning and support to your managers. First-line managers who went through the TalentKeepers' training found it to have value in both their personal and professional lives, as the training truly teaches life skills, such as trust building.²⁴

Evaluate, Early and Often: Employees need to know how they are doing, as well as how the company is doing. There is nothing like the uncertainty of company performance to make people anxious and start to jump ship. When it comes to personnel evaluations, there are many different ways to handle it. Know your employees and generational differences in the way they value or expect feedback, and how private or personal (as opposed to broadcasted or team-oriented) they expect recognition. You may need a formal, annual evaluation on file for all staff, but some staff will appreciate more regular check-ins, sometimes even daily. If this is wearing on your time and patience, try a dashboard to capture the employees' accomplishments. This also forces you and the employee to understand what's most important to the business' success by boiling it down to a few measurable accomplishments. A personal or team dashboard can also complement a company dashboard that informs employees of overall performance.

Evaluations and regular check-ins should include discussion of strengths, commitment, and aspirations, as these are the pillars of job satisfaction for your employee, and are the key to you getting top performance from your employee.

Retention Skills for Managers:

1. *Trust-Builder*
 2. *Esteem-Builder*
 3. *Communicator*
 4. *Climate-Builder*
 5. *Flexibility Expert*
 6. *Talent Developer & Coach*
 7. *High-Performance Builder*
 8. *Retention Expert*
 9. *Retention Monitor*
 10. *Talent Finder*
-

Source: TalentKeepers

²⁴ Craig R. Taylor. "Focus on Talent." Training & Development Magazine: December 2002.

Understanding and leveraging an employee's strengths (rather than trying to improve weaknesses) is shown to unlock productivity and excellence.²⁵ Strengths are raw talents, and when joined with complementary skills and knowledge, can take an employee to the next level both professionally and personally. Recognizing strengths and utilizing them in everyday assignments can make an employee feel valued and competent, thus it's important to discuss how well strengths apply to tasks during evaluation discussions. Strengths also inform training plans for further development that benefit both employee and the company.

Gauging commitment can be tough, but it is crucial to retention. There are surveys available.²⁶ Some professionals recommend being totally upfront, and not avoid the elephant in the room, by asking what employees like, don't like, and what would cause them to take another job.²⁷

Even the most organizationally-committed employee will consider leaving if he doesn't see a clear path for his future that matches his own ambitions for learning and development.

Finally, it's important to have candid conversations about employees' aspirations. Not

only does this conversation get at the heart of truly knowing your employees, but it helps align employee and employer with a plan for development. Even the most organizationally-committed employee will consider leaving if he doesn't see a clear path for his future that matches his own ambitions for learning and development.

Role Clarification: All of the above strategies are rendered useless if, as a leader, you can't articulate what exactly you want your employees to do. It sounds infuriatingly simple, right? Yes, some employees are unable to understand their roles, and their strengths are probably not a good fit for the job; that happens. Consider your top performers though. You expect a lot from them. The work is dynamic, and they have to keep shifting to stay on top of it, perhaps even creeping into new roles to get things done. You want to stretch them, throw them into the fire, right? That's great, but without a connection to what they are doing now and how the new trial will be part of a future development, this causes stress and confusion. Remember that role clarity, stress, and role overload are the three main "predictors" of turnover.²⁸ If you keep stretching them and their role hasn't formally changed, then it can seem that your leadership behavior is that of taking advantage or playing favorites, both of which can breed resentment and upset team dynamics. And if you're relying on an employee that much, you certainly don't want to lose them. Better to have the conversation now about strengths, commitment and aspirations, and then clarify their role accordingly.

²⁵ Tom Rath and Barry Conchie. Strengths Based Leadership: Great Leaders, Teams, and Why People Follow. Gallop, Inc.: 2008. Also see the Clifton StrengthsFinder® program, which is a strengths assessment. StrengthsFinder organizes strengths into 34 themes and provides a personalized report on how the themes fit together for each individual. There is also a series of StrengthsFinder books for individuals and leaders that describe the themes and how to use them in the workplace and beyond.

²⁶ See Gallop's First Break All the Rules for a 12-item survey of employee engagement.

²⁷ Jean Martin and Conrad Schmidt. "How to Keep Your Top Talent" Harvard Business Review: May, 2010.

²⁸ See "Why Do Employees Leave" in Part 1.

There may be other cases where the work is changing so fast, and old processes haven't evolved, so the leadership is constantly applying band-aids and making it up as they go. Systems end up overlapping, or evolving at different speeds, and that can cause confusion of roles and stress for employees. That's when it helps to have a workflow analysis completed by a Lean Consultant. You may have heard of Lean Manufacturing, popularized by Toyota and about eliminating waste in value streams. Lean is not just for manufacturing. Now there's Lean Office, Lean Health Care, and Northern Michigan has multiple Lean Learning Consortia. Any business can benefit from Lean learning. Streamlining work processes ultimately helps leaders to define employee roles and responsibilities. See [Lean Business Practices](#) for a local resource.

Strategy 3: Work Environment

There's little doubt that a positive work environment has benefits. It makes work more enjoyable and productive, because less time is spent countering negative behavior. However, some employers may see a positive work environment as a bonus. The salary and benefits are what really attracts and keeps people, right? Wrong, at least for Millennials, who overtook the Boomers in population this year.²⁹ Young Millennials are even more expectant for positive work environments: "70% of new grads and 74% of recent grads would choose to work at an organization with an engaging, positive social atmosphere even if it meant accepting a lower salary." That was the finding of the most recent Accenture Strategy U.S. College Graduate Employment Study.

STRATEGY #3: Work Environment

ACTIONS:

- *Empower and Challenge*
- *Rewards: Goals and Job Design*
- *Mindset: Productivity vs. Hours*

If you've incorporated many of the strategies and actions presented above—like connecting values to roles, offering decision-making opportunities, "walking the talk," and fairness—then your work environment is already very positive. Below are a few more actions to take it to the next level.

