



## A Research Report on Employee Turnover

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### Office of Legislative Oversight Report 2000-4

November 21, 2000

Office of Legislative Oversight

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## Executive Summary

Finding and keeping good employees is a critical issue facing employers today. The previous generation expected workers to remain with their employer for life, or at least for many years. Today, the average length of service with an employer is less than four years. Those who entered the workforce in the 1990's will likely change employers an average of nine times before they reach the age of 32.

Employee or labor turnover refers to the aggregate movement of persons into and out of jobs. The empirical research consistently shows that:

- There is a lot of job change in the U.S. labor market;
- General economic conditions have a strong influence on turnover rates;
- Both wage and non-wage factors influence workers' job change decisions;
- Turnover rates tend to vary by workers' characteristics, (e.g., absolute wage level, age, gender, and education), by industry, and by size of firm; and
- Individual employers control only some of factors that influence turnover.

Because agencies use different standards and criteria to calculate turnover, comparing turnover rates is tricky. Regardless of how it is calculated, however, the U.S. labor market is characterized by many job changes. The annual job reallocation rate is about 20%, and the quarterly worker reallocation rate is about 40%. This means that almost one in every five jobs is destroyed or created each year, and for every 10 jobs, new people will fill four of them each quarter.

Frequent job change is not experienced equally throughout the population and many workers remain with the same employer for a relatively long time. For example, while the median tenure of a 17 year old in a job with the same employer is six months, the median tenure for workers ages 45-54 is eight years.

General economic conditions have a strong influence on turnover rates throughout the working population, i.e., the higher the level of unemployment rates, the lower the level of voluntary turnover. Whenever there are fewer jobs available, there is increased competition for jobs, and employees will be less inclined to voluntarily quit.

Survey research shows that while workers definitely consider a job's total compensation package (pay and benefits), workers also weigh job characteristics such as working conditions, job satisfaction, job status, and job security. Empirical research shows that individuals try to select a job that has most of the qualities that are most important to them and avoid qualities that are least desirable. In many cases, an individual will trade wages for non-wage characteristics, or vice versa. These findings hold true across occupations and income levels.

Labor turnover rates vary by worker characteristics, such as age, gender, and level of education. Turnover rates are highest among younger workers (16-24 years old), higher among adult women compared to adult men, and higher among adults with a high school education compared to adults who have a college education.

Labor turnover rates also vary by absolute wage levels, which means that individuals who earn high wages generally change jobs less often than people who earn low wages. Although the correlation between higher wages and lower quit rates exists, the elasticity of the association is weak. What this means in practical terms is that a relative wage increase must be very large in order to have a significant impact on reducing turnover.

Turnover rates vary by industry. Industries with higher turnover rates are those most likely to hire low-wage, less educated workers, who are less attached to their jobs and who perform tasks that are not complex. Industries with lower turnover rates are those most likely to hire older, more educated workers, who receive above-average wages and who perform more complex tasks.

The federal government estimates that, on average, it costs a company one third of a new hire's salary to replace an employee. From the employer's perspective, turnover is "functional" when poor-performing workers leave or when job changes bring in more productive workers and/or create positive opportunities for reorganization. Turnover is "dysfunctional," however, when high performing workers leave, or when job changes create lower performance and instability in the workplace.

Research shows that workers who quit most often end up in better jobs, but workers who are fired are more likely to end up with less income. The dual labor market literature suggests that workers in a secondary labor market (the market of less educated, less tenured, lower wage workers) bear a disproportionate amount of the negative consequences of turnover because they are easier to layoff and rehire.

There is much management literature published on how to increase employee retention. The strategies that claim to reduce turnover have common characteristics across industry and occupational groups. The most frequently cited retention tips include: recruit and hire the right person for the job; provide your employees with training and career development opportunities; provide your employees with a competitive compensation package; create a positive working environment that recognizes a work-life balance; recognize and reward your exceptional employees; and make employees feel involved in decision making.

In sum, multiple factors explain why workers accept, stay with, or quit a job. Given the statistical reliability of the data available, there is every reason to believe that the dynamics of employee turnover in Montgomery County mirror those found across the country. Any employer interested in reducing worker turnover would be well advised to design a retention plan based upon information obtained directly from his/her own employees. The plan should establish realistic employee retention goals, keeping in mind that only some of the factors that influence workers' job change decisions are within the employer's control.

## **1. Project Background**

The Council's continued interest in issues related to employee turnover is evidenced by a number of specific initiatives supported in the past several years.

### **a. FY 00 Funds Allocated for Employee Retention Project**

In FY 00, the Office of Economic Development's contract with the Montgomery County Chamber-Workforce Corporation included funding for the Montgomery Work/Life Alliance's "Employee Retention Project." The Work/Life Alliance was asked to conduct a survey of human resource executives from Montgomery County businesses of varying industry and size. One of the primary purposes of the survey was to solicit views on issues related to the challenge of attracting and retaining top talent in Montgomery County.

The Work/Life Alliance writes in their June 2000 summary report that, ". . . the challenge of attracting and retaining top talent still exists for employers in Montgomery County . . . The issue is dictated by changing workforce demographics and the national and local unemployment rates -- the nation's unemployment rates are the lowest in over 20 years, with Montgomery County's rate being 1.5%." Appendix A contains a copy of the Montgomery County Employee Retention Project 2000 Follow-up Report, dated June 15, 2000.

### **b. Council's FY 01 Budget Request for Turnover Data**

The Council's final action on the FY 01 operating budget requires the Department of Health and Human Services (DHHS) to collect data on employee turnover, hourly salaries, and health benefits from:

- Providers who are on contract to the County to provide direct client services; and
- Child care centers that receive public funds through either the County-funded Working Parents' Assistance Program or the State-funded Purchase of Care Program.

In October 2000, the Department submitted the results of the first of two Employee Turnover Reports to the Council. DHHS sent out survey forms to 170 contractors and 50 day care centers; DHHS received responses from 114 contractors and 16 day care centers.

The Department reports that, based on the information supplied by the respondents, the contractors have a turnover rate of 9.5 percent, and the child care centers have a turnover rate of 13.6 percent. Appendix B contains the summary report from the Department dated October 16<sup>th</sup>; it includes a copy of the Council's request to DHHS (excerpt from Resolution No. 14-524), and the letters and survey forms sent out to contractors and child care centers.

On October 23, 2000, the Council President responded with a written request to the County Executive for a second version of the turnover report. The Council President's memo includes a request for individual turnover rates by contract and information about the nature of the work in each contract. Appendix C contains a copy of the Council President's memo.

### **c. Council's Assignment to Office of Legislative Oversight (OLO)**

In August 2000, the Council included a research project related to employee turnover on OLO's FY 01 Work Program. The scope of OLO's project was structured to provide the Council with a better understanding of the dynamics of employee turnover in general, and to provide some context and comparative perspective to the employee turnover data being compiled by DHHS.

As approved by the Council, OLO's project includes two parts:

Part (1): A review of the academic and other professional literature for information that addresses specific questions about the general dynamics of employee turnover and retention; and

Part (2): A survey of employees and former employees of DHHS' contractors (who provide direct client services) about what factors influence their decisions to stay or leave their jobs. The Council asked OLO to investigate alternative approaches to soliciting this information and to report back with a recommendation before proceeding.

This memorandum report represents OLO's completion of Part (1) of this project. The final section sets forth OLO's recommendations on Part (2).

## 2. Defining and Measuring Employee Turnover

### A. Defining employee turnover

Employee or labor turnover refers to the aggregate movement of persons into and out of jobs and between jobs. Labor turnover results from actions taken either by an employer and/or an employee. A comprehensive definition of labor turnover includes three categories of job changes:

- (1) The number of new workers hired (also called accessions);
- (2) The number of workers who transfer from one job to another; and
- (3) The number of workers who separated from an employing organization.

Some organizations limit the calculation of turnover to the number of workers who separated from an employing organization. It is also common to divide separations into two major sub-groups: voluntary and involuntary:

- Involuntary job separation (also called a discharge or layoff) occurs when the employer initiates the job change. Involuntary job separation results from reductions in force, disciplinary actions, and failure to pass training tests.
- Voluntary job separation (also called a quit) occurs when the employee initiates the job change. Voluntary job separation includes resignations, retirements, and deaths.

Researchers often make the distinction between labor turnover associated with worker reallocation vs. turnover associated with job reallocation. *Worker reallocation* occurs when workers reshuffle across the same set of jobs. *Job reallocation* occurs when jobs in one firm are destroyed and jobs in another firm are created.

### b. Measuring Labor Turnover Rates

The Current Population Reports (published by the U.S. Census Bureau, Economics and Statistics Administration) describes labor turnover rates as a measure of the "the flexibility or fluidity in the marketplace for human labor brought about by the interaction of the demand for and supply of labor."<sup>1</sup> Consistently measuring the movement of people in the labor market is difficult, however, because there are different ways to calculate turnover rates. The calculation of labor turnover depends upon three key variables:

- The time period of measurement;
- The unit(s) of analysis; and
- The source(s) of data.

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<sup>1</sup> Current Population Reports, "Dynamics of Economic Well-Being: Labor Force 1991-93", August 1995.

**Turnover rates vary significantly depending upon what actions are counted, e.g., additions to the payroll, workers who quit, workers who are fired, and/or workers who transferred jobs.** In many cases, turnover rates are calculated only using job separations, and in some cases, turnover only counts voluntary job separations (quits). In addition, a turnover rate calculated from a survey of employers about how many workers have left or been hired yields a different result from a turnover rate calculated from a survey of workers about how many different jobs each worker had during a given time period.

The Current Population Survey Reports (CPS) contain the most comprehensive and consistent source of labor turnover data for the U.S.<sup>2</sup> The primary source of data for these reports is the Survey of Income and Program Participation (SIPP), which is a longitudinal survey that follows the same persons over a period of time. CPS' formula for computing monthly turnover rates is:

**CPS Labor Turnover Rate Formula:** The total number of turnover actions during the month divided by the average number of workers employed during the month, times 100. The Census Bureau tracks turnover actions in three categories: accessions (number of workers hired); separations; and inter-industry transfers.

**The Current Population Survey Report published in August 1995 reported that the average monthly labor turnover rate in the U.S. is 7.1 percent.**<sup>3</sup> The denominator for this calculation is average monthly employment (105,660,000 persons). The numerator for this calculation is the number of total turnover actions (7,542,000). The number of turnover actions include: accessions (28%), separations (29.4%) and inter-agency transfers (42.5%).

Table 1 (p.7) summarizes the monthly percent splits among these three turnover categories. Section 5 (p. 25-29) contains additional breakdowns of national labor turnover data, e.g., by industry and by worker characteristics.

The U.S. Department of Labor periodically publishes data on employee tenure, defined as the number of years that wage and salary workers have been with their current employer. Information about tenure is obtained through supplemental questions in the Current Population Survey, a monthly survey of about 50,000 households that provide information on employment, unemployment, earnings, demographics, and other characteristics of the civilian labor force. Job tenure data by age and educational attainment are presented in Section 5 of this report.

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<sup>2</sup> The Current Population Survey Reports are a joint effort of the Economics and Statistics Administration in the Census Bureau, U.S. Department of Commerce, and the Bureau of Labor Statistics, U.S. Department of Labor.

<sup>3</sup> These data use worker data collected between 1990-93, and represent CPS' most recently published turnover data. CPS expects to publish updated turnover data in 2001.

**Table 1**  
**Composition of Monthly Labor Turnover: U.S. Labor Market**

Months	Composition of Turnover				Monthly Turnover Rate*
	Turnover Actions (%)	Accessions (%)	Separations (%)	Inter-industry Transfers (%)	
Jan.-Feb.	100.0	30.3	40.1	29.5	5.3
Feb.-Mar.	100.0	32.6	36.7	30.7	5.0
Mar.-Apr.	100.0	41.1	28.2	30.7	5.8
Apr.-May	100.0	42.8	22.1	35.9	6.5
May-June	100.0	33.4	28.9	37.7	7.7
June-July	100.0	35.2	32.6	32.2	7.0
July-Aug.	100.0	25.1	35.9	39.0	6.1
Aug.-Sept.	100.0	25.1	43.3	31.6	8.3
Sept.-Oct.	100.0	23.5	20.9	55.6	9.3
Oct.-Nov.	100.0	16.5	24.2	59.3	8.4
Nov.-Dec.	100.0	18.1	25.0	56.9	8.0
Dec.-Jan.	100.0	22.6	23.1	54.4	8.1
<b>Average</b>	<b>100.0</b>	<b>28.0</b>	<b>29.4</b>	<b>42.5</b>	<b>7.1</b>

\*Source: Current Population Reports, U.S. Census Bureau, August 1995.

In late 2001, the Bureau of Labor Statistics will begin publishing a monthly report titled JOLTS, the Job Openings and Labor Turnover Survey. Initially, JOLTS is a two-year experimental study series. The source of data for JOLTS will be a monthly survey of approximately 16,000 randomly selected employers; the data collected will include total employment, job openings, hires, quits, layoffs, discharges, and other separations. The Bureau's web site explains that JOLTS will serve as a demand-side indicator of the tightness of labor markets, parallel to existing measures of unemployment. BLS plans to publish data at the national level by industry and census region.

A related statistic that is often cited along with the labor turnover rate is an organization's **vacancy rate**. An organization's vacancy rate is typically calculated as a percentage of the total authorized workforce that is unfilled at any given time.

### 3. The Costs of Labor Turnover

**In General.** Regardless of how it is calculated, employee turnover carries costs and consequences to employers and employees. The unique circumstances of each job change determine whether the result is positive or negative for either or both parties.

From the employer's perspective, turnover can be "functional" for the organization when poor-performing employees leave their jobs. Turnover can also be functional when it results in the hiring of talented new workers or creates opportunities for reorganization. However, "excessive" turnover can create instability in the workplace. Projects and programs can be disrupted with personnel changes and productivity may suffer, especially when well performing employees leave their jobs. This type of turnover is referred to as "dysfunctional turnover."<sup>4</sup>

From the employee's perspective, research shows that voluntary turnover initiated by the employee (a quit) is more likely than not to result in a better job. However, involuntary turnover initiated by the employer (a layoff) is more likely to result in lower wages and even unemployment. The dual labor market literature suggests that workers in a "secondary labor market" (defined as the market of less educated, less tenured, lower wage workers) bear a disproportionate amount of the negative consequences of turnover because they are easier to layoff and rehire.

**Specific Costs.** Most estimated costs of labor turnover are calculated from the employers' perspective. The U.S. Department of Labor estimates that, on average, it costs a company one third of a new hire's salary to replace an employee. Hewitt Associates (a private management consulting firm) estimates that, on average, employee replacement costs run higher, to as much as 1.5 times a worker's annual salary.

The literature on the costs of labor turnover identifies four major cost categories for employers: separation costs, vacancy costs, replacement costs, and training costs:

- Separation costs include administrative costs related to termination, separation/severance pay, the costs of exit interviews, and possible increases in unemployment compensation.
- Vacancy costs include the net cost that an employer incurs while a job is vacant, e.g., overtime pay, hiring of temporary employees.
- Replacement costs include the cost of attracting applicants, conducting testing and interviews, and pre-employment administrative expenses.
- Training costs include both formal and informal costs of training new employees.