Empower and Challenge: Employees need to be trusted and empowered to do things their own way, and not be dictated

to. And while there may be a few worker bees in your midst, most employees need to feel challenged. For empowerment and challenge, think of ways to get your team doing their own problem-solving. If you've done your work and everyone is in tune with the values, respects individual roles, and knows the goals and measurable successes, then step back and trust them. If something bothers you about what they are doing, ask yourself if it's really hurting the company's values or goals. Empowerment does not

²⁹ Richard Fry. "Millennials Overtake Baby Boomers as America's Largest Generation". Pew Research Center: April 25, 2016.

mean a lack of accountability. It could be a great teaching moment, as individuals and teams need real-life exposure for growth.

As a leader, it can be extremely difficult to delegate; you want to have control of the important tasks, and it can all feel important. Think about your staff's strengths; how do they align with what needs to get done? How can you best communicate to inspire employees to step up to the challenge? What is critical to quality that you might handle yourself, and who could shadow you for an ultimate guide on the embodiment of your company's values and preferred leadership behavior? You need to be able to lean on staff, and might have to build capacity to do that. Otherwise, you risk burning out yourself and creating a stressful work environment for all.

Rewards: Goals and Job Design. A positive work environment supports employees' desires for creativity, flexibility, and purpose. Strive to be the workplace that matches employees' talents with rewarding roles and greater influence over their job design. To do this, you need to be very outcome-oriented, and support your employees in goal setting that plays off their talents. Instead of the routine move of promotion to the next level, employees' high performance is instead rewarded with getting to do that pet project, or going to that 4-day/week schedule that they've been dreaming about. It's not a new idea, but it does go against the norm. Accenture Consulting calls this "The Internal Gig Concept,"

Strive to be the workplace that matches employees' talents with rewarding roles and greater influence of their job design.

and likens it to treating an internal employee as you would an external contractor

in terms of work assignments and job design.³⁰ For an "internal gig," work is organized around projects. Employees have lots of lateral movement, on-the-job learning, and freer rein for problem-solving within specific parameters, all which means they can seek out numerous paths to advancement. A similar concept by Gallup is called a "good fit promotion," which intends to better match talents, and not necessarily to elevate title and salary.³¹ Gallup cautions, "avoid the conventional wisdom that promotion is the only just reward for high performance mindset that creates an organization where everyone is ultimately promoted to their level of incompetence."

Mindset: Productivity vs. hours. Another mindset change that promotes a positive work environment has to do with perceptions of how much time we spend on the job vs. how much we are actually accomplishing. Many salaried workers wish they could be judged by how much they produce, and not how many hours they clock in the office; after all, that's what it means to be salaried, right? But in practice, the perception of who arrives early, who leaves late, and who checks email after-hours, all add up to much more emphasis placed on hours than productivity. Let's face it: the productivity of many workers, especially knowledge workers, is obscure to all but their supervisors. That's one reason it's difficult to adopt the mindset of productivity over hours. It's also complicated if you have a mix of

³⁰ David Smith, Katherine LaVelle, Mary Lyons, Yaarit Silverstone. "The Gig Experience: Unleashing the potential of your talent and your business. Insights from the Accenture Strategy 2016 U.S. College Graduate Employment Study." Accenture, 2016.

³¹ Buckingham, Marcus and Coffman, Curt. First, Break All the Rules: What the World's Greatest Managers Do Differently. Simon & Schuster, 1999.

salaried exempt, salaried nonexempt, hourly, and customer service personnel who are always on the clock, even if they are not producing.

Are employers really benefiting from the mindset that focuses on numbers of hours working? Full-time salaried employees work on average 49 hours per week. Full-time hourly employees work on average 44 hours per week.³² Research has demonstrated that there are diminishing returns to productivity after a certain number of hours on the job.³³ That extra four to nine hours per week might not equal greater productivity, and if you're paying overtime, then what's the point? Working more hours is also associated with high stress, burn out and cardiovascular disease³⁴, all of which can lead to turnover (or worse).

There's a myth that the current mindset is a boon to employers, who can pile on the work and deadlines without thought to how many hours it realistically takes to complete. This scenario is actually harmful to both employer and employee. For the employer, it encourages us to shirk out of setting realistic goals to attain our vision. We don't have to *plan* strategically; we just have to delegate it so that we can keep up the lightning-speed strategic thinking (and deal with the possible conflict caused by mismatch of expectations later...). For the employee, it leads to poor job satisfaction, because there's never breathing room to consider the purpose and impact of work. It's just another run on the hamster wheel that takes your employee away from his or her family.

In order to adjust your mindset, consider instilling a new work value based on productivity. Imagine this ideal: You've done your planning, and have a set realistic goal for the day or week. Everyone is on board and works together as a team to achieve it. If you get done early, you shut down and all go home. Could that actually make you money in the long run? You'd have lower energy costs, no overtime pay (usually), happier workers and extremely satisfied customers who receive an exceptional product because everyone worked their hardest. And, perhaps you and a willing group of team members could use that "extra" time to explore new projects, attain professional development, or team build with "forced fun" (see section below on Strategy #4: Socialization). Every time you reached a goal, your employees would have a sense of accomplishment and purpose, and get the instant reward of calling it a day. If the goal wasn't accomplished, everyone learns from it, and is in it together. And you call the shots: if the goal wasn't attained and you don't want to pay overtime, you designate a "quitting time" and start again tomorrow. This is an ideal and something to consider that may constitute a significant change in your thinking about productivity. Admittedly, there could be many complications, and it may not be a good for your organization. However, an extreme change such as this may be just what you need to keep your best employees happy, productive, and committed.

³² Gallup Work and Education Poll, August 2014.

³³ Sullivan, Bob. "Memo to Work Martyrs: Long hours make you less productive." CNBC: January 26, 2015.

³⁴ According to a 25-year longitudinal study by the University of Texas: Compared to working 45 hours/week, working... 60 hours/week yields a 35% higher risk, ...65 hours/week a 52% higher risk, ...70 hours/week a 74% higher risk, and so on. Berkeley Wellness. "Long Work Hours Take a Toll." University of California: July 11, 2016.

Strategy 4: Socialization

Earlier in the Guidebook, we introduced the concept of embeddedness. An employee becomes “embedded” when they develop networks of relationships. Leaving the job would mean sacrificing those networks. There are specific techniques employers can use to embed employees in the workplace and in the community, and many are found in Strategy #4: Socialization.

There are two inter-related, modern phenomena at play that make these Socialization techniques for embeddedness vital and genuine, rather than insignificant and contrived. The first is that the more virtual “friends” one has, the lonelier one can actually be.³⁵ The second is that personal and work-selves are blending as we find ourselves clocked in and logged in around the clock. Work is an important social venue for meaningful relationships. One of Gallup’s strong workplace survey questions is, “Do I have a best friend at work?” The science behind intentional social connections at work make the actions below vital to your employee retention efforts.

Actions

Orientation and Onboarding: If you think these activities are for signing paperwork and getting an office tour, prepare to be surprised: HR experts say that onboarding should last at least one year. Why so long? Most employees (86%) decide within the first six months whether or not to stay with a company long-term.³⁶

Orientation and onboarding are so useful for retention because you can involve new hires and tenured staff, and the expense is usually just time. Orientation programs are your opportunity to indoctrinate new staff to your work culture and instill belonging, all while reminding current employees why they are here. History is a great place to start – chances are, your business had an interesting

beginning, whether it’s 100 years old or a start-up. Perhaps there is a major influence that your business once played in your field or in the community. Even if you already shared these stories during the recruiting stage, share them again with an emphasis on the fact that the employees are now part of that legacy. Pride can be infectious. Then, keep the momentum with “rituals” that involve special commemoration, photos or decorations, which remind all employees and

STRATEGY #4: Socialization

ACTIONS:

- *Orientation & Onboarding*
- *Forced Fun*
- *Teams, Friends & Family*

³⁵ Consuming online media degrades our relationship-building skills. Becker, Scott. “This is your brain online: The impact of technology on mental health.” Michigan State University Counseling Center presentation: March 25, 2015. <http://spartanyouth.msu.edu/precollege/documents/ThisisyourbrainonlineforPre-CollegeFacultyandStaffMarch2015.pdf>

³⁶ Maurer, Roy. “Onboarding Key to Retaining, Engaging Talent.” SHRM: April 16, 2015.

keep the legacy in the present. The rituals can be reverent and formal or light and funny; whatever matches your work values and culture.

The Onboarding process is also a fantastic way to strengthen team dynamics among current employees. While the main activity should surround ensuring the new employee understands her responsibilities and your expectations, there's a good deal of room to make the activity fun and social. Icebreakers, pot lucks, and "forced fun" during work hours can introduce the new employee in a non-threatening way and get your current team really enjoying the job. It eases tension, and you might just make it into a regular event. If you think your current employees will harbor resentment (i.e. the "new guy" is getting special treatment), then ask for their help in planning something fun for all staff and solicit ideas for what they would have liked when they first started. Your employees might air some bad feelings, and it's a chance to recognize those and put them in the past.

"Forced Fun": We hesitate to call it this, because Forced Fun often conjures the image of the boss saying, "Pack it up, we're going bowling," and everyone making a bazillion excuses why they can't go. The connotation of "forced" should be because it happens during work hours: You invite your workers to do a fun activity while they are on the clock. It does not mean that you are dictating your employees' emotions or asking them to stop working while the workload continues to pile on. Forced Fun has received criticism for these reasons. However, in a work environment where employees are empowered, and the leadership behavior is that of open communication and seeking feedback, Forced Fun can embed employees in significant ways. Forced Fun really should be fun for all, and for that to happen it needs to occur rather personally and organically, which usually means the idea for the "fun" doesn't come from above.

If you have a large staff, keeping it personal and meaningful may be better achieved in activities for small groups or teams. Small group Forced Fun also takes the pressure off of your bottom line, because you don't have to close up shop. Just make sure that every group or team gets a fair opportunity.

Forced Fun doesn't have to be a big endeavor. Start small, like with a long lunch out without business conversation (which is much more difficult than it sounds!). Some other examples are a BBQ at an employee's home, a boat ride, or happy hour. Inevitably, an unexpected turn of events at one of these social outings will create a shared experience and something to talk about for months or years to come. The shared story is the point – solidarity through personal connection embeds employees even further, making retention that much easier for you.

Teams, Friends & Family: Research has shown that when work is organized around teams, employees perform better and are retained longer. This is because, while it is difficult to create loyalty to an organization in our modern world, it is easy to feel accountable to your "work family" that you work closely with every day. This is the magic behind companies that offer unlimited vacation. You would think that employees would take advantage, but the accountability to team members keeps people honest. This is also the magic behind "friends and family" recruiting programs, that might offer a bonus to an employee for recruiting someone they know. The employees are already embedded in the same network outside of work, and there would be significant risk to their relationship if one of them

was not accountable on the job. Friends and Family Open Houses are a clever way to introduce your employees' extended networks to your business, and have the added bonus of allowing employees to be prideful, and give immediate families a reference point that may stave off any feelings of resentment.

Finally, organizing projects around teams also alleviates financial and time commitments when starting initiatives like Forced Fun. It's a lot easier to have one unit out of the office than it is to shut down shop for a company-wide ordeal.

Part III: Community Assets for Employee Retention

When an employee leaves an organization, the greater community can also suffer. If the employee stays in the area, at least their skills and knowledge are retained by the community, but networks that enabled swift business to business transactions may be severed. If the employee leaves the area, then not only does the region lose the talent, but also the economic impact of that worker, which may or may not be fully replaced. Turnover impacts the community, and there are ways that employers can act as community leaders to counter the negative effects of turnover, while also turning the tide toward greater retention.