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<sup>4</sup> Hong Y. Park, et al, "Organizational and Environmental Determinants of Functional and Dysfunctional Turnover," *Human Relations*, 1994.

In most situations, separation, replacement, and training expenses result in a net increase in costs to the employer. However, vacancy costs can result in net savings if the cost of overtime or temporary employees is less than what the employee would have earned. Similarly, if the new employee's salary is less or performance exceeds that of the employee who left, the employer may incur a net gain.

There are other factors associated with turnover that are more difficult to quantify. For example, there is a cost to the increased burden (compensated or not) that other workers assume due to vacancies. Turnover can result in an increase in stress and/or a decline in employee morale. Alternatively, turnover can increase morale or reduce stress if the worker who leaves was a problem employee and/or the employee's departure opens up new career opportunities.

In addition to the turnover expenses incurred by employers, there are economic consequences of turnover to workers. When making a job change, some workers incur a net gain by collecting a severance payment and/or changing to a job with higher compensation. Research shows that voluntary quits by employees often lead to increased earnings. Job changing can account for one-third of the increase in real wages for an employee's first 10 years in the labor market.<sup>5</sup>

Alternatively, for other workers (especially in cases of layoffs), turnover carries costs of lost wages and benefits. The research shows that involuntary turnover often has negative consequences for low-wage and less educated workers who are least likely to be able to bear being without work. Unskilled low-wage workers suffer longer spells of unemployment and consequently lower annual earnings. Less educated workers also are less likely to be offered health insurance when they change jobs.

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<sup>5</sup> Julia Lane, "The Role of Job Turnover in the Low-Wage Labor Market, The Urban Institute, 1999.

#### **4. Factors that Influence Voluntary Job Change**

Empirical research consistently shows that a combination of wage and non-wage factors influence workers' job change decisions. While workers certainly consider a job's total compensation package (pay and benefits), workers also weigh job characteristics such as working conditions, job satisfaction, job status, and job security. This finding holds true across occupations and income levels.

The value that individual people place on different job attributes varies. Each person has a unique set of values influenced by many factors, such as socio-economic background, living environment, experience and training, and interest in spending time on activities other than work, such as recreation or family responsibilities.

Trying to identify what motivates workers to accept, keep, and quit jobs is a subject of great interest among economists, management consultants, human resource professionals, and others. Based upon data gathered through formal surveys, focus groups, exit interviews, and personal observation, many articles and books tout retention strategies that employers should adopt to keep their good employees.

To more fully address the question of what influences workers' voluntary job change decisions, this section includes three parts:

- Part (a) reviews the influence of wages and health insurance;
- Part (b) reviews the influence of non-wage job attributes; and
- Part (c) summarizes results from statistically reliable surveys of workers on the relative importance of different job characteristics.

Anecdotes from employers that claim specific retention strategies "worked" to reduce turnover can be found in Section 6, beginning on page 30.

##### **(a) The Influence of Wages and Health Insurance**

**Turnover and Wages.** Empirical research evidences a complicated relationship between wages and turnover. In sum, the research provides ample evidence that higher paid occupations generally experience lower quit rates. However, the research also indicates that a relative increase in wages is not a particularly effective strategy for reducing labor turnover. (Relative wages are the wages a firm pays relative to its competitors for the same job.)

It is well documented that people who earn high wages don't change jobs as often as people who earn low wages. As explained by economist S.C. Salop in an article titled, "Wage Differentials in a Dynamic Theory of the Firm:"

The higher a wage a firm pays the more likely it will be acceptable to a given worker. As a result, the high-wage firms will tend to have a lower quit rate and more willing applicants than low wage firms do. (Journal of Economic Theory, 1973)

**However, the correlation between higher absolute wages and lower quit rates does not mean that increasing relative wages will necessarily reduce turnover.**<sup>6</sup> The results of two empirical research studies that set out to examine the relationship between relative wages and quit rates are summarized below. Both studies found little direct evidence that a firm can reduce quit rates by simply offering to pay workers wages that are marginally higher than the wages being paid by the firm's competitors for the same job.

- One study (Powell, Montgomery, and Cosgrove, 1994)<sup>7</sup> used data on 205 child care centers to examine the influence of wages and the dispersion of wages within a skill class on quit rates. The study separately examined one higher-skill class group (teachers) and one lower-skill group (teacher aides).

The study found a lower quit rate among the more highly paid teachers compared to the lower paid teacher aides. However, the study found little evidence that centers that paid relatively higher salaries (for either skill group) had lower quit rates.

As a result of the weak relationship between higher relative wages and quit rates, the study concluded that raising the wages of care providers would be an expensive way to reduce turnover. Specifically, **the authors estimate that reducing turnover among child care teachers would require a 50 percent increase in their hourly wage.**

- Another study (Kim, 1999)<sup>8</sup> examined turnover among more than 35 job classes in the State of California's Civil Service. The jobs ranged from security guards to accounting clerks to stock clerks to physical therapists. The data analysis found that the wages California pays relative to those of its competitors has little or no effect on employee turnover.

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<sup>6</sup> In economics terminology, the research shows that the elasticity of the association between relative wage increases and quit rates is not very strong.

<sup>7</sup> Irene Powell, Mark Montgomery, and James Cosgrove, "Compensation Structure and Establishment Quit and Fire Rates," *Industrial Relations*, April 1994.

<sup>8</sup> Marlene Kim, "Where the Grass is Greener: Voluntary Turnover and Wage Premiums," *Industrial Relations*, October 1999.

The study concluded that the greatest variation in turnover was explained by the nature of the different jobs themselves. When job-specific characteristics were held constant, the absolute wage level paid for the occupation, rather than the relative wage level, had an effect on turnover.

**In sum, empirical research documents that higher paid occupations generally experience lower quit rates. However, the research also suggests that wage increases will have a likely effect on turnover only if the wage increases are extremely large.**

**Turnover and Health Insurance.** There is strong empirical evidence that both health and health insurance have important effects on employment patterns. Poor health reduces a worker's ability to work, which in turn has direct effects on his/her wages and labor force participation.

There is some evidence that employer sponsored health insurance gives individuals who rely upon their current employer for health insurance an incentive to remain. This effect appears to be strongest among older workers and married women.

**Empirical research has not been able to quantify the extent to which the presence or absence of employer-based health insurance influences the movement of workers between jobs.** However, the research has documented the following relationships:

- One study found that 45 percent of workers in firms not offering health insurance had at least one change in employment in the previous 16 months; and that 23 percent of workers in these firms had two or more employment changes during that time. In contrast, in firms that offered health insurance, only 23 percent of workers experienced any changes in employment and only 10 percent of workers had two or more changes. (Long and Marquis, 1992)
- Another study found that jobs without insurance coverage tend to be significantly shorter in duration than those with coverage. Specifically, more than 50 percent of jobs that included health insurance coverage as part of the compensation package lasted through at least one year, while only 35 percent without insurance lasted that long. (Klerman, Buchanan, and Leibowitz, 1992)

The causal relationship between turnover and health insurance is difficult to disentangle because short durations of work are generally correlated with other worker characteristics, e.g., the employees tend to be disproportionately young and healthy, low-wage, or secondary workers with health coverage through a spouse. In turn, when workers have less attachment to their jobs, there are additional factors that work against employer sponsored health insurance being available.

From an employer's perspective of providing health insurance, rapid labor turnover is associated with higher underwriting costs and higher administrative costs of enrolling and disenrolling workers. From an employee's perspective, he/she may not expect to stay with an employer long enough to make premium costs worthwhile. Cash wages have a greater present value than the future value of insurance, and some workers prefer the option of excluding health insurance as a trade-off for higher take-home wages.

### **(b) The Influence of Non-Wage Factors**

**Workers consider both wage and non-wage factors when making decisions about whether to accept a job or quit a job.** Some of the most often cited non-wage factors are discussed below.

**Job duties and working conditions** are the actual tasks performed as well as the physical workplace and relationships with fellow workers. Repetitious jobs, for example, are generally not considered as desirable as jobs in which the tasks are varied. Hazardous jobs are often viewed as less desirable, although millions of workers are employed in jobs with potential hazards. For some workers, physical work (such as lifting heavy objects, walking long distances, or bending down frequently) is not desirable; but for other workers sedentary work (such as working at a desk in an office) is undesirable.

Working conditions includes factors such as the stress level and degree of autonomy. While stress (created by life threatening situations or deadlines) is often cited as an undesirable working condition, some workers find a stressful environment interesting and exciting. Some jobs are characterized by greater autonomy while others require working as part of a team. While not considered necessarily positive or negative, individuals may have strong feelings about how the degree of autonomy effects job quality.

**Job satisfaction** is an individual's subjective assessment of what makes a job rewarding or not. The following characteristics of a job are generally regarded as contributing to positive job satisfaction. However, for some individuals, the absence of these characteristics is not necessarily negative:

- Ability to see the results of a job;
- Ability to identify and solve a problem;
- Chance to be creative;
- Being recognized for a job well done;
- Ability to influence others;
- Ability to fully use the skills someone has obtained through school and work experience;
- Opportunities to learn new skills; and
- Possible advancement opportunities.

**Hours of work** differ among jobs in terms of total hours worked per week and the hours when a worker must be at the job. Some jobs require unusual work hours, including weekend, evening, or shift work. Examples of occupations with non-traditional work hours include health care, police and fire, performing arts, transportation, and some manufacturing operations. While often considered undesirable, unusual hours is a positive attribute to some workers.

Overtime work is another job characteristic that receives a range of reactions. Some workers see the chance to earn overtime pay as desirable, but others do not welcome spending additional hours at work, even if it means a larger paycheck.

The choice to work flexible hours is considered desirable by many workers. Part-time employment (defined as fewer than 35 hours per week) is found in most occupations, and some industries (e.g., retail sales, food service) are characterized by primarily offering part-time jobs. Part-time work is appealing to workers who do not desire to work full-time, due to outside interests or family responsibilities.

**Job status** also has an effect on a job's desirability. There are elements of job status within an organization as well as job status within society-at-large. How the importance of a particular job is perceived depends on one's values, personal interests, and socio-economic background.

Occupations that tend to rank high in social status generally require high educational achievement, such as doctors, professors, engineers, and architects. At the lower end are usually jobs that require little education, such as laborers, household domestic workers, and custodial workers. Within a particular organization, the job status of a specific job is determined more by the actions of the organization than by the occupation.

**Job security** refers to the chances that a worker can count on keeping his/her job despite changes in economic conditions or other factors. For example, jobs in the construction industry are considered to have low job security because construction is subject to seasonal and cyclical factors such as interest rates. In comparison, government jobs are known as being more secure.

In sum, the empirical research shows that wage and non-wage job characteristics enter into an individual's decision to take a job or leave a job. **Because the way individuals value specific job characteristics differs, there is no single package of job characteristics that appeals to everyone. Individuals rarely find jobs that have all of the qualities they consider desirable. In the real world, individuals try to select a job that has most of the qualities that are most important to them and avoids qualities that are least desirable. In some cases, individuals trade wages for non-wage characteristics, or vice versa.**

### (c) Summary of Results from Worker Surveys

A common theme in current literature about the labor market is that organizations today face a new work order. At one time, employees were expected to remain with their employer for life, or at least for many years. Today, the average length of service with an employer is less than four years. It is estimated that those entering the workforce in the 1990's will change employers an average of nine times before they reach the age of 32.

Numerous surveys of employees have been conducted on what motivates workers to accept jobs and what motivates workers to remain employed with an organization. **When taken together, the survey results evidence that labor turnover is caused by a complex mix of factors, both within and outside of an organization. The survey results support the conclusion that both wage and non-wage variables influence an employee's decision to accept, stay with, or quit a job.**

This section presents highlights from some of the most statistically reliable and relevant surveys that OLO located in the course of conducting research for this project. The titles, source, and date of publication for the six surveys are listed below:

Title	Year Published	Source
The United States @Work Study	1999	Aon Consulting
Work Trends, Americans' Attitudes about Work, Employers, and Government	1999	The John Heldrich Center for Workforce Development and the Center for Survey Research and Analysis
What Keeps Em? A Report of Retention Drivers	2000	Beverly Kaye & Associates and the Jordan Evans Group
International Student Survey	1999	Pricewaterhouse Coopers
The National Study of the Changing Workforce	1997	The Families and Work Institute
Work Trends, A National Survey of the Working Poor	1999	The John Heldrich Center for Workforce Development and the Center for Survey Research and Analysis

**Title/Date:** *The United States @ Work Study (1999)*

**Source:** *Aon Consulting*

**Brief Description:**

Aon Consulting is a private human resources consulting firm. In 1996, Aon launched its United States @ Work Study, an ongoing research project to investigate and report on - from the perspective of the employee - what organizations can do to develop and retain a high performing workforce. A major focus of the 1999 study was to identify what organizations can do to increase and maintain employee commitment.

The findings summarized here were based upon 1,800 telephone interviews with a random sampling of the U.S. population during January 1999. The study sample accurately represented the make-up of the U.S. workforce with a few intentional exclusions. Specifically, survey participants had to be: at least 18 years old, work at least 20 hours per week, work in an organization of 20 or more employees, and be employed in the private sector or local government.

**Relevant Findings:**

- Survey respondents ranked “opportunities for personal growth” to be the number one reason they took their current job and the number one reason why they stay at that job. Respondents ranked opportunities for personal growth ahead of wages and ahead of the ability to balance work and personal life.
- The average worker is not actively looking for a new job. However, approximately half (52%) of the survey respondents would consider leaving their current job for a 20 percent pay increase, and 26 percent would consider leaving for 10 percent or less pay increase.
- Age and marital status makes a difference. Workers between the ages of 18 and 29 have less commitment to their current employer than older workers do. Single employees are less committed to their current employer than either married or divorced/widowed/separated employees.
- Workers who live in rural areas are the most committed to their current employers, while workers who live in urban areas are the least committed. Suburban workers score in the middle. (Note: There is considerable overlap between place of residence, age and marital status, i.e., workers living in rural areas tend to be older and married, while workers living in urban areas tend to be younger and single.)
- Leading commitment drivers vary by industry. For example, health care workers rate enablement (giving employees the resources to do their jobs well) as their top commitment driver; and in the high-tech industry, continuous improvement of products and services is the number one commitment driver.

**Title/Date:** *Work Trends, Americans' Attitudes about Work, Employers, and Government (1999)*

**Source:** *The John J. Heldrich Center for Workforce Development at Rutgers University and the Center for Survey Research and Analysis at the University of Connecticut*

**Brief Description:**

*Work Trends* is a national survey conducted quarterly by the John J. Heldrich Center for Workforce Development at Rutgers University and the Center for Survey Research and Analysis (CSRA) at the University of Connecticut. *Work Trends* explores the perceptions of Americans regarding job satisfaction, job security, career mobility, education and training, and the toll of government in addressing the needs of workers, employers, and job seekers.

The focus of this particular *Work Trends* survey was on workers' ability to balance work and family. The results listed below are based on 1,000 telephone interviews. The sample was stratified to ensure that it mirrors the adult members of the U.S. workforce.