A couple of years ago, Networks Northwest conducted a survey of local employers about the reasons for, and possible solutions to manage, the labor shortage.³⁷ While the findings placed a lot of emphasis on skill gaps and training, a great deal more had to do with community-based issues. The lack of affordable housing near employment causes long commutes, which in turn causes absenteeism and an inability to attract workers due to the high cost. The lack of investment in quality and affordable childcare, especially for second, third or irregular shifts, leaves a segment of the workforce with few options to participate.

Employer engagement in community issues creates high employee retention because it can remove barriers to work, boost employer reputations, and embed employees. Housing, transportation, and dependent care are issues that affect workers and that employers can engage in—either directly or by providing leadership to community-based groups—to improve employee retention and attraction. In addition, there are two other ways that employer engagement in community issues benefits retention: It boosts employer reputations, and it embeds employees. Employees care about their employers' social responsibility, especially Millennial-generation workers, who have overtaken Baby Boomers as the largest generation. And, just like the strategies in Part II: Social Incentives presented ways to embed employees at work, there are many ways that employers can embed employees in the community, for example, through a favorable commute or family care provider arranged by the employer.

The strategies and actions below present ways for employers to engage in community issues to boost retention, and create attractive places for new talent to reside. First, two low-intensity actions for

³⁷ Northwest Michigan Works! Talent Roundtables held in Cadillac, Manistee, Petoskey, and Traverse City during March 2015.

community embeddedness are presented. Then, the major issues of housing and transportation, and dependent care are discussed with examples of employer leadership. Actions around housing and transportation are discussed together, because these issues are so interrelated. The actions presented are highlights from the Framework for Our Future action guide, [Growing Business with Workforce Housing](#).

Strategy 5: Foster Community Embeddedness

Just like employers can “embed” employees at work by building social ties, employers can take actions to embed employees in the greater community. These actions build commitment to the community, while also working to strengthen organizational commitment, as the employee works to proudly represent your business while carrying out the following activities. These two factors together create a sense of belonging that even a higher salary elsewhere cannot beat.

STRATEGY #5: Community Embeddedness

ACTIONS:

- *Community Volunteerism*
- *Leadership Programs*

Actions

Community Volunteerism: Employer-sponsored community work can be both altruistic and strategic. By supporting recurring, paid time for volunteerism, you are helping a cause by providing reliable and stable volunteers while also boosting your reputation and employees’ embeddedness. Take it a step further and commit to a regular *group* volunteer activity related to barriers to employment like child care, housing or transportation, and you’ll also be creating a positive social activity for staff. A word of caution: make it mandatory and your employees will begrudgingly do the bare minimum. Make it actually paid, in which case the workload also shifts to accommodate the time, and it becomes coveted time in the community. For example, a good friend of mine works for a company that requires a certain number of volunteer hours per year; as a salaried worker at this non-profit, she feels burdened rather than energized by this requirement. Now, imagine the opposite—a company where employees take turns “covering” for each other so that small groups can spend undistracted time doing good community work and return unstressed to the office or shop floor with a sense of pride and accomplishment. The employees that stayed to “cover” are happy to comply because they know their turn is next. The shared experiences out in the community become a topic of discussion that creates bridges among staff that may not have much else in common.

Leadership Programs: An effective way to get employees engaged in community-oriented issues and networks is to participate in Leadership Programs, often coordinated by Chambers of Commerce. Several chambers in Northern Michigan offer these programs, which expose a diverse group of local companies’ employees to the community’s assets, challenges and opportunities, all while building a peer network of leaders ready to take on current and future community challenges. Employer support of these programs has many benefits: business to business networks are strengthened, your company

gains greater exposure, your employee gains commitment and confidence by representing your company and gets more embedded into the community, which boosts retention. Leadership programs can also be a key ingredient in professional development plans. Since the training is beyond the day-to-day work activities and not job-specific, this kind of community leadership training can also meet the Millennial Generation’s desires for *personal* development at work.

Strategy 6: Remove Housing and Transportation Barriers

In addition to all of the beautiful bays and “the big lake,” Northwest Lower Michigan has 1,295 inland lakes. With the abundance of lakeshores and lake views comes high demand, and therefore high cost, for housing. Not to mention the increased mileage associated with traversing around all of those bodies of water!

While high demand and seasonal surges of visitors are great for the overall economy, the situation can create a crisis for the people who live and work here every day. Near the lakes, and in cities and villages where most of the jobs are located, housing costs are extremely high. Typically, the farther one goes into the country and away from jobs and other amenities, the more affordable housing becomes. But is it really affordable with the longer commute and added transportation cost?

For housing to be considered “affordable,” it needs to be 30% or less of a household’s income. That can be achievable, way out in the country; however, the high transportation and heating fuel costs in rural locations can actually make a “cheaper” house *unaffordable*. Moderate-income families in the region are spending 73% of their incomes solely on the combined cost of housing and transportation. Renting housing closer to town is not an option for many: to afford the average rental in our region, a

person would need to make a full-time wage of more than \$20/hour. Not only is this situation out of reach for many, but for those with only 27% of their budgets left for food, healthcare, and other critical needs, it’s also unsustainable.

An employer recently told us that last winter the company had an employee who was struggling with whether to pay her propane bill or her trailer lease. The employer paid her propane

bill. She is a good employee. She lives 25 miles from work. What is going to happen this winter?

One of our colleagues has a unique skill set, and commutes 100 miles daily for work. His employer helped him to purchase a car. He owns his house through an inheritance, but it’s literally

STRATEGY #6: Housing & Transportation

ACTIONS:

- *Understand the problem & share with others*
- *Manage the crisis (chip away at barriers)*
- *Solve the crisis (remove barriers with community-wide solutions)*

crumbling. He wants to move, but can't afford to fix the house to sell it, and cannot sell it profitably without fixing it; either way, he will not have enough assets to move.