**Relevant Findings:**

- Most workers (88%) are satisfied with their job, with 54 percent indicating that they are very satisfied. There is little variation in job satisfaction ratings between men and women or among different races.
- Job satisfaction varies by income and education level. Workers earning over \$40,000 are 10 percent more likely to be very satisfied with their jobs than those earning under \$40,000. In terms of education levels, 76 percent of workers with less than a high school education report being very satisfied with their jobs. It is interesting that this percent is higher than the 54 percent of high school graduates, 53 percent of college graduates, and 60 percent of those with post-graduate education who report being very satisfied with their jobs.
- Workers rate the ability to balance work and family as the most important aspect of a job. 97 percent of workers indicate that it is important, and 88 percent indicate it is very or extremely important. The relative importance of balancing work and family varies little across gender, race, income, age, or income level. The greatest variation is that workers with children are somewhat more concerned about spending time with their immediate families than workers without children.
- Based upon analysis from previous *Work Trends* surveys, workers rate the ability to balance work and family as a more important quality in a job than health and medical coverage, total annual income, and opportunities for advancement.

- Workers rate job security as the second most important aspect of a job, with 83 percent of workers reporting it is very or extremely important. Even in an economy with low unemployment, 71 percent of workers are concerned about their own job security. The concern with job security varies by age. 43 percent of workers ages 50 and older are concerned about job security compared to 34 percent of workers ages 30-49 and 33 percent of workers ages 18-29.
- 44 percent of workers indicate that they are very or extremely concerned about feeling stress from work demands. Concern over stress is highest among women and non-whites. Half of all women are very or extremely concerned about feeling stress compared to 40 percent of men. 51 percent of non-whites are very or extremely concerned about stress from work compared to 43 percent of whites.
- The survey results identified gaps in the policies/benefits that are important to workers and what employers actually offer. For example:
  - 69 percent of workers rate tuition assistance as an important benefit, and 80 percent indicate they would enroll in an education or training program if subsidized by their employer. In practice, only 33 percent of employers offer tuition assistance as an employee benefit.
  - Another gap is with schedule flexibility. 87 percent of workers are interested in flexible work hours/days, but only 61 percent of employers offer flexible work hours and 48 percent offer flexible work days.
  - Half of all workers (49%) feel that on-site child care is important, but only 12 percent of employers offer this benefit. The rating of on-site child care as important varies by gender, with 35 percent of women reporting it is very or extremely important, compared to 23 percent of men.
  - 42 percent of workers indicate that access to athletic facilities at work are important, but only 21 percent of employers provide this benefit. The relative importance of workout facilities varies little by gender, income, or age.

**Title/Date:** *What Keeps Em? A Report of Retention Drivers (April 2000)*  
**Source:** *Beverly Kaye & Associates, Inc. and the Jordan Evans Group*

**Brief Description:**

Beverly Kaye and Sharon Jordan-Evans are human resources consultants. This study, conducted over three years, was based upon surveys of more than 2,200 employees across 20 different industries in the U.S. The study's primary research question was "What Kept You?" In particular, Kaye and Jordan-Evans respondents were asked to list their top five reasons (ranked in order) for staying with an organization. Demographic and industry data were also collected in order to identify potential differences in retention drivers.

**Relevant Findings:**

- The table below summarizes the top 10 retention drivers based upon all retention data collected. It represents 2,228 respondents answer to "What Kept You?" More than half of the respondents indicated that "Exciting work and challenge" and "Career growth, learning and development" were the top reasons for staying with their employer. "Fair pay and benefits" ranked fourth on the list of why employees stay.

<b>Retention Item</b>	<b>Percentage (%)</b>
Exciting work and challenge	53.9
Career growth, learning, & development	51.4
Working with great people and relationships	44.8
Fair pay & benefits	36.1
Supportive management/Great boss	20.2
Meaningful work, making a difference & contribution	19.8
Being recognized, valued, & respected	19.2
Pride in organization, its mission, & product	16.4
Great work environment/culture	14.5
Autonomy & creative ability	14.1
N= 2,228	

When the data were broken down by age, gender, and industry categories, they showed the following patterns:

- The factors of "Exciting work and challenge" and "Fair pay and benefits" become increasingly important with age; while "Career growth, learning and development" and "Supportive management/great boss" become less important with age.
- More females than males "identified" "Career growth, learning and development," and "Being recognized, valued and respected" as important for staying. More males than females identified "Exciting work and challenge."
- The authors found no discernible pattern when the data were broken down into industry categories.

**Title/Date:** *International Student Survey (May 1999)*  
**Source:** *Pricewaterhouse Coopers*

**Brief Description:**

In 1996, Pricewaterhouse Coopers began its worldwide International Student Survey for the purpose of obtaining information and analyses on the opinions, life priorities, future career goals, and motivational factors of university students. The actual survey work is done by Universum International. Universum International is a German-based firm that specializes in conducting quantitative surveys on students, graduates, and young professionals for the purpose of advising companies how to attract, recruit, and retain employees.

The survey results published in May 1999 included responses from 2,510 students in 11 countries at 36 universities; data were collected from students in a controlled environment during October -December 1998.

**Relevant Findings:**

- When asked about their most important career goal, respondents identified the following top three priorities: Attaining a balance between personal life and career (57%); building a sound financial base (49%); and becoming a specialist in my field (43%).
- When asked how many hours per week they anticipated working at their first employer after graduation: 14 percent responded they anticipate working 30-40 hours per week; 44 percent responded they anticipate working 41-50 hours per week; and 22 percent responded they anticipate working 51-60 hours per week.
- When asked to identify the factors that would have the greatest impact on students in selecting their first employer after graduation, respondents listed the following top four characteristics: a good reference for my future career (42%); a company that values balance between personal life and career (41%); likeable/inspiring colleagues (37%); and competitive salary (34%).
- When asked how long they anticipate staying with their first employer, 25 percent of the students responded they expect to remain at their first jobs for less than three years; and another 28 percent envisioned a time commitment of 3-5 years. Only 7 percent responded that they anticipated staying more than 10 years.

**Title/Date:** *The National Study of the Changing Workforce (1997)*  
**Source:** *Families and Work Institute*

**Brief Description:**

The National Study of the Changing Workforce (NSCW) is a research program sponsored by the Families and Work Institute to examine how work, family, and personal life fit together for the outcomes of productivity and well-being. The 1997 results were based on detailed (40 minutes in length) telephone interviews with a nationally representative sample of the U.S. labor force; the sample size was 2,877 wage and salaried workers. The study design allowed for analysis of trends over a 20 year period through comparison with the Labor Department's 1977 Quality of Employment Survey.

The 1997 NSCW survey was conducted by Louis Harris and Associates. A cross-section of firms and foundations paid for this study, including: AT &T, American Express, DuPont, General Mills Foundation, IBM, Johnson and Johnson, Levi Strauss, Merck, Motorola, and the Rockefeller Foundation.

**Relevant Findings:**

- 62 percent of workers plan to stay with their current employers for at least the next year, 22 percent say it is somewhat likely they will make a genuine effort to find another job during the next year, and 15 percent indicate that it is very likely they will move on to another job within the next year. (These percentages were the same in 1977.)
- 91 percent of workers are somewhat (44%) or very (47%) satisfied with their jobs in general terms. 69 percent indicated that they would take the same job again without hesitation. (In general, there was about a five point increase in satisfaction compared to 1977.)
- Many workers experience stress and negative spillover from work. Almost 25 percent of all employees often or very often feel nervous or stressed; 26 percent often or very often felt emotionally drained by their work; and 36 percent often or very often felt used up at the end of the day.
- Based upon a multi-linear regression used to evaluate the relative explanatory power of different factors on job satisfaction ratings, the study found that the "quality" of employees' jobs (defined as autonomy on the job, learning opportunities, meaningfulness of work, a chance to get ahead, and job security) and workplace support (defined as flexibility, supervisor support, positive coworker relations, and respect in the workplace) were significantly greater predictors of job satisfaction compared to earnings and benefits.

Specifically, the survey found that job quality accounted for 32 percent of the variability in job satisfaction, and workplace support accounted for 37 percent of the variability. Earnings and Access to Benefits explained only 2 percent of the difference in job satisfaction.

**Title/Date:** *Working Hard But Staying Poor: A National Survey of the Working Poor and Unemployed (July 1999)*

**Source:** *The John L. Heldrich Center for Workforce Development at Rutgers University and the Center for Survey Research and Analysis at the University of Connecticut.*

**Brief Description:**

The focus of this Work Trends is on the attitudes of the working poor and unemployed with regards to job satisfaction, job security, education and training, and government assistance. The survey also compares the attitudes of the working poor to the rest of the working population. The survey results were based upon data gathered through 500 detailed telephone interviews.

The study defines the working poor as those earning up to two times the federal poverty line, or about \$25,000. The group of working poor is further divided into the "Poor" defined as those living at or below the poverty, and the "Near Poor: defined as those living slightly above the poverty line

**Relevant Findings:**

- The working poor are a heterogeneous group who maintain diverse and complex opinions about their work experiences, their needs, and the issues that are most important to them.
- Most (71%) of the working poor have been in their job for more than one year, and 42 percent have been in their job for more than three years. Among those who have held a job for less than one year, 44 percent held two or more jobs in the last year and 22 percent were unemployed for more than six months.
- Younger members of the working poor (ages 18-29) have less stable employment situations; 50 percent of the young working poor have been in their current jobs less than one year.

The table on the next page summarizes the percent of Working Poor and Working Non-Poor who expressed satisfaction with selected job factors. The data show that:

- Despite the similarities in overall job satisfaction (84% vs. 92%), the Working Poor are significantly less satisfied than Working Non-Poor with their benefit packages, such as health coverage (54% vs. 73%), retirement/pension plans (49% vs. 71%) and vacation time (64% vs. 81%).

- The percentages of workers satisfied with their job responsibilities and tasks, and ability to balance work and family are relatively close (less than 10% difference).
- Both Working Poor and Working Non-Poor express lower degrees of satisfaction with training opportunities and opportunities for advancement provided by their employers.

Satisfaction with Job Factors: Working Poor vs. Working Non-Poor

Job Factors	Working Poor (% satisfied)	Working Non-Poor (% satisfied)	Percent Difference
Job responsibilities and tasks	88%	93%	5%
Job overall	84%	92%	8%
Ability to balance work and family	79%	88%	9%
Opportunities to get more training from your employer	55%	68%	13%
Opportunities for advancement	55%	69%	14%
Amount of vacation time	64%	81%	17%
Employer health coverage	54%	73%	19%
Retirement and pension plan	49%	71%	22%
Total annual income	49%	76%	27%

- The Working Non-Poor report somewhat more job related stress and more difficulty balancing work and family than the Working Non-Poor. 79 percent of the Working Non-Poor are concerned about the amount of stress they feel from work demands; this compares to 62 percent of the Working Poor. 94 percent of the Working Non-Poor are concerned about not having enough family time; this compares to 80 percent of the Working Poor.
- In order to meet their needs, most (79%) of the Working Poor have received some sort of assistance from the government, with the most frequently used public subsidy being the Earned Income Tax Credit.

## 5. Turnover Rates and Job Tenure in the U.S. Labor Market

The previous section identified the complex set of factors that influence voluntary job change. This section turns to review of turnover rates in the U.S. labor market and what the data tell us about how turnover behavior varies - by worker characteristics, by industry, and by size of firm.

### a. General

A December 1999 report prepared by the Urban Institute describes the nature of employee turnover in the U.S. labor market as follows:

There are enormous amounts of both job and worker reallocation in the U.S. - the annual job reallocation rate is about 20 percent; the quarterly worker reallocation rate exceeds 40 percent. In other words, almost one job in five is destroyed or created every year, while out of every 10 jobs, four will be occupied by new people within a quarter.<sup>9</sup>

The Urban Institute's report further explains that the picture of enormous job change must be balanced by the fact that many people in the U.S. remain for longer periods of time with the same employer. It is clear from the data that as people get older, they tend to remain for longer periods of time at the same job.

**There is substantial empirical evidence that turnover rates in a labor market depend on general economic conditions.** The relationship is a cyclical one, which means that the higher the level of unemployment rates, the lower the level of voluntary turnover. When there are fewer jobs available, there is increased competition for jobs, and employees will be less inclined to voluntarily quit. Conversely, when there are more jobs available, employees are more inclined to voluntarily quit, and labor turnover increases.<sup>10</sup>

**Turnover rates during a 12-month period also contain a seasonal component.** For example, when looked at by month, national turnover data show an increase in the May-June period; this increase reflects improving weather conditions and the influx of young workers into the labor force at the end of the school year. Labor turnover rates typically peak in the August-September period as voluntary quits rise with younger workers returning to school.

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<sup>9</sup> Julia Lane, "The Low-Wage Labor Market, Challenges and Opportunities for Economic Self-Sufficiency," The Urban Institute, December 1999. As indicated earlier, worker reallocation occurs when workers reshuffle across the same set of jobs. Job reallocation occurs when jobs in one firm are destroyed and jobs in another firm are created.

<sup>10</sup> U.S. Department of Commerce, Current Population Reports, Household Economic Studies, August 1995.

## b. Turnover Rates Vary by Worker Characteristics

Turnover data (however calculated) consistently show that labor turnover rates tend to vary by worker characteristics, such as age, gender, and level of educational attainment. Specifically, the data show that:

- Turnover is highest among younger workers (age 16-24);
- Turnover is somewhat higher among adult women compared to adult men;
- Turnover is higher among adults with a high school education compared to adults who have a college education.

Table 2 provides turnover rates compiled by the Urban Institute from the Current Population Survey. The data illustrates the degree to which average monthly turnover rates vary by age, gender, and education.

**Table 2**  
**Average Employment and Monthly Turnover Rates by Worker Characteristics**

<b>Worker Characteristics</b>	<b>Average Employment (in thousands)</b>	<b>Turnover Rate (percent)</b>
Both sexes, ages 16-24	19,366	15.8
Men, ages 25-54	39,892	4.9
Women, ages 25-54	37,172	5.8
College educated	11,837	4.0
High school	1,080	5.5

Source: The Urban Institute, December 1999. The numbers are based upon data collected from workers in the Survey of Income and Program Participation. Turnover actions include accessions (number of workers hired); separations; and inter-industry transfers.

Data on job tenure compiled by the Bureau of Labor Statistics support the finding that how long employees remain with their current employer varies by age, gender, and educational attainment. Table 3 shows the median years of job tenure with current employer by age and sex, and Table 4 shows the median years of tenure by age and education. (The median means that half of the observations were higher and the other half were lower.) The data show that:

- There is a notable correlation of increasing job tenure with age. The median job tenure for both men and women increases steadily with age until workers are 65 years old;
- For workers aged 20 and over, the median job tenure for men is consistently higher than that for women (except for persons 65 years and older); and
- Although not as striking as the difference among age groups, job tenure is generally higher for persons with a higher level of educational attainment.