Paying for an employee's propane or a car is an honorable action, and should be highlighted as great examples of employer support. Unfortunately, our region still faces a systemic problem related to housing and transportation. That means that we have to pull a bunch of levers at once to get the outcomes we need. We as community leaders need to affect where housing is located and how much it costs, including the energy costs associated with heating and transportation needs.

Actions

So what do we do? There are many steps that employers can take to remove the barriers of housing and transportation for workers. Some steps are small and low-cost, and are very effective for individual employers. Some steps are larger and work best through groups of employers working together. For a complete list, see the Framework for Our Future action guide, [Growing Business with Workforce Housing](#).

Understand the problem & share with others: What are the specific barriers for your workers? What are they reporting to you? How far do they commute? Do they always make it to work, and on time? What, if any, strategies have you tried to gain housing for new workers? Share your story, and the experiences of your workers, with others. Speak up. Many people are uncomfortable with the idea of "affordable housing," because they don't understand the terminology: "affordable" simply means spending 30% or less of your income on housing. Affordable housing is for everyone. As an employer, you need near-to-work "affordable" housing for your VPs, your hourly workers, and everyone between. The key is to have a variety of housing choices available.

Manage the crisis: Chipping away at barriers. In the immediate term, there are ways to help your employees who may be struggling with long commutes, or who are stuck in substandard housing. Some ideas for transportation assistance include setting up your own vanpool (see [MichiVan](#)) or encouraging

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rideshare or transit (see MiCommute's 2-page [Employer Toolkit](#) or go to [NMride.net](#)). For housing assistance, create a list of nearby, vetted rentals; pay to

rehab housing that would be attractive to your employees due to its location; offer a rental or down-payment assistance benefits; or, become a landlord (there are more ideas and examples from real-life employers in the guidebook, [Growing Business with Workforce Housing](#)).

Solving the crisis: Explode through barriers with community-wide solutions. By partnering with other employers, local governments, or community groups, your investments in housing and transportation solutions are maximized. With other employers, you could rehab properties, raise capital to work with a

developer, or negotiate group discounts with banks to help with property rehabs or purchases. You could provide leadership to a local government to amend zoning to allow more and different types of housing near your place of employment, or to start a Housing Trust Fund. All of these ideas are detailed in the guidebook, [Growing Business with Workforce Housing](#). Once a variety of housing choices are available near employment sites, then community investments in transit and transportation can happen efficiently.

Strategy 7: Support Family – Work Balance

Not all of your employees have children, but most of them have parents, grandparents or other family members for whom they may play a caretaking role. Many employers would consider an employee quitting to care for a dependent as unavoidable turnover, but is it? Surveys have shown that working mothers’ primary reason for leaving the workforce is because they cannot find work profitable enough to justify the cost of care, followed by desire to spend time with family, and then concern over the quality of care. Most mothers report that they want to work. A third of all stay-at-home mothers are living in poverty.³⁸ For a minimum wage worker, childcare costs 64% of their income.³⁹

What if employers could reduce the costs of care, provide flexible time (which allows family time and reduced care costs), and help increase quality? It’s not unheard of for employers to provide tuition reimbursement, even if it’s not directly related to the job, but why not dependent care benefits? Family care is often expensive, and involves vulnerable populations with high stakes for the right care arrangement. Family care, for children or aging parents, can be one of the biggest items in your employees’ household budgets, and certainly cause for distractions at work. Arguably, a dependent care benefit could have higher returns than some of the classes that are reimbursed as a regular benefit.

STRATEGY #7: Support Family-Work Balance

ACTIONS:

- *Influence Cost of Family Care*
- *Influence Access to Family Care*
- *Influence Quality of Family Care*

Actions

Influence the Cost of Family Care. There are several ways to reduce costs for employees, without much additional cost to the employer.

³⁸ Cohn, D’Vera; Livingston, Grethen; Wang, Wendy. “After Decades of Decline, a Rise in Stay-at-Home Mothers.” Pew Social Trends: April 8, 2014.

³⁹ Schulte, Brigid and Durana, Alieza. “The New America Care Report.” September 2016.

Consider establishing a Dependent Care Flexible Spending Account that allows employees to deposit up to \$5,000 in pre-tax dollars (for individuals or married filing jointly) into a fund that can be used to pay for daycare, before/after school care to age 13, or adult daycare. There is also a Dependent Care Tax Credit, which adjusts gross income. You can assist your employees by providing information about these options for credit or reduced tax liability.

If appropriate for businesses' work flow requirements, consider adopting Core Hours, which are the times of the day when you expect all workers to be present. Perhaps 10am – 2 pm; that's probably the most common time when you schedule meetings anyway. Outside Core Hours, you allow workers to decide when they work. Some will prefer to come in at 6am when it's quiet, and leave by three. Others would love it if they could stroll in at 10am after exercise and a latte and stay until 6 or 7pm. This scenario, if appropriate for your business, can benefit all workers. The benefit to parents could be reduced child care costs. If one parent worked early in the morning and the other had a second shift, they could avoid child care entirely. This may be stressful on the family unit, but for annual cost savings of \$10,000 or more and extra time with their children, many parents would choose this lifestyle, at least for a few years.

Another way to influence the cost of care is to pay for all or part of Family Medical Leave. While the

Family care, for children or aging parents, can be one of the biggest items in your employees' household budgets, and certainly cause for distractions at work.

official, federal Family Medical Leave Act (FMLA) applies only to companies with 50 or more employees,

smaller employers can still offer a leave program for caretaking needs. A word of caution: Just like you would with any other employee benefit, use very specific language to describe the program terms and conditions. If you call it a FMLA program, then legal precedent is that you have to comply with FMLA, even if your company is too small to qualify.⁴⁰ The bright side of being too small to qualify for FMLA is that you can tailor a leave program of your own—with pay, partial pay, flex time/reduced schedule, or whatever you determine—and use it strategically to assist employees that you need to retain.