**Table 3**  
**Median Years of Tenure with Current Employer by Age and Sex**  
 February 2000

Age	Total	Men	Women
16-17 years	0.6	0.6	0.6
18-19 years	0.7	0.7	0.7
20-24 years	1.1	1.2	1.0
25-34 years	2.6	2.7	2.5
35-44 years	4.8	5.4	4.3
45-54 years	8.2	9.5	7.3
55-64 years	10.0	10.2	9.9
65 years and over	9.5	9.1	9.7

Source: Bureau of Labor Statistics, Current Population Survey, February 2000

**Table 4**  
**Median Years of Tenure with Current Employer by Age and Educational Attainment**  
 February 2000

Educational Attainment	Total	25-34 years	35-44 years	45-54 years	55-64 years	Over 65 years
Less than a high school diploma	3.7	2.0	3.5	5.0	9.5	9.1
High school graduate, no college	5.0	2.8	5.1	8.1	10.0	8.6
Some college, no degree	4.7	2.7	5.0	8.7	9.7	7.9
Associate degree	4.7	2.9	4.8	7.5	9.6	6.2
Bachelor's degree	4.3	2.6	4.9	8.2	10.3	10.4
Master's degree	6.1	2.6	5.5	10.9	11.1	10.2
Doctoral or professional degree	5.2	1.9	4.3	9.2	13.5	15.4

Source: Bureau of Labor Statistics, Current Population Survey, February 2000

### **c. Turnover Rates Vary by Industry**

Employee turnover rates also vary by industry. Given the data reviewed above, the different rates within an industry are no doubt influenced by the kinds of workers employed, e.g., age, gender, skill levels, and educational backgrounds.

Overall, the research shows that the highest turnover industries are those most likely to hire low-wage, less educated workers who are less attached to their job and who perform production tasks that are not complex. Industries with lower turnover rates are those most likely to hire older, more educated workers who receive above average wages and who perform more complex tasks. (See pages 10-12 for more on the relationship between wages and turnover.)

Table 5 shows monthly turnover rates by industry, as reported by the Census Bureau using worker survey (SIPP) data.<sup>11</sup> In terms of absolute numbers, the data show that retail trade accounts for the largest share of all turnover actions. In terms of percent, the highest turnover rate is found in the entertainment and recreation industries. The retail, entertainment, and recreation industries all employ a significant number of younger workers. Other industries with relatively high turnover are the construction industry, agriculture, forestry, and fishing industries, all of which are heavily influenced by weather conditions and seasonal changes.

The industries with the lowest aggregate turnover rates are manufacturing and transportation, communication, and public administration. In general, these industries hire employees with higher skills and more education, and pay above average wages. These industries are also characterized as being more heavily unionized.

**Table 5**  
**Monthly Turnover Rates by Industry**

<b>Industry Category</b>	<b>Average Employment (in thousands)</b>	<b>Turnover Actions (in thousands)</b>	<b>Turnover Rate (percent)</b>
Agriculture, Forestry, and Fishing	1,698	245	14.43
Mining	623	38	6.10
Construction	4,973	529	10.64
Manufacturing	20,863	975	4.67
Transportation, Communication, and Utilities	7,463	350	4.69
Wholesale trade	4,421	283	6.40
Retail trade	17,641	1,737	9.85
Finance, Insurance and Real Estate	6,621	387	5.85
Business and Related Services	5,589	712	12.74
Personal services	2,825	330	11.68
Entertainment and Recreation	1,241	218	17.57
Professional and Related services	25,441	1,431	5.62
Public Administration	5,639	270	4.79
<b>Total</b>	<b>105,038</b>	<b>7,505</b>	<b>7.15</b>

Source: Urban Institute, December 1999. The numbers are based upon data collected from workers in the Survey of Income and Program Participation. Turnover actions include accessions (number of workers hired); separations; and inter-industry transfers.

<sup>11</sup> This table reports the most recently published SIPP turnover data by industry, which is based upon 1990 data. The Census Bureau expects to publish a 2000 update within the next year.

The complexity of the tasks being performed in an industry can also explain the rate of turnover within that industry. Lower labor turnover rates are found in industries where a higher percent of the jobs are more complex and harder to monitor. These industries are more likely to employ workers with a higher educational attainment; the costs associated with labor turnover are higher and firms are more likely to pay higher wages. Higher turnover rates are found in industries, like retail or recreation, where tasks are simpler and easier to monitor. In general, the cost of turnover in these industries is lower and employers are more likely to hire workers with less education and work experience.

Consistent with the differences in turnover rates by industry, data published by the Bureau of Labor Statistics evidence differences in job tenure by occupation. Table 6 lists the median years of tenure with current employer for a sample of occupational groups. The data show, for example, that the median job tenure for public administrators is 12 years. This compares to a median job tenure of 5.6 years for teachers, 3.1 years for health service workers, and 1.4 years for sales or retail workers.

**Table 6**  
**Median Years of Tenure with Current Employer by Occupation**  
February 2000

<b>Occupation</b>	<b>Median Years of Tenure</b>
Public Administrators	12.0
Administrative Support Supervisors	7.6
Teachers, Except College and University	5.6
Engineers	4.8
Secretarial	4.4
Machine Operators, assemblers and Inspectors	4.0
Mathematical and Computer Scientists	3.3
Health Service Workers	3.1
Construction Workers	2.6
Food Service Workers	1.5
Sales, Retail Workers	1.4

Source: Bureau of Labor Statistics, Current Population Survey, February 2000

#### **d. Turnover Rates Vary by Firm Size**

Empirical research also evidences that labor market turnover is greater in smaller and newer firms than it is in larger more established firms. Small/new firms often have less money for wages, benefits and training. Surveys show that older firms tend to hire more skilled workers, pay higher wages and offer more fringe benefits. Older firms are also more likely to have more sophisticated hiring practices than younger firms, which results in fewer “bad hires” and lower turnover.<sup>12</sup>

A six year analysis of unemployment insurance data across eight states found that the quarterly permanent separation rate for workers in firms of 20 or fewer employees was 22 percent, while for workers in firms of 2,000 or more, the rate was only eight percent. Data from the 1993 Current Population Survey similarly support the pattern that average employee job tenure increases with establishment size.

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<sup>12</sup> Handbook of Labor Economics, 1999.

## 6. Anecdotes from Employers on Retention Strategies that Work

The management literature on how to decrease turnover and increase employee retention advises employers to integrate certain practices into their workplace. Some of the most commonly cited strategies include:

- Recruit and hire the right person for the job;
- Provide your employees with training and career development opportunities;
- Provide your employees with a competitive compensation package (pay and benefits);
- Recognize and reward your exceptional employees;
- Make employees feel involved in the decision making process; and
- Create a positive working environment that recognizes employees have a life outside of the workplace.

Appendices D, E, and F contain examples of articles that advise employers how to get and keep experienced and productive employees. Appendix D contains an article titled "Turnover: The Real Bottom Line," from the current issue (Fall 2000) of *Public Personnel Management*. The article reviews some of the forces that underlie "excessive employee separations and rehires," and concludes that:

Managers must keep in mind that employees are the major contributors to the efficient achievement of the organization's success. They must hire and train the right people, adapt their managerial style to today's worker, provide recognition and pay for superior performance, and create a nontoxic and productive work environment. Those managers who cannot or refuse to change face the prospect of excessive departures that can imperil the business strategy and be ruinous to the performance of their organization. (PPM, Volume 29, No. 3, Fall 2000)

Jim Harris, author of the American Management Association's book, *Getting Employees to Fall in Love with Your Company*, identifies five principles specifically aimed at decreasing turnover and increasing employee retention. Appendix E contains a brief summary of his five principles: Capture the Heart; Open Communication; Create Partnerships; Drive Learning; and Emancipate Action.

Appendix F contains an article by management consultant Gregory Smith (author of *How to Attract, Keep and Motivate Your Workforce*) on tips for keeping entry-level employees from quitting. His suggestions include avoiding the mindset that "it's only an entry-level job," paying the highest wages you can afford, offering financial assistance for education, and listening to employees.

Below is a sample of the many published anecdotes from employers about actions they took to reduce employee turnover in their organization. None of the published stories provided details on how turnover was calculated, and some did not even provide specific turnover data before and after the intervention. This section passes along the numbers as they were provided in various articles and books.

- Southwest Airlines credits its recruiting and hiring process for the company's relatively low turnover rates. The company's turnover is 9 percent, which Southwest reports is much lower than the industry average. In order to get a good employee/ job match, Southwest Airlines asks applicants to go through an intensive six-week interview process.

To fill 4,200 job openings in 1999, for example, Southwest interviewed nearly 80,000 people. Candidates selected for hire must make it through a rigorous training program. About 20 percent of new hires fail to make it through the training period. Southwest boasts that it currently ranks sixth in Fortune magazine's list of most-admired companies.

- Based upon the premise that the best way to keep workers is to hire the right person in the first place, Ritz-Carlton hotels use a personality assessment to test whether applicants are reliable, have good work ethics, and provide good customer service. It also evaluates the likelihood that an applicant will stay with the hotel for more than three months. The company claims introduction of this test reduced the hotel's turnover from over 100 percent down to less than 30 percent.
- SAS Institute Inc., a software company with 5,400 employees, reports it has an annual turnover of less than 5 percent. This turnover rate compares very favorably to the technology industry average of 20 percent. SAS credits its low turnover rate to the attention paid by the company to show its employees how much they "care, trust, respect, and honor them."

The company does not offer stock options and reports that their salaries are generally lower than the industry norm. However, SAS does offer other amenities. SAS is located on a large campus-type setting, which includes picnic areas and a lake. The site includes a gym (with two basketball courts, exercise areas, and a yoga room), and soccer and softball fields. SAS offers massages and classes in a range of activities from African dance to golf. SAS also operates an on-site child care center; 1999 enrollment in the center was more than 500 children, making it the largest onsite daycare center in North Carolina. Finally, SAS' managers encourage employees to not work past 5:00 PM

- Between 1995 and 1999, the annual turnover among the foodservice workers at Pendleton Memorial Methodist Hospital in New Orleans dropped from 70 percent to 20 percent. The director credits this reduction to implementation of an empowerment/motivational program named STAR (Start the Astonishing Recognition). The program allows employees the opportunity to move through a succession of six program levels. Each new level carries an increase in base pay and a wide variety of honors and gifts. In the first three years of the program, 92 percent of the foodservice workers completed at least one level of the program.

- The Bank of America reports that in 1999, offering employees a \$25 per week child care subsidy reduced turnover among users down from 46 percent to 14 percent.
- The average annual turnover rate in the truck driving industry is more than 100 percent. Between 1997 and 1999, the turnover rate at J.B. Hunt Transport Services, an Arkansas-based national trucking company, went from above 85 percent to 40-45 percent. The company credits this reduction in turnover to a number of changes including a 33 percent pay increase and a tightening of minimum hiring standards.
- A survey of 800 employers in 1996 by William M. Mercer found that 75 percent of employers identified flexible scheduling as an aid in recruiting new employees. 64 percent of employers thought work-life programs such as flexible scheduling, time-off programs, and child care benefits improve morale, and 50 percent thought they cut absenteeism.
- In 1999, the Bright Horizons Family Solutions collected data on the impact of this company's on-site child care center on turnover and absenteeism. More than 90 percent of users said the on-site child care center had either a "very positive" or "somewhat positive" effect on their ability to be on time for work and on the amount of work-life conflict. The company concluded that absenteeism and turnover had been reduced for net company savings of more than \$500K.
- Chaparral Steel, a specialty steel manufacturer based in Texas, believes its training program has been a successful cross-training and retention strategy. The company offers 22 four-hour training courses that are open to all employees. Employees are encouraged to learn all the other jobs in their department and are given twenty dollars for each training module they complete in their own time.
- Guardian Industries, an 800-person glass plant in Indiana, reported a 50 percent in turnover after management implemented a change in working hours, based upon input from the employees. In order to staff the plant 24 hours a day, Guardian switched from rotating day and evening shifts to permanent 12-hour shifts.

## 7. Turnover Among Nursing Assistants and Child Care Workers

This section presents the highlights from two studies that specifically addressed turnover among two different types of direct client care workers: nursing assistants and child care workers. Appendix G and Appendix H contain excerpts from the two reports about these labor sub-groups that served as OLO's primary resources:

- *Solving the Frontline Crisis in Long Term Care: A Practical Guide to Finding and Keeping Quality Nursing Assistants*, written by Dr. Karl Pillemer and published in 1996 by Frontline Publishing;
- *Taking on Turnover: An Action Guide for Child Care Center Teachers and Directors*, written by Marcy Whitebook and Dan Bellm and published in 1999 by the Center for the Child Care Workforce.

### A. Nursing Assistants

Certified Nursing Assistants (CNAs) perform routine tasks under the supervision of nursing or medical staff. In nursing homes and other long-term care facilities, nursing assistants are usually the principal caregivers and have the most direct contact with the residents. Their duties include:

- Serving meals;
- Making beds;
- Helping residents to eat, dress and bathe;
- Taking temperatures, pulse respiration and blood pressure; and
- Escorting patients around the facility as needed.

Certified nursing assistant jobs are most considered entry-level positions. In most cases, neither a high school diploma nor previous experience is necessary. Persons hired as nursing assistants must complete a minimum of 75 hours of formal training. The average hourly wage of nursing assistants was \$8.05 for 1999. (*Bureau of Labor Statistics, 2000*)

According to the Bureau of Labor Statistics, in 1998, nursing assistants held 1.4 million jobs in the U.S. Half of them work in nursing facilities, one-fourth work in hospitals and the rest work in residential care facilities such as group homes. The federal government reports that in 1997 there were about 17,000 nursing facilities in the U.S. Of these, 66 percent were run by for profit organizations, 27 percent were run by not-for-profit organizations and 7 percent were run by the government.

The forward to the report, *Solving the Frontline Crisis in Long Term Care: A Practical Guide to Finding and Keeping Quality Nursing Assistants*, explains why the author chose to focus his research on staff turnover:

Consistency is the heart of quality care in a nursing home. Our elderly want and deserve to be cared for by staff who know them as people and respect their individual needs and preferences. Indeed, many would say that such an individual approach is the very definition of quality care. It follows that the best investment in quality for any nursing facility is a firm commitment to lowering staff turnover. (Pillemer, 1996)

The researcher, Dr. Karl Pillemer, is Director of the Applied Gerontology Research Institute at Cornell University and Executive Director of *Nursing Assistant Monthly*. In the process of working with and studying nursing assistants over a 10-year period, Dr. Pillemer conducted numerous opinion surveys and focus groups. The next several pages summarize some of the most relevant findings presented in this report.

### Key Reasons for Selecting Nursing Home Work

A survey of approximately 600 nursing assistants asked respondents to identify the most important reasons for selecting nursing home work. The survey found that the reasons offered by nursing assistants essentially mirrored the reasons that many professionals choose their jobs. The most important reasons, ranked in order of importance, were:

- It gives me an opportunity to help others. (96%)
- It makes me feel meaningful. (93%)
- It is useful to society. (84%)
- It offers me a lot of contact with others. (81%)
- It is an interesting job. (73%)
- It gives me the chance to do responsible tasks. (72%)

"Because I need money," was the eighth most popular answer.

When asked, "If you suddenly lost your job and no other nursing home work were available, what kind of work would you do?" the responses of nursing assistants was almost universally that they would seek out other human service work such as home health care. Only a small number indicated they would work in the restaurant, hospitality, or related industries.

### Key Reasons for Leaving

Dr. Pillemer reports that his many focus groups and surveys of nursing assistants have consistently identified that the job is very stressful. In particular, 70 percent of nursing assistants say they feel burned out at least some of the time, and 56 percent of the nursing assistants who said they were planning to leave the facility soon were in the high burnout group.

Dr. Pillemer's survey work identified the following four major causes of stress for nursing assistants, which in turn, have a direct effect on nursing assistants' decisions to stay or leave a job:

- Lack of time - more than 1/3 of the nursing assistants say they routinely do not have enough time to complete their basic tasks;
- Lack of staff - "working short" was consistently identified as one the most serious sources of stress and poor job performance;
- Lack of good supervision - nursing assistants often report that problems with supervisors are a major source of burnout - 71 percent wished administrators and nurses would show them more respect,
- Lack of preparation - nursing assistants often report they receive training on the technical side of the job, but not on the psychosocial aspects of the job that cause stress, e.g., dealing with aggression and death.

92 percent of nursing assistants report that they were pushed, grabbed, or shoved by a resident during the past year; about 70 percent had been hit or had something thrown at them, and 40 percent had been kicked or bitten.

### Three "Best Practices" to Retain Nursing Assistants

Dr. Pillemer maintains that the cycle of nursing assistant turnover can be changed. From his study of programs across the country, he identified three specific suggestions to, as he puts it, "replace the image of a revolving door with that of an escalator." The three best practices are:

- Design a nursing assistant career ladder program;
- Implement a nursing assistant support group program; and
- Restructure the nursing assistants' tasks with the input of the nursing assistants themselves.

Appendix G contains the chapter from Dr. Pillemer's report that provides additional explanation of these three practices, including examples of how they reduced turnover among nursing assistants. For example, since Genesis Healthcare in Pennsylvania implemented a career ladder program, more than 1200 nursing assistants have completed it, and the overall retention rate is 72 percent. The Amherst Wilder Foundation in St. Paul credits their efforts to take on job redesign for a reduction in turnover from 42 percent to less than 25 percent.

## **B. Child Care Workers**

Preschool teachers and child care workers work in child-care centers, nursery schools pre-schools and family child-care homes. They attend to children's basic needs, and stimulate the children's physical, emotional, intellectual and social growth. Some perform a combination of basic care and teaching duties.

*Taking on Turnover* was published in 1999 by the Center for the Child Care Workforce (CCW), which is a nonprofit research, education, and advocacy organization committed to improving child care quality by building a skilled and stable child care workforce. Appendix H contains an excerpt from the book that describes turnover and attachment theory, and the importance to child development of consistent and accessible caregivers.

The particular focus of this book is on turnover among teaching staff in child care settings. It considers job turnover (when a teacher leaves a center but not necessarily the child care field), position turnover (when a teacher moves to a different classroom), and occupational turnover (when a teacher who leaves a job also departs from the child care field). As stated in the preface:

It (the report) is designed to help teaching staff and administrators explore together how to make your child care center a place where you and your co-workers can grow and develop as practitioners, and provide the best possible stability and continuity for children and families. (*Taking on Turnover*, 1999)

The preface also contains the following general advice to the report's readers:

If you begin this book thinking that low wages and poor benefits are the only causes of turnover, we hope you will end by reflecting on other contributing factors. If you are convinced that people leave your workplace only for personal reasons, this book will encourage you to think about compensation, personnel policies, workplace relationships, and issues of cultural diversity, and how these might be contributing to staff members' decisions to stay or go. (*Taking on Turnover*, 1999)

### Turnover Rates in Child Care Teaching Staff

In 1988, the National Child Care Staffing Study gathered baseline data on staffing and turnover from a sample of 225 child care centers in five metropolitan areas - Atlanta, Boston, Detroit, Phoenix, and Seattle. Updated information from the sample of centers still in operation was obtained in 1992 and again in 1997. This study found that child care teaching staff turnover fluctuated during this time period, and concludes that turnover remains "unacceptably high."

The Staffing Study defined turnover to include both voluntary and non-voluntary job separations divided by the average number of employees. Using this formula, the Staffing Study found that:

- In 1988, child care directors reported average teaching staff turnover of 41 percent. This declined to 26 percent in 1992, and increased again to 31 percent in 1997.
- Turnover reported in 1997 also varied by job title, with an average turnover rate of 27 percent among teachers, and 39 percent among teaching assistants. 20 percent of all centers in the study reported teacher staff turnover rates of 50 percent or more.
- 1997 data showed that 14 percent of child care teachers had remained on the job in the same center for at least ten years, and 32 percent had been employed in the same center for five years or more.

The study points out that the reduction in reported teaching staff turnover between 1988 and 1998 was influenced by the fact that some of the centers that had experienced the highest turnover rates in 1988 had closed by 1997<sup>12</sup>.

*Taking on Turnover* reported the data repeated in Table 7 below. These data compare annual turnover rates among child care workers to turnover in selected other occupations. The authors calculated turnover by dividing the number of separations (voluntary and non-voluntary) by average employment.

**Table 8**  
**Annual Turnover Rate by Occupation**

<b>Occupation</b>	<b>Annual Turnover Rate</b>
Food counter workers	34%
<b><i>Child care workers</i></b>	<b>30%</b>
Animal caretakers	27%
Home health aides/nurses aides	21%
Parking attendants	15%
Hairdressers	11%
Social workers	11%
Register nurses	7%
Public school teachers	6.6%

Sources: Center for the Child Care Workforce, Bureau of Labor Statistics (1998), and US Department of Education

The National Child Care Staffing Study found that turnover rates in the centers surveyed varied by whether the center was an independent for profit, for profit chain, independent nonprofit, or church-related center. Specifically, as shown in Table 8, the Staffing Study found that turnover was higher for teachers and teaching assistants in for-profit centers compared to nonprofit centers. (All of these turnover calculations are the number of separations divided by average employment.)

**Table 8**  
**Turnover by Staff and Program Type**

<b>Program Type</b>	<b>Annual Turnover: All Teaching Staff</b>	<b>Annual Turnover: Teachers Only</b>	<b>Annual Turnover: Assistants Only</b>
Independent For-profit	35%	27%	59%
For-Profit Chain	45%	42%	54%
Independent Nonprofit	28%	27%	34%
Church-related Nonprofit	26%	20%	33%
<b>All centers</b>	<b>31%</b>	<b>27%</b>	<b>39%</b>

Source: The National Child Care Staffing Study, Center for the Child Care Workforce, 1997 survey results

### The Reasons for Turnover in Child Care Centers

Similar to the factors most often cited by other groups of workers, the reasons that child care workers give for staying with or leaving their jobs fall into three categories: compensation, work environment, and hiring practices.

**Compensation.** The Center for the Child Care Workforce reports that low compensation is repeatedly identified as a driving force behind staff turnover in child care settings. Data compiled by the Bureau of Labor Statistics shows that in 1996, the median hour wages of center-based child care workers in the U.S. was \$6.12. This compared to an average of \$10.61 for a secretary, \$16.94 for an airline flight attendant and \$19.16 for a Kindergarten teacher.

The Center describes the entire industry of child care as being “underpaid” for numerous reasons including:

- There is a persistence of attitudes in society that “women’s work”(including child care) is unskilled;
- Child care is a labor intensive industry and a child care center must hire a high number of staff; and
- Most child care center revenues come from parent fees and most parents are limited in what they can pay.

In addition to relatively low wages, the Center's surveys show that many child care workers do not receive health or retirement benefits, and few (if any) paid sick days, holidays, or vacation days. The National Child Care Staffing Study found that in 1988, one in three teaching staff interviewed received any health coverage through their employer. By 1997, this had increased to almost half (48%), with 21 percent of centers providing full-paid health coverage to teachers and assistants.

**Work Environment.** Similar to other types of workers, child care workers find that adequate pay and benefits, while necessary, are not sufficient. The work environment in a child care center also contributes to the level of turnover. One study identifies the following dimensions of organizational climate in a child care setting:

- Collegiality
- Professional growth
- The clarity of rules and authority
- The reward system
- Decision-making
- Goal consensus
- Task orientation
- The physical setting and
- The degree of emphasis on innovation.

**Hiring Practices.** Studies have repeatedly shown that the extent to which an employer makes a positive match between an individual and a particular job is associated with the level of stability in a workplace. (Balfour and Neff, 1993) In other words, hiring the "wrong" person for the job results in turnover.

Because there are legally mandated adult-child ratios, child care centers often need to hire a staff replacement immediately. This can result in what is known as the "warm body" syndrome, that is, hiring someone to ensure sufficient staffing in a classroom even when there is evidence the new person is not the ideal candidate for the job.

In sum, teachers cite numerous reasons other than their hourly wage for why they "want to quit." At a training session held by the Center for the Child Care Workforce, teacher identified provided the following example of practical issues that "push people over the edge:"

- Having to arrange your own substitute when you're sick, or to take a vacation day;
- Having to buy or contribute your own classroom supplies because the center does not have enough;
- Being expected to attend evening or weekend family activities at the center, or to work extra hours, without pay; and
- Secrecy about salaries, so that it is hard to judge whether you are being treated fairly compared to other employees in the center.

## Assessing Current Practices and Identify Priority Areas for Improvement

Appendix H contains an excerpt from the chapter of *Taking on Turnover* that summarizes the Center's advice on how child care centers can design and implement their own turnover reduction plans. In essence, the Center advocates that child care centers (like other industries) try to stabilize their workforce by focusing on improving the "big three" issues: the work environment, hiring practices, and compensation.

The excerpt includes brief profiles of five child care programs, and the steps each of them took to reduce turnover. For example, in one center, the director identified three priorities: more money to help staff with continuing education; a better substitute list, and more in-service training. In another center, the teacher identified the priorities as being treated with respect, open communication, training incentives, and fair and equal pay. In another example, staff identified the amount of paperwork and the need for another adult bathroom as important issues to address.

## 8. Summary of Findings by Section

Labor turnover is a frequent topic of discussion today among labor economists, management consultants, and human resources professionals. Some claim that finding and keeping good employees is the number one issue facing public, private, and non-profit organizations.

Employee or labor turnover refers to the aggregate movement of persons into and out of jobs. The empirical research consistently shows that:

- There is a lot of job change in the U.S. labor market;
- General economic conditions have a strong influence on turnover rates;
- Both wage and non-wage factor influence workers' job change decisions;
- Turnover rates tend to vary by workers' characteristics, (e.g., absolute wage level, age, gender, and education), by industry, and by size of firm; and
- Individual employers control only some of factors that influence turnover.

Given the statistical reliability of the data available about labor turnover, there is every reason to believe that the dynamics of turnover in Montgomery County (including those among employees of County contractors who deliver direct client services) mirror the complex dynamics of labor turnover found across the country. The rest of this summary section presents highlights of findings from each section of the report.

### Defining and Measuring Employee Turnover

- Employee or labor turnover refers to the aggregate movement of persons into and out of jobs. It includes both worker reallocation (when workers reshuffle across the same set of jobs) and job reallocation (when some firms destroy jobs and others create them).
- Consistently measuring and comparing the movement of people in the labor market is tricky because agencies calculate turnover in different ways. Measures of labor turnover depend upon three key variables: the time period of measurement; the unit of analysis; and the source of data.
- The federal government's Current Population Survey reports that the average monthly turnover rate in the U.S. labor market is 7 percent. Of the 7.5 million turnover actions in an average month, 28 percent are accessions (new workers hired), 29 percent are separations (quits and layoffs), and 43 percent are inter-industry transfers.<sup>13</sup>

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<sup>13</sup> The Current Population Survey Reports, published by the U.S. Census Bureau contain the most comprehensive and consistent source of labor turnover data for the U.S. CPS' turnover formula is the number of turnover actions during the month divided by the average number of workers employed during the month, times 100. CPS tracks turnover actions in three categories: accessions, separations, and inter-agency transfers.

## **The Costs of Labor Turnover**

- The Department of Labor estimates that, on average, it costs a company one third of a new hire's salary to replace an employee. Replacement costs include expenses associated with terminating employees, paying overtime to cover vacancies, as well as the costs of recruitment, selection, and training of new employees.
- Turnover can be "functional" to an employer when low-performing workers leave or when job changes bring in talented new staff and/or create reorganization opportunities. Turnover is "dysfunctional" when high performing workers leave, or job changes create lower performance and instability in the workplace.
- Research shows that voluntary turnover initiated by the employee (a quit) is more likely than not to result in a better job for the individual who left. However, involuntary turnover initiated by the employer (a layoff) is more likely to result in lower wages for the worker who was dismissed.
- The dual labor market literature suggests that workers in a "secondary labor market" (defined as the market of less educated, less tenured, lower wage workers) bear a disproportionate amount of the negative consequences of turnover because they are easier to layoff and rehire.

## **Factors that Influence Voluntary Job Change**

- Survey research shows that an employee's decision to accept, stay with, or quit a job is influenced by both wage and non-wage factors. While workers definitely consider a job's total compensation package (pay and benefits), workers also weigh job characteristics such as working conditions, job satisfaction, job status, and job security. This finding holds true across occupations and income levels.
- The value that individuals place on different job attributes varies. An individual's unique set of values derives from a mix of her/his socio-economic background, living environment, experience and training, and interest in spending time on activities other than work, such as recreation or family responsibilities.

## **Voluntary Turnover and Wages**

- The empirical relationship between wages and turnover is complicated. It is well documented that people who earn high wages don't change jobs as often as people who earn low wages. However, the correlation between higher absolute wages and lower quit rates does not mean that increasing relative wages will necessarily reduce turnover. (In other words, the cause and effect relationship between higher relative wages and quit rates is not very strong.)
- The empirical research suggests that increasing wages would be an expensive strategy for reducing turnover. One study of turnover of teaching staff in child care centers estimated that teachers' salaries would need to be increased by 50 percent in order to cut voluntary separations in half.

## **Voluntary Turnover and Health Insurance**

- There is strong empirical evidence that both health and health insurance have important effects on employment patterns. Poor health reduces a worker's ability to work, which in turn has direct effects on wages and labor force participation.
- Empirical research has not been able to quantify the extent to which the presence or absence of employer-based health insurance influences turnover. The causal relationship is difficult to disentangle because short durations of work are generally correlated with other worker characteristics, such as age and health status.
- There is evidence that employer sponsored health insurance gives some individuals who rely upon their current employer for health insurance an incentive to stay employed. This effect appears to be strongest among older workers and married women.

## **Voluntary Turnover and Non-Wage Factors**

Individuals rarely find jobs that have all of the qualities they consider desirable. Empirical research shows that individuals try to select a job that has most of the qualities that are most important to them and avoid qualities that are least desirable. Some of the most commonly cited non-wage factors are listed below.

- **Job duties and working conditions** –the actual tasks performed as well as the physical workplace and relationships with fellow workers. This category includes factors such as whether the job involves physical labor or hazards, how varied the job duties are, and the degree of worker autonomy.

- **Hours of work** - the total hours worked per week and the hours when a worker must be at the job. Many workers consider the choice to work flexible hours very desirable. Only some workers are willing to work unusual hours, e.g., weekend, evening, or shift work. In addition, only some workers see the chance to earn overtime pay as desirable; others do not welcome spending additional hours at work, even if it means more money.
- **Job security** – the chances that a worker can count on keeping his/her job despite changes in economic conditions or other factors. For example, jobs in the construction industry have low job security because construction is subject to seasonal and cyclical factors such as interest rates. In comparison, government jobs are known as being more secure.
- **Job satisfaction** - refers to very subjectively rated factors in a job such as: the ability to see results; the chance to be creative; being recognized for a job well done; the ability to influence others; the ability to fully use the skills someone has obtained through school and work experience; the opportunities to learn new skills; and possible advancement opportunities.