A more involved method of reducing cost is to partner with, or sponsor, a specific daycare or adult living center that either becomes the provider of choice for your employees, or numerous employees are already utilizing. Sponsorship is also a way to influence access to, and quality of, care. If the employer pays the service provider on behalf of employees, then the employer can reap the tax deductions.⁴¹ See below for more ideas on partnerships with care providers.

Influence Access. Sometimes just finding child care is a barrier to workers. Employers express this concern especially for second or third shift workers. It's also true of certain geographies. There have been times when certain counties in our region have not had any infant care providers, and our largest city, Traverse City, lacks a child care center in its downtown. There are special circumstances, too: If a cultivated care arrangement suddenly isn't working out, then your employee will need significant time

⁴⁰ *Reaux vs. Infohealth Management Corp.*, 2009. <https://fsb-law.com/can-employers-become-contractually-bound-to-the-fmla/>

⁴¹ The authors are not tax professionals. Please seek the advice of a qualified tax preparer or CPA.

to find an alternative provider. And if it's a snow day or school closure, not every community has "back-up" child care providers. Here are some ways that employers can help, so that employees do not have to choose between work and staying home.

To increase access to dependent care, employers can partner with, or "sponsor," a care facility to locate nearby, perhaps even on-site. Some employers run their own child care facilities, but you don't have to take it that far. Partnering with a child care business—that knows the ins and outs of licensing, regulations, staffing, and quality ratings—is perhaps a better approach. Child care licensing for daycare centers requires certain physical characteristics (like separate sinks for hand-washing and meal preparation, for example). Retrofit of existing buildings is almost always necessary to accommodate a new child care facility. That's a barrier to new business. Employers could pay remodeling costs, or a few months of rent, to help a new child care business meet regulations to move in next door. Employers could also pay deposits on behalf of the employees, to secure spots for the employees' children and to help with start-up costs.

There are also regulations that apply to home-based child care providers. If you're located in or near a residential neighborhood, you may help someone start a child care business in their home, where one staff person can care for up to six little kids, and a part-time care giver can help big kids get on and off the bus.

Second and third shift workers have additional challenges finding quality child care. Ideally, care is provided in their homes, so children maintain regular and secure bedtime routines. If another parent or relative is not available to provide such care, then private help comes at a premium. With enough workers in need of care, an employer could negotiate with a day care center to stay open. Regardless of the care arrangement, support parents' and children's routines by giving workers a break to say goodnight to children by phone. Women and men require the same opportunities for pay and advancement. The need for child care is not a just reason to deny a worker the more lucrative night shift. Instead, be aware of employees' situations and respectfully help them plan.

Another issue workers face is what to do when back-up care is needed. Sometimes there are school closures, or short-notice business meetings. Not all parents have pre-arranged back-up care - someone qualified whom they can rely on in a pinch. Employers can assure attendance of workers on those days by investing in a relationship with a back-up care provider. This relationship could be a formal one with a care-giving company that offers the service. Or, it could be an informal arrangement on-site where you've set up a kid-friendly area for those rare occasions. For the latter, parents would have to be comfortable with the environment and the supervision. It would be best to hire a qualified child care provider, and make this informal arrangement for older children only. Besides, daycare centers for young children usually stay open, even when schools have closed for inclement weather.

Influence Quality. "The children are our future," so goes the famous quote. Influencing the early years of our children's lives with nurturing development not only eases working parents' minds, but also prepares the next generation of your employees to be reliable and creative thinkers.

There are numerous ways to influence the quality of care, and rather surprisingly, these actions can be lower-cost than some of the “sponsorship” activities presented above. One of the most direct ways to influence quality is to invest in professional development for caregivers. These staff need recurring basic training (like CPR), and many other continuing education requirements. For example, lead caregivers need Child Development Associate Credentials to gain a high quality rating. Adult home health aides need 12 hours of continuing education each year to stay certified. Employers can offset the cost of continuing education by offering scholarships to employees’ care providers. If most employees are utilizing a facility that you already have a relationship with (for example, because you helped them open next door to you!), then it becomes even easier to help the facility pay for professional development with a single check, instead of lots of little scholarships. Community Foundations are also great at managing scholarship funds; a circle of employers could capitalize a local fund for all child care providers in the community.

Influencing the early years of children’s lives with nurturing development not only eases working parents’ minds, but also prepares the next generation of your employees to be reliable and creative thinkers.

Another way to influence quality is to get involved. Many care-giving facilities are non-profits with governing boards comprised of community members. Give employees time to sit on these leadership boards that influence care. Each region of the state also has a Great Start Collaborative, which comprises business interests along with education, health, human service, and other professionals who work together to meet the needs of young children. These various groups also need places to meet. If you have a conference room, consider allowing care-giving organizations or parent support groups to use your facility for meetings.

Part Four: Financial Incentives to Influence Employee Retention

For companies that can afford it, offering high compensation and benefits may be the easiest attraction strategy, but unfortunately, it is not the most effective for retaining employees. Yes, people care about how much money they earn. This judgment about earnings is rarely absolute though: it's only meaningful relative to costs of living and to what others are earning. As long as your pay provides a living

wage and is close to what others are offering, then a more effective strategy is to compete in ways that other businesses can't. After all, offering "competitive" pay isn't really all that competitive – most anybody can match a salary. It's more difficult for competitors to match personal development investments, on-the-job learning opportunities, positive exchanges with the boss, and clarity about the role. These are the new currency for fostering employees' loyalty.