### **Results of Worker Surveys**

Survey research consistently shows that many factors, both within and outside of an organization, influence turnover. The research illustrates that both wage and non-wage variables influence workers' job change decisions, and that only some of the factors that influence job change are within an employer's control.

- In a 1999 survey of 2,200 employees across 20 industries, more than half of the respondents indicated that "exciting work and challenge" and "career growth, learning and development" were the top reasons for staying with their employer. "Fair pay and benefits" ranked fourth on the list of why employees stay.
- A 1999 study based on 1,800 telephone interviews with a representative sample of the U.S. labor force found that the average worker is not actively looking for a new job. However, approximately half (52%) of the survey respondents would consider leaving their current job for a 20 percent pay increase, and 26 percent would consider leaving for 10 percent or less pay increase.
- Another survey of 1,000 workers representative of the U.S. labor force found that most workers (88%) are satisfied with their job, with 54 percent indicating that they are very satisfied. Although little variation in job satisfaction ratings is found between men and women or among different races, job satisfaction does vary by income. Specifically, workers earning over \$40K are 10 percent more likely to be very satisfied with their jobs than those earning under \$40K.

- Numerous surveys show that workers rate the ability to balance work and family as one of most important aspect of a job. The relative importance of balancing work and family is found to vary little across gender, race, income, age, or income level. The greatest variation is that workers with children are somewhat more concerned about spending time with their immediate families than workers without children.
- A 1999 study of more than 2,500 students graduating from universities around the world found that students identified the following four characteristics as having the greatest impact on their selecting their first employer: a good reference for my future career (42%); a company that values balance between personal life and career (41%); likeable/inspiring colleagues (37%); and competitive salary (34%).

### **"Successful" Retention Strategies**

There is an abundance of management literature on how to increase employee retention. The most frequently cited retention tips to employers include: recruit and hire the right person for the job; provide your employees with training and career development opportunities; provide your employees with a competitive compensation package; create a positive working environment that recognizes a work-life balance; reward your exceptional employees; and make employees feel involved in decision making.

Three examples of employer's anecdotes about successful retention strategies are:

- Between 1995-99, the annual turnover among foodservice workers at one hospital dropped from 70 to 20 percent. The director credits this reduction to implementation of an empowerment/motivational program, which allows employees the opportunity to move through a succession of six program levels. Each new level carries an increase in base pay and a wide variety of honors. In the first three years of the program, 92 percent of the foodservice workers completed at least one level of the program.
- The average annual turnover rate in the truck driving industry is more than 100 percent. Between 1997 and 1999, the turnover rate at J.B. Hunt Transport Services, an Arkansas-based national trucking company, went from above 85 to 40-45 percent. The company credits this reduction in turnover to a number of changes including a 33 percent pay increase and a tightening of minimum hiring standards.
- In 1999, one company collected data on the impact of its decision to open an on-site child care center. More than 90 percent of users said the on-site child care center had a positive effect on their ability to be on time for work and on their work-life balance. The company concluded that the on-site center reduced absenteeism and turnover for net company savings of more than \$500K.

## **Data on Turnover in the U.S. Labor Market**

- As discussed throughout this report, the U.S. labor market is characterized by enormous job change. Almost one job in five is destroyed or created every year. Every three months, out of every 10 jobs, four will be occupied by new people.
- This picture of rapid job change must be balanced with the fact that the median job tenure (the point at which half of the workers had more tenure and half had less tenure) is 3.8 years for men and 3.3 years for women. The average tenure is 2.6 years for adult workers between the ages of 25-34 years; 4.8 years for adult workers between the ages of 35-44, and eight years for adult workers between the ages of 45-52.
- Turnover rates depend on general economic conditions, i.e., the higher the level of unemployment, the lower the level of voluntary turnover. When there are fewer jobs available, employees are less inclined to voluntarily quit.
- Labor turnover rates vary by worker characteristics, such as age, gender, and level of educational attainment. Turnover is highest among younger workers and among adults with only a high school education. Turnover among adult women is slightly higher than turnover among adult men.
- Employee turnover rates differ by industry. The characteristics of workers employed within an industry influence turnover rates. The highest turnover industries are those most likely to hire low-wage, less educated workers who are less attached to their job and who perform tasks that are not complex. The lowest turnover industries are those most likely to hire older, more educated workers who receive above average wages and who perform more complex tasks.
- Empirical research also evidences that labor market turnover is greater in smaller and newer firms than it is in larger more established firms. Small/new firms often have less money for wages, benefits and training. Surveys show that older firms tend to hire more skilled workers, pay higher wages and offer more fringe benefits. Older firms are also more likely to have more sophisticated hiring practices than younger firms, which results in fewer “bad hires” and lower turnover.

## **Turnover among Child Care Workers and Nursing Assistants**

OLO located some published material that focuses on the turnover dynamics for two groups of direct client care workers, nursing assistants and child care workers.

**Nursing Assistants.** Certified Nursing Assistants (CNAs) perform routine tasks under the supervision of nursing or medical staff. In nursing homes and other long-term care facilities, CNAs are usually the principal caregivers and have the most direct contact with the residents. Their duties include: serving meals; making beds; helping residents to eat, dress and bathe; taking temperatures, pulse respiration and blood pressure; and escorting patients around the facility as needed.

- In one survey, 600 CNAs were asked to identify the most important reasons for selecting nursing home work. The top three reasons were: "It gives me an opportunity to help others." (96%); "It makes me feel meaningful." (93%); and It is useful to society. (84%). "Because I need money," was the eighth most popular answer.
- Surveys and focus groups of CNAs consistently identify that the job is very stressful. In one survey, 70% of CNAs said they felt burned out at least some of the time.
- Surveys identify four major causes of stress for CNAs: (1) Lack of time - more than 1/3 of CNAs say they routinely do not have enough time to complete their basic tasks; (2) Lack of staff - "working short" is identified as one the most serious sources of stress and poor job performance; (3) Lack of good supervision - CNAs often report that problems with supervisors are a major source of burnout; and (4) Lack of preparation - CNAs often report they receive training on the technical side of the job, but not on the psychosocial aspects of the job that cause stress, e.g., dealing with aggression and death.
- 92 percent of nursing assistants report that they were pushed, grabbed, or shoved by a resident during the past year; about 70 percent had been hit or had something thrown at them, and 40 percent had been kicked or bitten.
- Examples of "best practices" in the nursing homes that claim to have reduced turnover are: design of a CNA career ladder program; implementation of a nursing assistant support group program; and restructuring the CNAs tasks with the input of the nursing assistants themselves.

**Child Care Workers.** Preschool teachers and child care workers work in child-care centers, nursery schools pre-schools and family child-care homes. They attend to children's basic needs, and stimulate the children's physical, emotional, intellectual and social growth. Some perform a combination of basic care and teaching duties.

- Data collected from a sample of 225 child care centers found an average turnover rate of 27 percent among teachers, and 39 percent among teaching assistants. 20 percent of all centers in the study reported teacher staff turnover rates of 50 percent or more. The study found that turnover was higher for teachers and teaching assistants in for-profit centers compared to non-profit centers.
- The reasons that child care workers give for staying with or leaving their jobs fall into three categories: compensation, work environment, and hiring practices. In addition to relatively low wages, survey data show that many child care workers do not receive health or retirement benefits, and few (if any) paid sick days, holidays, or vacation days.
- Similar to other types of workers, child care workers find that adequate pay and benefits, while necessary, are not sufficient. The work environment in a child care center also contributes to the level of turnover. One study identifies the following dimensions of organizational climate in a child care setting influence quit behavior: collegiality; professional growth; the clarity of rules and authority; the reward system; the physical setting, and the degree of emphasis on innovation.
- Child care workers voice the same factors as contributing to job satisfaction as other types of employees, e.g., the opportunity to use all of their capabilities, recognition and respect for their achievements, the presence of congenial colleagues, and having control over and taking responsibility for their work. When any of these are lacking, job dissatisfaction can result.
- Because there are legally mandated adult-child ratios, child care centers often need to hire a staff replacement immediately. This can result in what is known as the "warm body" syndrome, that is, hiring someone to ensure sufficient staffing in a classroom even when there is evidence the new person is not the ideal candidate for the job.

## 9. Recommendation to the Council on Survey Component of Project

Part (2) of this OLO project, as assigned by the Council, is to conduct a survey of employees and former employees of Department of Health and Human Services' (DHHS) contractors about what motives them to stay with or leave their jobs. Given the fiscal impact associated with conducting any survey, the Council requested that OLO report back with a recommendation about how to proceed before actually beginning any data collection.

As reviewed in this report, OLO's literature search located a wealth of published material on the dynamics of employee turnover and retention. Collecting data on turnover, understanding why employees voluntarily leave their jobs, and implementing strategies to retain good employees is a topic of keen interest across the public, private, and non-profit sectors.

After review of the available material and consultation with a labor economist at the Urban Institute, **OLO concludes that the value-added from conducting a survey of employees and former employees of DHHS' contractors would be limited.** There is every reason to believe that the dynamics of employee turnover in Montgomery County mirror the dynamics of employee turnover found in other places. Furthermore, the chance is extremely small that the dynamics of employee turnover among DHHS' contractors is somehow uniquely different from turnover behavior elsewhere.

Any employer interested in reducing employee turnover would be well-advised to design a retention plan based upon information obtained directly from his/her own employees. The employer's plan should establish realistic employee retention goals, keeping in mind that only some of the factors that influence workers' job change decisions are within the employer's control.

**In sum, the probability that a survey conducted in our own backyard of employees and former employees of DHHS' contractors would yield new or different information about employee turnover and retention is extremely small. OLO recommends that the Council formally re-visit the need to conduct our own survey after the Council completes its review of this OLO report and the Employee Turnover Reports being compiled by DHHS.**



**OLO Report 2000-4**  
**A Research Report to the Council on Employee Turnover**

**Appendix**

Appendix		Circle
A	<i>Montgomery County Employee Retention Project, 2000 Follow-up Report</i> , by the Montgomery Work/Life Alliance, June 2000	©1
B	10/16/00 Memo from Charles Short, Director of DHHS to Michael Subin, President, County Council, Subject: First Turnover Report	©10
C	10/23/00 Memo from Michael Subin, President, County Council to Douglas Duncan, County Executive, Subject: Employee Turnover Report	©21
D	"Turnover: The Real Bottom Line," by Dr. Sami Abbasi and Dr. Kenneth Hollman, <i>Public Personnel Management</i> , Volume 29, No. 3, Fall 2000.	©23
E	"How to Decrease Turnover and Increase Employee Retention," by Dr. Jim Harris	©33
F	"Keeping Entry Level Workers Quitting," by Gregory P. Smith.	©35
G	"Three Best Practices to Retain Nursing Assistants," from <i>Solving the Frontline Crisis in Long-term care: A Practical Guide to Finding and Keeping Quality Nursing Assistants, 1996</i>	©37
H	"Turnover and Attachment Theory" and "Putting Together Your Turnover Reduction Plan," from <i>Taking on Turnover: An Action Guide for Child Care Center Teachers and Directors, 1999.</i>	©51
I	Resource List	©60



**Montgomery County Employee Retention Project**  
***2000 Follow-up Report***  
***June 2000***

*Submitted by: Lindsay P. Conn*  
*Director of the Montgomery Work/Life Alliance*  
*June 15, 2000*

*An initiative of the Montgomery County Chamber-Workforce Corporation in partnership with the Mental Health Association and Discovery Communications, Inc.*

**Appendix A**

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**Montgomery County Employee Retention Project**  
**2000 Follow-up Report**  
**June 2000**

**The History**

One year ago the Montgomery County Employee Retention Project: 1999 Report was developed with the understanding that a follow-up report would be written a year later to reassess the original outcomes. The Montgomery County Employee Retention Project: 1999 Report was based on a survey of human resource executives from Montgomery County businesses of varying industry and size. (In some cases, CEO's were surveyed if the organization did not have an HR executive on staff.)

The survey process included comprehensive conversations with participants on issues pertaining to: the challenge of attracting and retaining top talent; the value of Montgomery Works, a one-stop shop for employers and employees; the Montgomery County government's (public sector) support of the business community, and an introduction to the Montgomery Work/Life initiative.

***Montgomery County Employee Retention Project: 1999 Report Findings***

The survey reflected the following outcomes:

- Employers are challenged to attract and retain top talent during the tight labor market (reflective of what businesses nationally are experiencing);
- Employers are using \*work/life as a strategic tool to attract and retain top talent;
- Employers are using innovate techniques to identify top talent;
- Employers view Montgomery Works as a viable mechanism to identify top talent. However, the following factors must be in-place to ensure true value;
  - Exceptional job training for all workforce levels
  - Collaboration with existing public and private job training agencies that are responsible for training specific segments of the County's population
  - On-line capabilities for all of the services offered
- Employers agree that the public sector is supportive of their needs but encourage further support to specifically address the challenge of attracting and retaining top talent; and,

\*work/life is a term used to describe practices and policies that support the workforce to balance professional, personal and community roles

*1999 Montgomery County Employee Retention Project: 1999 Report Findings*  
(continued)

- Employers view the Montgomery Work/Life Alliance as a supportive response to the challenge of attracting and retaining top talent. However, they stress that in order for the initiative to be of most value work/life resources and implementation tools must be made available.

**Montgomery County Employee Retention Project: 2000 Follow-up Report Findings**

The Montgomery County Employee Retention Project: 2000 Follow-up Report was based on surveying human resource executives from organizations that have received the Montgomery Work/Life Alliance "Great Place to Work" Recognition Seal. In some cases, original 1999 Report participants also responded to the survey. (Note that CEO's were surveyed if the organization did not have an HR executive on staff.) These businesses vary in size, represent the public, private and non-profit sectors and come from various industries.

This year's survey process was adapted to be more-user friendly for the employers. It involved response to a survey via e-mail. The questions addressed issues including the challenge of attracting and retaining top talent, the value of Montgomery Works - a one-stop shop for employers and employees, the public sector's support of the business community, and the Montgomery Work/Life Alliance initiative.

Since the time of the 1999 Report, progress has been made by employers, workforce-related initiatives, and the public sector to further respond to the challenge of attracting and retaining top talent. A snap-shot of this progress is cited below, highlighting the suggestions made by employers in the 1999 Report:

- Montgomery Works will officially be launched July 1, 2000. The initiative will include, among other components:
  - Comprehensive and progressive job training for all workforce levels
  - Collaboration with existing job training public and private agencies responsible for training specific segments of the County's population
  - On-line capabilities

Montgomery County Employee Retention Project: 2000 Follow-up Report Findings  
(continued)

- The Montgomery County public sector has furthered its assistance to businesses in the challenge of attracting and retaining top talent. Among other efforts, the County has dedicated significant public funding for Fiscal Year 2001 to specific workforce-related initiatives, including:
  - Montgomery Works
  - The Montgomery Work/Life Alliance
- The Montgomery Work/Life Alliance has begun to develop specific work/life resources and implementation tools for use by the business community.

Findings show that although a year has passed since the original report, the challenge of attracting and retaining top talent still exists for employers in Montgomery County, some even reported that the challenge is now greater. The issue is dictated by changing workforce demographics and the national and local unemployment rates -- the nation's unemployment rates are the lowest in over 20 years, with Montgomery County's rate being 1.5%.

The overall message from employers is that the challenge presented to them by the tight labor market is still present. The need to continue to develop progressive, innovative mechanisms of support prevails. Furthermore, employers appreciate the workforce-related initiatives and support offered by the community at-large, but caution that these resources must be founded on the business community's actual bottom-line needs.

Brief summaries and actual employer statements follow, categorized under the following topics: (1) attracting top talent (2) retaining top talent (3) Montgomery Works (4) Public Sector Support of the Business Community (5) Montgomery Work/Life Alliance.

***The Continued Challenge of Attracting and Retaining Top Talent***

Employers continue to "think out of the box" in order to develop effective strategies to attract and retain an ideal workforce. Commonly, strategies for attracting top talent have become the very strategies for retaining top talent. Report findings show that work/life benefits are being utilized more regularly to play this dual role.

## Attracting Top Talent

The low unemployment rate is one of the greatest challenges of attracting top talent. It offers employers a diluted and elusive candidate pool. The challenge of attracting top talent includes the following (as defined by survey participants):

- “Lack of qualified, quality candidates.”
- “Low unemployment rate.”
- “Shortages of workers resulting in companies recruiting top talent from other companies.”
- “Where are the best and brightest? And how do we reach them?”
- “Finding qualified employees.”
- “Gaining a better understanding of the needs of Gen X’ers and Y’ers and modifying a few practices that may be considered outdated.”
- “The labor pool is not only shrinking, the good candidates are taken.”
- “It keeps becoming more and more of a challenge as companies are challenged by the same issues. Creating competitive advantages requires constant creativity in the employee practices that an organization offers.”

Employers are responding to the challenge of attracting top talent in the following ways:

- “Our work/life programs and practices.”
- “Work/life initiatives, learning and development programs, meaningful work, employee volunteerism, flexibility in the workplace.”
- “I firmly believe that to attract the best, you have to offer the best. Until that happens, companies will not be successful.”
- “Reaching out to other ways of recruiting, such as the Internet, job fairs, and promoting our referral award policy in house.”
- “Stay competitive with salary.”
- “Promoting our benefits package and our culture.”
- “We’ve expanded our advertising. We are now advertising in schools, Hispanic newspapers and with employment agencies.”
- “Surveys, focus groups, college recruit weekends, internships, exit interviews, etc.”
- “We have hired a Director of Recruiting. We are bringing International students to Montgomery County this summer to bolster our workforce.”

## Retaining Top Talent

Unemployment rates for employers range from 15% to as high as 200% (this rate range represents a variety of industries). It is obvious that today's competitive job market is one of the greatest obstacles facing employers when striving to retain top talent. The challenge of retaining top talent includes the following (as defined by survey participants):

- "Low unemployment rate."
- "Shortages of workers resulting in companies recruiting top talent from other companies."
- "The competitive job market."
- "Compensation."  
"Paying people competitively and creating a more flexible work environment."
- "Competition – low unemployment results in greater opportunities for our employees outside the company."
- "Keeping our workforce challenged."

Employers are responding to the challenge of retaining top talent in the following ways:

- "Flexible work schedules, good benefits, interesting work."
- "Our work/life programs and practices. I have to say the most important element of this is the corporate culture – one of trust and respect. We do find that while we have turnover, a lot of employees want to come back after they've left us. These employees are finding that our culture is what makes this a great place to work and they're not going to get that at an employer who hasn't embraced a work/life culture."
- "Work/life initiatives, learning and development programs, meaningful work, employee volunteerism, flexibility in the workplace."
- "Keeping our salaries competitive within the industry and marketplace."
- "Offering opportunities for the employees to cross train in other areas, participate in task forces and encouraging them to use our benefits such as educational assistance."
- "Career opportunities, competitive benefits, child care."
- "Line-driven retention teams and champions, accelerated salary, work life programs, benefit choices, etc."
- "Improved benefits - application process for Great Place to Work helped in this area by highlighting areas where we could improve."
- "Improved leadership capacity."

## Montgomery Works

Employers believe that a one-stop-shop could be a useful resource when trying to attract top talent. However, they stressed that in order for the initiative to succeed in its mission to serve the business community, the following services should be provided:

- “Montgomery Works should offer employers access to job seekers that they might not have through traditional methods.”
- “A virtual employment center. One stop shopping would be fine, but it has to be convenient for us to participate. The services should be offered online. There should be ways to centralize all job openings and a mechanism should be available to receive resumes quickly and efficiently. A physical location as opposed to a virtual center will not serve our needs.”
- “To have pre-screened applicants who know about our company would be a wonderful resource.”
- “If we have employees that need assistance as they move forward in their careers and our company is not going to be their next step, they could use Montgomery Works as a resource.”
- “Resources for locating Spanish speaking employees.”
- “On-line access and up-to-date information on potential applicants.”
- “Resume service and providing an Internet resume posting site.”
- “Customized and ‘just-in-time skills’ training.”

## Public Sector Support of the Business Community

Employers feel encouraged by the enhanced public funding set forth for workforce-related initiatives. They want to see this support continue. Furthermore, employers believe that the public sector needs to take a strong look ahead and begin now to better prepare children for the workforce. One employer stated that the public sector is supporting its needs as a member of the business community, but that:

*“the Montgomery County Public School System is only educating about 50% of the children in Montgomery County. We need every student educated to world class standards to ensure economic success for our businesses. The County Council must figure out how to help us catch up as a county... the hiring of a new change-agent Superintendent will have a substantial impact on improving education for all children in Montgomery County.”*

## Montgomery Work/Life Alliance

Employers are strengthening their commitment to work/life as a means of attracting and retaining top talent. Furthermore, the "Great Place to Work" survey participants believe that the recognition as a work/life committed organization has assisted them in these efforts (note sections "Attracting Top Talent" and "Retaining Top Talent"). However, employers reiterated the importance of the Alliance going beyond being a work/life awareness-raising mechanism by including resources and implementation tools for the business community to access.

Employers also expressed the concern that the majority of businesses in the County are small businesses that are also challenged by the low unemployment rate. They must also have easy access to work/life resources and tools. A conscious effort needs to be made to reach this business population and offer support.

### Conclusion

Experts predict that the unemployment rate is likely to rise in the future, which will offer employers a wider applicant pool from which to attract top talent. However, a higher unemployment rate will not *eradicate* the challenge of attracting and retaining top talent. This new diverse workforce will still be left with the intensified need to balance professional, personal and community roles. Consequently, employers will still be left with the need to develop innovative strategies to attract and retain top talent, so that business productivity and the bottom-line remain healthy.

Statistics show that:

- ◆ Less than 7% of American families are 'traditional' families (husband as sole wage earner, wife and children at home).
- ◆ The number of single working parents has jumped nearly 50% in the last 15 years.
- ◆ 64% of mothers with infants and preschoolers are employed.
- ◆ The *1997 Changing Workforce Study* shows that over 70% of 5,000 soon-to-be college graduates stated that when choosing their first employer, salary is no longer the number one factor in their decision. Rather, their number one consideration is working for an organization that will support their need to balance professional and personal roles.

Montgomery County Employee Retention Project  
2000 Follow-up Report  
Attachment

Survey Participants

<i>American Speech, Language and Hearing Association</i>	<i>Century Pool Management</i> Gene Kijowski	<i>The Gazette</i> Donna Johnson	<i>ISSI Consulting</i> Patricia Schools	<i>Marriott International, Inc.</i> Terry Snowden
Janet McNichol	<i>Discovery Communications, Inc.</i> Evelyne Steward	<i>Hewlett-Packard</i> Camile Borrelli	<i>Lerch, Early and Brewer</i> Peter Michaels	<i>Mental Health Association</i> Vanessa Caldwell
<i>Bank of America</i> Joyce Butler	<i>Equals Three Communications</i> Linda Danielle	<i>Holy Cross Health</i> Judy Greaver	<i>Life Technologies, Inc.</i> Karen Milstein	<i>Montgomery County Commission for Women</i> Judith Vaughan-Prather
<i>Barwood, Inc.</i> Sid Abrams	<i>Festive Foods</i> Christine Plepys	<i>Human Genome Sciences</i> Caroline Hanover	<i>Lockheed Martin</i> Judy Gan	<i>Social and Scientific Systems, Inc.</i> Lori Golino
<i>The Calvert Group</i> Judy Shoher			<i>Loiederman Assoc., Inc.</i> Doug Lohmeyer	



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Douglas M. Duncan  
County Executive

October 16, 2000

Charles L. Short  
Director

TO: Michael L. Subin, President, County Council  
FROM: Charles L. Short, Director  
SUBJECT: First Employee Turnover Report

In accordance with Resolution Number 14-524, Action Item Number 39 of the FY 01 Appropriation Resolution, I am transmitting the results of the first of two Employee Turnover Report forms that were sent to appropriate contractors and child care centers. As directed in the resolution, the forms were requested to be returned to the department by September 15, 2000. We received most of the responses by that date.

Enclosed are a summary of the reports and a copy of all of the reports in the form in which they were received. I have also attached sample copies of the survey forms and the transmittal letters that went out with the request. This material was mailed out to the contractors and child care centers in the first week of August with a request that the completed form be returned by September 15.

Based on our review of the forms, I also want to take this opportunity to offer some observations about the information that has been received:

- We sent out the Employee Turnover Report Form to 170 contractors and received responses from 114, which is a response rate of 67%. We sent the form to 50 day care centers and received responses from 16, which is a response rate of 32%.
- Based on the information supplied by the respondents, the child care centers have a turnover rate of 13.6%. The contractors have a turnover rate of 9.5%. As a point of comparison, the turnover rate for the County government in calendar 1999 was 5.5%. An important point to take into consideration with the County's low rate is the fact that we do have a large number of employees who tend to be career oriented (i.e. police and fire). In addition, changing jobs within the County from one department to another is not considered turnover for the purpose of the calculation. Also, for calendar 1999, the Human Resources Association Compensation Survey shows an average turnover rate of 22% as reported by 307 firms and organizations in the Baltimore/Washington metropolitan area. The median rate was 19%.

Appendix B

Office of the Director

- The responses to our form present basic information about whether individual contractors or child care centers offer benefits to their employees and the percent contribution provided by the employer. The vast majority of respondents do offer benefits to their employees.
- The information returned does not reflect differences in benefit plans that may exist between employers. As a result we cannot effectively compare benefit plans. For example, the information we have received does not offer information about the level of coverage, co-pays, or deductibles.
- While the report does provide salaries for the variety of job titles within each organization, it does not reflect differences that may exist between organizations with similar job titles. As a result it is difficult to accurately make direct comparisons between the organizations. In addition, without having detailed information about specific jobs it is difficult to make any judgments about specific pay rates. For example, in the case of group home counselors, some of the counselors are provided room and board at the home and pay rates may be adjusted downward to reflect that benefit.
- The reports do reflect the number of staff who were terminated and those who voluntarily resigned. It is difficult to make a determination about the basis for those leaving without knowing the specific reasons for leaving. Reasons for voluntarily leaving could be associated with a need to return for additional schooling, the individual could have been "burned out", or the may have relocated to another area. Accurate information about the reasons for leaving could probably only be obtained by interviewing the individual who left the organization.

Our plans are to send out the second set of forms in early spring of 2001, requesting this information for the reporting period of July 1 through December 31, 2000. We will use this same format and make the request of all the current contractors and appropriate child care centers.

Should you have any questions or need additional information, please contact Sean Davis, Chief, Management Services at 240-777-1268.

CLS:mwf

Attachments

cc: Bruce Romer, Chief Administrative Officer  
Joan Planell, Senior Legislative Analyst  
Essie McGuire, Council Analyst

July 25, 2000

SAMPLE  
CHILD CARE CENTERS

Ms. Kamini Wayal  
ABC Scholar Day Care  
11624 LockWood Drive, Apt T-1  
Silver Spring, Maryland 20904

Dear Ms. Wayal:

In the Appropriation Resolution adopted by the County Council for the budget for FY 01 (July 1, 2000 through June 30, 2001), the County Council included language that requires the Department of Health and Human Services (DHHS) to collect specific information concerning employee turnover from child care centers receiving County funds. The County expects to gain information to help child care centers benefit their employees and improve their ability to provide quality services.

In order to comply with the resolution, DHHS has developed a brief survey, which we are asking you to complete. A copy of item 39 from the Appropriation Resolution is enclosed for your reference. The resolution applies only to child-care centers who are expected to receive approximately \$50,000 in County Funds in FY 01.

This is the first of two surveys we will be sending to you in FY 01. This first survey covers the period of January 1, 2000 through June 30, 2000. The survey must be returned to DHHS no later than September 15, 2000. The second survey will request similar information and cover the period of July 1, 2000 through December 31, 2000. The second survey will be forwarded to you at a later date. It will need to be returned to DHHS no later than March 1, 2001. After receipt of each survey, DHHS will compile and analyze the results and report to the County Council.

Please return the completed survey in the enclosed envelope no later than September 15, 2000. Should you like to provide additional information concerning your views or observations about employee turnover, please include them when you return the required information. We will see that it is forwarded to the County Council. We appreciate your cooperation in this matter. Should you have any questions or need clarification please contact, Sean Davis at 240-777-1268.

Sincerely,



Charles L. Short  
Director

CLS:sd  
Enclosures

12

Excerpt Taken from Montgomery County Council Resolution No. 14-524

- ....
39. As a condition of spending any funds appropriated in this resolution to the Department of Health and Human Services (DHHS) for direct client services provided through contracts with third-party service providers or payments made to child care centers, DHHS must take the following actions:
- (a) DHHS must request any organization that received or will be entitled to receive at least \$50,000 in County funds appropriated in this resolution for direct client services to submit two reports on employee turnover, compensation and health care coverage on a standard reporting form distributed by DHHS. Each report must separately cover each activity funded with County funds and specify the number of employees in that activity funded by the County and by other sources.
  - (b) DHHS must develop a standard reporting form, submit a draft to the Council for comment by July 1, 2000, and provide a copy to each covered organization by August 1, 2000.
  - (c) DHHS must include on the standard reporting form, and ask each recipient to answer, the following types of questions:
    - (1) What is the employee turnover rate for each activity funded by the County?
    - (2) What is the organization's current starting hourly salary for direct care employees? The answer must include information for each job title.
    - (3) What health insurance coverage does the organization offer to direct care employees?
    - (4) What percentage of the health insurance premium does the employee pay?
    - (5) Are health care benefits offered to full and part time direct care employees?

The answers to questions 3 through 5 must include information about type of coverage, such as single or family coverage, and range of coverage, such as eye, dental, or prescription coverage.
  - (d) DHHS must ask each recipient to submit the first report, reflecting employee turnover, compensation, and health care coverage from January 1 through June 30, 2000, to DHHS by September 15, 2000. DHHS must compile the data it receives by service area and forward the reports it received and its analysis of the data to the Council by October 15, 2000.
  - (e) DHHS must ask each recipient to submit a second report, reflecting employee turnover, compensation, and health care coverage from July 1 through December 31, 2000. DHHS must compile the data it receives by service area and forward the reports it received and its analysis of the data to the Council by April 1, 2001.
  - (f) DHHS must request each child care center which receives at least \$50,000 in FY 2001 County funds to submit the same information, using the standard reporting form, by September 15, 2000 and March 1, 2001. DHHS must compile this data and forward reports to the Council in the same manner as for other service providers.
  - (g) In each contract for direct client services provided by a third-party service provider that is signed, extended, or amended during FY 2001, as a condition of receiving any County funds DHHS must require the service provider, if it receives or will be entitled to receive at least \$50,000 in County funds in FY 2001 or any later year for direct client services, to submit two reports reflecting employee turnover, compensation, and health care coverage, as described in this paragraph, each fiscal year the contract is in effect.
- ....

July 25, 2000

SAMPLE  
CONTRACTORS

Ms. Roberta Stronsider  
ARC of Frederick County, Inc.  
620-A Research Drive  
Frederick, Maryland 21703

Re: Contract No. 8645001010AA  
Service Coordinator

Dear Ms. Stronsider:

In the Appropriation Resolution adopted by the County Council for the budget for FY 01 (July 1, 2000 through June 30, 2001), the County Council included language that requires the Department of Health and Human Services (DHHS) to collect specific information concerning employee turnover from its direct service vendors. The County expects to gain information to help providers benefit their employees and improve their ability to provide quality services.

In order to comply with the resolution, DHHS has developed a brief survey, which you must complete. A copy of item 39 from the Appropriation Resolution is enclosed for your reference. The resolution applies only to direct service vendors who will receive at least \$50,000 from DHHS in FY 01.

Enclosed is the first of two surveys we will be sending to you in FY 01. This first survey covers the period of January 1, 2000 through June 30, 2000. The survey must be returned to DHHS no later than September 15, 2000. The second survey will request similar information and cover the period of July 1, 2000 through December 31, 2000. The second survey will be forwarded to you at a later date. It will need to be returned to DHHS no later than March 1, 2001. After the return of each survey, DHHS will compile and analyze the results and report to the County Council.

The resolution applies only to direct client service providers who are contractors of DHHS and who are expected to receive at least \$50,000 in County Funds in FY 01 for an individual program. In the case of each contract for direct client services that is signed, extended or amended during FY 01, participation is required and specific language will be included in the contract to address this. **Receipt of County Funds will be contingent upon completion of the survey.**

**The survey is to focus only on those employees in your program who are providing service directly to clients.** Please report only on that portion of the employees for the specified program. For the purposes of this survey, direct client service employees are those who spend the majority of their day working with the clients of the program. Any administrative or support staff positions assigned to the program are included only if they provide the majority of their time to the specific program. In some cases, an organization might have more than one contract with DHHS. A separate survey form will need to be completed for each contract or program with DHHS.

Ms. Roberta Stronsider  
July 25, 2000  
Page 2

Please return the completed survey in the enclosed envelope no later than September 15, 2000. Should you like to provide additional information concerning your views or observations about employee turnover, please include them when you return the required information. We will see that it is forwarded to the County Council. We appreciate your cooperation in this matter. Should you have any questions or need clarification please contact Sean Davis at 240-777-1268.

Sincerely,



Charles L. Short  
Director

CLS:sd  
Enclosure

Excerpt Taken from Montgomery County Council Resolution No. 14-524

- ....
39. As a condition of spending any funds appropriated in this resolution to the Department of Health and Human Services (DHHS) for direct client services provided through contracts with third-party service providers or payments made to child care centers, DHHS must take the following actions:
- (a) DHHS must request any organization that received or will be entitled to receive at least \$50,000 in County funds appropriated in this resolution for direct client services to submit two reports on employee turnover, compensation and health care coverage on a standard reporting form distributed by DHHS. Each report must separately cover each activity funded with County funds and specify the number of employees in that activity funded by the County and by other sources.
  - (b) DHHS must develop a standard reporting form, submit a draft to the Council for comment by July 1, 2000, and provide a copy to each covered organization by August 1, 2000.
  - (c) DHHS must include on the standard reporting form, and ask each recipient to answer, the following types of questions:
    - (1) What is the employee turnover rate for each activity funded by the County?
    - (2) What is the organization's current starting hourly salary for direct care employees? The answer must include information for each job title.
    - (3) What health insurance coverage does the organization offer to direct care employees?
    - (4) What percentage of the health insurance premium does the employee pay?
    - (5) Are health care benefits offered to full and part time direct care employees?The answers to questions 3 through 5 must include information about type of coverage, such as single or family coverage, and range of coverage, such as eye, dental, or prescription coverage.
  - (d) DHHS must ask each recipient to submit the first report, reflecting employee turnover, compensation, and health care coverage from January 1 through June 30, 2000, to DHHS by September 15, 2000. DHHS must compile the data it receives by service area and forward the reports it received and its analysis of the data to the Council by October 15, 2000.
  - (e) DHHS must ask each recipient to submit a second report, reflecting employee turnover, compensation, and health care coverage from July 1 through December 31, 2000. DHHS must compile the data it receives by service area and forward the reports it received and its analysis of the data to the Council by April 1, 2001.
  - (f) DHHS must request each child care center which receives at least \$50,000 in FY 2001 County funds to submit the same information, using the standard reporting form, by September 15, 2000 and March 1, 2001. DHHS must compile this data and forward reports to the Council in the same manner as for other service providers.
  - (g) In each contract for direct client services provided by a third-party service provider that is signed, extended, or amended during FY 2001, as a condition of receiving any County funds DHHS must require the service provider, if it receives or will be entitled to receive at least \$50,000 in County funds in FY 2001 or any later year for direct client services, to submit two reports reflecting employee turnover, compensation, and health care coverage, as described in this paragraph, each fiscal year the contract is in effect.
- ...

Montgomery County Department of Health and Human Services  
Child Care Center Turnover Report

Child Care Center Name \_\_\_\_\_  
% Of Total Program Funds For This Program From The County \_\_\_\_\_

**I. Employee Turnover Data For This Program**

\*Note that should the responses on this portion of the survey be so confined as to potentially create a breach of confidentiality (i.e. specifically identifying an employee who was terminated), DHHS will ensure that portion of the material is retained by the department and not provided to other parties.

- 1) Number of employees on January 1, 2000 \_\_\_\_\_
- 2) Number of on June 30, 2000 \_\_\_\_\_
- 3) Number of employees terminated by the employer during the period January 1, 2000 through June 30, 2000 \_\_\_\_\_
- 4) Number of employees who voluntarily resigned during the period of January 1, 2000 through June 30, 2000 \_\_\_\_\_
- 5) Average number of vacancies per month for the period of January 1, 2000 through June 30, 2000 \_\_\_\_\_

**II. Benefits Data**

- 1) Do you offer the following health care benefits for Full Time employees?  
\_\_\_ Single coverage \_\_\_ Family coverage \_\_\_ Dental \_\_\_ Vision \_\_\_ Prescription
- 2) Do you offer the following health care benefits for Part Time employees?  
\_\_\_ Single coverage \_\_\_ Family coverage \_\_\_ Dental \_\_\_ Vision \_\_\_ Prescription
- 3) What is the average % of employee contribution for health care benefits?  
For purposes of survey, Part Time would be defined as working a minimum of 20 hours per week.

	Individual Coverage	Family Coverage
Full Time Employees	_____	_____
Part Time Employees	_____	_____

Continue Other Side



# Montgomery County Department of Health and Human Services Vendor Employee Turnover Report

Vendor Name \_\_\_\_\_  
 Contract Number \_\_\_\_\_  
 Program Name \_\_\_\_\_  
 Amount of FY 01 Contract \_\_\_\_\_  
 % Of Total Program Funds For This Program From The County \_\_\_\_\_

**I. Employee Turnover Data For This Program**

Responses should be only for direct client service employees, that is, defined as employees who spend the majority of their day working with clients of the program. Administrative or support employees are to be included only if they provide the majority of their time with the specific program.\*

- 1) Number of direct client service employees on January 1, 2000 \_\_\_\_\_
- 2) Number of direct client service employees on June 30, 2000 \_\_\_\_\_
- 3) Number of direct client service employees terminated by the employer during the period January 1, 2000 through June 30, 2000 \_\_\_\_\_
- 4) Number of direct client service employees who voluntarily resigned during the period of January 1, 2000 through June 30, 2000 \_\_\_\_\_
- 5) Average number of vacancies of direct client service positions per month for the period of January 1, 2000 through June 30, 2000 \_\_\_\_\_

\*Note that should the responses on this portion of the survey be so confined as to potentially create a breach of confidentiality (i.e. specifically identifying an employee who was terminated), DHHS will ensure that portion of the material is retained by the department and not provided to other parties.

**II. Benefits Data**

1) Do you offer the following health care benefits for Full Time employees?

\_\_\_ Single coverage \_\_\_ Family coverage \_\_\_ Dental \_\_\_ Vision \_\_\_ Prescription

2) Do you offer the following health care benefits for Part Time employees?

\_\_\_ Single coverage \_\_\_ Family coverage \_\_\_ Dental \_\_\_ Vision \_\_\_ Prescription

3) What is the average % of employee contribution for health care benefits?

For purposes of survey, Part Time would be defined as working a minimum of 20 hours per week.

	Individual Coverage	Family Coverage
Full Time Employees	_____	_____
Part Time Employees	_____	_____





**MONTGOMERY COUNTY COUNCIL**

ROCKVILLE, MARYLAND

OFFICE OF THE COUNCIL PRESIDENT

**MEMORANDUM**

October 23, 2000

**TO:** Douglas M. Duncan  
County Executive

**FROM:** Michael L. Subin, President  
Montgomery County Council

**ORIGINAL SIGNED BY  
COUNCIL PRESIDENT**

**SUBJECT:** Employee Turnover Report

We recently received the first results of the Employee Turnover Report Survey from Charles Short, Director, Department of Health and Human Services (DHHS). I appreciate the time and effort of his staff in collecting and preparing this information.

After reviewing the report, the following information would be helpful to clarify the results of the survey. Also, due to the number of responses, we would like to receive a second version of this report, sorted according to the criteria outlined below.

- *How was the overall turnover rate calculated?* Because there are different ways to calculate turnover rates, please indicate the formula used to determine the overall rate of 9.5 percent.
- *What is the turnover rate for each contract?* It would be helpful for us to have the individual turnover rates.
- *What is the purpose of each contract?* We will better understand the turnover rates if we can know more about the nature of the work in each contract. Please provide the service area, program area, and the contract title for each contract, and sort the full list of contracts according to service and program area.
- *What is the dollar amount of each contract?* Please provide the dollar amount for each contract, and list them in descending order within the service and program areas.

**Appendix C**

Since a large number of contractors did not respond to the survey request. I would encourage DHHS to send a reminder letter with another copy of the survey by November 1 to those contractors who did not respond. Please report any additional responses by November 30.

Thank you again for the work on this project. We would appreciate a response by November 3. Essie McGuire, Legislative Analyst, is available to work with DHHS staff members if they have any questions about this request or wish to develop a template for this report.

cc: Charles Short

MLS: EFM

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# Turnover: The Real Bottom Line

*Dr. Sami M. Abbasi*

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Turnover is the rotation of workers around the labor market; between firms, jobs, and occupations; and between the states of employment and unemployment.<sup>1</sup> "In-house engineering," "revolving door policy," and "management by turnover," are a few of the many colorful and euphemistic terms used to describe this organizational phenomenon. By whatever name or form, labor turnover is one of the most significant causes of declining productivity and sagging morale in both the public and private sectors. Management theorists say it lies behind the failure of U. S. employee productivity to keep pace with foreign competition.<sup>2</sup>

**P**ervasive organizational downsizing and restructuring has dampened recent interest in turnover as the subject of academic inquiry. However, attrition among key personnel or groups of strategic employees at a time when many U.S. organizations face employee shortages continues to be a bedrock business issue.<sup>3</sup> Specifically, two decades of relentless downsizing have removed the negative societal connotations once associated with hop scotching from job to job, and workers are increasingly willing to abandon their job when it is economically convenient. As a result, the concept of employee loyalty has been changed forever.<sup>4</sup> Furthermore, technology has created a virtual mobility that allows people to work in their homes or other locations, perhaps even in other states or out of the country. This has enormously broadened the range and ensured the privacy of a potential job hunt. There will likely be many additional scholarly explorations on the subject of turnover.

## Consequences of Turnover

Excessive turnover often engenders far reaching consequences and, at the extreme, may lead to jeopardy of the organization's objectives. There may be a brain drain that negatively affects innovation and causes major delays in the delivery of services and the introduction of new programs. The smartest and most talented employees are the most mobile and the ones who are disproportionately more likely to leave.<sup>5</sup> For some departments and agencies of government entities, the loss of key employees may negatively impact the quality and innovation of services delivered. As a result, it may adversely affect the satisfaction of citizens/customers.<sup>6</sup>

In governmental agencies or departments the customer includes not only citizens who consume services, but the employees who work there. The human relations

department in an agency must provide personnel services and incentive programs that will induce the best workers to stay. It is the job of the human relations department to keep agencies staffed with the skills, inclination, temperament, and willingness to provide high quality service to citizens/customers. Hence governmental units are becoming increasingly concerned about keeping loyal and dedicated workers, reducing turnover, and increasing the duration of employment.

Employee loyalty is the underpinning of customer satisfaction with the organization. An enthusiastic and loyal employee will nurture productive working relationships with customers. Consequently, it is better for an organization to keep experienced and productive employees to hire new ones. However, to get and keep loyal workers, the organization must have a long run time horizon. It must invest in its employees through training programs and value them through strong organizational vision. In the face of eroding loyalty, attracting and keeping good people is the key to strategic staffing in all industries and sectors.<sup>7</sup>

Employee turnover is both pervasive and costly. It cuts across every type and size of organization from low tech to high tech and from finance to sales.<sup>8</sup> While the rate of turnover may vary between companies, sectors, and industries, and by division, function, tenure, gender, race, and performance level within the same organization, there are enormous adjustment costs any time an employee walks out the door.<sup>9</sup> For example, a Louis Harris and Associates survey pegs the cost of losing a typical worker at \$50,000.<sup>10</sup> Another nationwide survey suggests that the average internal cost-per-hire for an engineer is \$4,901, computer programmer \$2,500, secretary \$1,000, retail sales associate \$350, and assembly line worker \$300.<sup>11</sup> The out-of-pocket or visible costs can be categorized as costs of termination, advertising, recruitment, candidate travel, selection, hiring, assignment, orientation, signing bonuses, and relocation.<sup>12</sup>

The cost of replacing a worker is often underestimated, because in addition to visible costs like those noted above, there are many "hidden" costs and consequences of turnover. They include disruption of customer relations, the vacancy cost until the job is filled, costs resulting from disruption of the work flow, and the erosion of morale and stability of those who remain. Further, there is the temporary loss of production and valuable time taken from customer relations while the new hire acquires job skills and achieves maximum efficiency.<sup>13</sup> One estimate reveals that the cost of voluntary and involuntary employee turnover to American industry—the "find them, lose them, replace them" syndrome—is about \$11 billion a year.<sup>14</sup