In Part 1 of this Guidebook, we presented research about the psychology of work and why employees stay. Higher pay is less than half as strong a predictor of retention as the factors listed above. Organizational commitment used to be a concept whereby employees would stick around for a long time and be rewarded by the employer taking care of their retirement needs. The new psychological contract for work is ruled by short-term thinking: employers want adaptability and the most cutting-edge talent to compete in a fast-paced world, and employees want to know what they will learn on the job so they can keep meeting employers' demands for the latest and greatest. In this way, organizational commitment is less about old-school loyalty, and more about how employers can support their employees' personal development. It sounds counterintuitive, but making your employees more competitive in their fields can actually boost their retention and loyalty to you. If you invest in them and they still leave, then maybe that's not the type of character that you want around (and signifies the importance of hiring the right person to begin with).

Making your workplace competitive on factors of salary and benefits alone can lead to wage inflation and high turnover, but treating your benefits as an extension of your values can make you an employer of choice. The strategies and examples below are not representative of the typical list of fringe benefits. These are financial benefits, employment terms, and cost avoidance techniques that employers can implement to solve specific problems with attraction and retention.

STRATEGY #8: Show Them the Money

ACTIONS:

- *Adjust the Terms of Employment*
- *Offer Problem-Solving Financial Bonuses*
- *Create Cost-Savings for Your Employees*
- *Develop a Workplace Wellness Program*
- *Be Transparent*

Actions

Adjust the terms of employment. Sometimes changing the terms of employment helps employers to manage retention challenges instead of fighting against them. Sometimes there is a pattern of turnover within a specific position or job level. Imagining a scenario where that position or job level changes, can help employers understand which retention levers to pull. For example, research in the hospitality industry has shown that hourly employees care more about extrinsic rewards and the transactional contract, like pay. On the contrary, salaried hospitality employees care more about intrinsic rewards and the relational contract, like job satisfaction, advancement opportunities, and organizational prestige.⁴² With this type of knowledge, employers can manipulate the structure of employment to gain better retention. Do you have a critical position that keeps turning over? Does it lend itself better to an hourly or salaried position? Will you need to pay overtime? Is it really two positions or one? Would it be better to divide tasks into one full-time higher-wage position and one part-time lower-wage position?

Temporary versus permanent employment is another way to influence retention. An employer in the finance industry was struggling with a salaried, entry-level position that turned over every three years. Right when the employees would get good, they would leave for other opportunities. Not wanting to create a special retention program for that position, the employer changed it into a three-year internship, which has become an industry norm.⁴³ If you anticipate a role might change in a few years, why not structure the term of employment for that amount of time?

Offer Problem-Solving Financial Bonuses. There are many types of bonuses. Discretionary bonuses are a nice tool to show employees that you are appreciative without raising base salaries, or tying yourself to any payment in advance. On the other hand, nothing says “we’re in this together” like company-wide performance (non-discretionary) bonuses at the end of the year. Non-discretionary bonuses, if paid quarterly, can also count towards up to 10% of the new salary threshold for exempt workers. But how can employers use bonuses to solve specific attraction or retention problems? Here are some examples:

Employee Referral Bonus: Asking current employees to refer their friends or family members for open positions can yield candidates that are dedicated to more than just the job. Offering a bonus to the employee who made the referral, after a certain number of days the new person is retained in good standing, is an added incentive.⁴⁴ This tactic can result in higher performance, as the worker is beholden to their friend/family member and you, and can improve job “embeddedness” for the current employee too. Will there be more socializing at work? Perhaps, but probably not more than there would be otherwise.

Retention Bonus: Some companies offer increased retirement contributions or additional paid time off with years of service. These types of longevity benefits can promote a structural increase in the cost

⁴² Hausknecht, John; Rodda, Julianne M.; Howard, Michael J. “Targeted Employee Retention: Performance-Based and Job-Related Differences in Reported Reasons for Staying.” Cornell University Center for Advanced Human Resource Studies: April, 2008.

⁴³ Cappelli, 2000.

⁴⁴ Wheeler, Jacob. “Where are all the workers?” Glen Arbor Sun: July 14, 2016.

of tenured employees. What about bonuses instead? Bonuses can happen much more frequently, reminding employees of what's to come next, instead of looking far to the horizon for that unimaginable 10-year mark where they get an extra 2% retirement match. Providing bonuses every couple of years (or whatever makes sense for your business cycle) is perhaps a more sustainable option than adding structurally to total employee compensation, but it's also not mutually exclusive to offering base salary promotions. Doling out longevity bonuses can also be accompanied by a celebration. See "Strategy 4: Socialization" about creating rituals.

Returning Worker Bonus: For seasonal businesses, the "retention bonus" cycle is annual. Some companies pay a bonus to year-after-year "returnees," which can help secure staff in a competitive market. Companies save money on recruiting and training costs, so the math probably works in their favor, even after providing the bonuses.

Create Cost Savings for Your Employees. Sometimes when you can't offer more compensation outright, you can find a way to help your employees avoid costs. The cost avoidance can be in the form of free or discounted services (some of which may be taxable benefits⁴⁵), reduced tax incidence, or work terms that limit transportation or child care costs. Here's a list of cost-saving ideas:

- **Transportation:** Provide transportation options to and from work (think employer-sponsored vanpool), or at work (think employer-owned bikes for lunch breaks and errands).
- **Food:** provide snacks, coffee, and occasional lunches.
- **Clothing:** Even if you don't provide uniforms for staff, logo gear is a great option. It's usually popular with staff, is free advertising when your employees don it off sight, and also ensures that your staff dresses in your preferred style of "business casual." It's also wearable pride for your business, and sends the message to community members, "talk to me about where I work..."
- **Discounts:** Businesses often secure discounts for purchasing. Consider extending discounts on things like computers, cell phones, gas, office supplies, food or hotels to staff. As long as the vendor allows it, employee demand can increase your business' purchasing power for deeper discounts. And if employees can get discounted ink cartridges, they may just stop printing personal things at work!
- **Tax deferral:** For a modest administrative fee, you can allow your employees to defer compensation for retirement, college savings, and health or dependent care.
- **Work arrangements:** Flexible hours allow parents to save money on child care. Telecommuting can save on transportation costs.

Develop a Workplace Wellness Program. Since stress is one of the biggest reasons that people leave, try offering your employees a way to alleviate that stress. Developing a workplace wellness program can be one of the simplest tactics you implement from this guidebook. You can get started by

⁴⁵ Check IRS rules about "de minimus" benefits. Depending on the value and frequency of which items such as clothing are given to employees, such items could be considered part of taxable wages.

asking for volunteers to form a committee. Give them a small budget and plenty of autonomy. You'll be surprised at the ideas they come up with. Here are some examples:

- Monthly wellness potlucks. Everyone brings a healthy dish and eats together in a conference room.
- "Biggest Loser" competitions. Offer regular prizes along with the grand prize for the person who loses the most.
- Get the most Steps challenges. Use your wellness budget to buy everyone a pedometer and set up a simple spreadsheet for everyone to enter their daily steps. Challenge everyone to meet a minimum number per day or week.

You'll find that the volunteers who initially form the committee become the workplace wellness champions. They will spend the time and effort to get people engaged and coordinate the program. Dedicating a small budget sends the message that this is important enough for you to spend money on; and that you care about the health and wellbeing of your team. It also offers the kind of socializing experiences mentioned in Strategy #4. And the healthier your employees are, the less stressed they are, the fewer sick days they take, and the more productive they are overall.

Be Transparent. There are two reasons for being transparent about employee compensation. And while you don't have to publish everyone's salary (unless required by law), you can and should be transparent about salary ranges for different levels of positions, what added responsibilities those job levels require, and how and what affects pay rates and increases (for example, revenues or federal requirements).

The first reason for transparency around compensation is that secrecy leads to suspicions of unfairness and distrust. Remember: you'll be judged by your behavior (of arousing suspicion and breeding distrust), and not your intent (to protect workers' privacy), because your workers will think, "What other reason is there for secrecy except to suppress wages?!"

The second reason to be transparent is to educate employees about how much you actually spend to employ them. Most employees are clueless about the full costs of "legally required benefits" like Social Security, Medicaid, Federal and State Unemployment Insurance, and Worker's Compensation, and may not understand how much employers pay toward other benefits like health, retirement, life, disability, paid leave, or for administration of other benefits programs like deferred compensation plans. On average, about 30% of total employee costs go toward benefits⁴⁶. In conversations about salary, do not forget to explain these other costs. It's powerful to provide a spreadsheet breakdown of total compensation costs, and don't forget to total the sum! Your \$35K annual wage employee will feel like a \$45K one when he sees the total. And, although it's difficult to calculate a figure, you might also just list the other "cost savings" that you provide in the form of food, clothing, discounts, etc., but recognize that some of these items may be taxable income for your employee.

⁴⁶ US Department of Labor, Bureau of Labor Statistics, "The National Compensation Survey – Employer Costs for Employee Compensation (ECEC)".

Part Five: Getting it Done

This guidebook presented 8 strategies and 30 actions for employers to use to reduce voluntary turnover. Before embarking on these strategies and actions, it's essential to explore the reasons why employees stay and leave your particular business, and any differences in these reasons among job level, category or tenure. It is also imperative to embody your company's values and strategic plan when crafting a retention program, so that you can build off your strengths to attract and retain *who* you really need, *when* you really need them. Otherwise, we'll all be "competing" with the same set of retention techniques (e.g., salary increases), and that mimicry or one-upsmanship doesn't help us retain the workers we really need.

Get Started! Consider the following steps:

Plan:

- Why do employees leave? Which ones leave frequently? When do they leave?
- Why do employees stay? Which ones stay? How long?
- Which workers do you need to stay now?
- Which workers do you want to stay to meet future objectives?
- What values does your company embody? What values do the employees you wish to retain care about? Where is there overlap?
- How do company actions currently reflect these values? Could any of these actions be expanded into a retention activity?
- Which strategies and actions in the Guidebook can reflect your values and help to solve a specific retention problem?

Design & Build:

- Adopt a set of strategies and actions. Team up with key staff, if collaboration is a value.
- Budget time and money to implement these strategies and actions.
- The work is not done! Most importantly (and easiest to overlook): Communicate what you plan to do and why to staff! Hire an internal communications consultant if you need help.
- Assign staff, or schedule yourself time, to implement.

Test & Refine:

- Measure success and refine as needed.
- As business strategies (and therefore staffing needs) evolve, refine again.

Please be encouraged: You are not alone in this effort! There are myriad groups and consultants willing to help or just provide a listening ear:

The Northwest Michigan Works! Business Liaisons (www.networksnorthwest.org/business-services) provide no cost, no hassle attraction and retention services, and organize staff training (oftentimes with scholarships for your workers and workers-to-be). You can meet privately, one-on-one with your Business Liaison as needed while you go through the process of developing a retention program.

There are also peer groups, like the local chapters of the Society for Human Resources Management (SHRM), and industry-specific groups that are organized for various purposes, either independently, or by organizations like Northwest Michigan Works!, chambers of commerce, intermediate school districts, and colleges. Ask your Business Liaison for local contact information for these groups.

The Framework for Our Future (www.networksnorthwest.org/framework) is a data and information resource for employers, local governments, non-profits, and the public to use to supplement local planning and decision-making about community issues such as housing, transportation, talent, and growth and investment.

We wish you success in hiring, developing, and retaining the employees that will help you grow and prosper. Please give us your feedback. We want to hear from you: What's working, what's not, what resources would be helpful? Please contact your Business Liaison.

Networks Northwest is a 10-county regional organization committed to improving the quality of life for workers, companies, and communities. Founded in 1974, Networks Northwest facilitates and manages various programs and services for the region. These programs include Northwest Michigan Works, Small Business Development Center, Procurement Technical Assistance Center, various business services, and many different regional planning initiatives in response to our communities' requests and needs. You will see the broad spectrum of workforce, business and community services Networks Northwest offers if you visit our web site, networksnorthwest.org

Networks Northwest's member counties are: Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford.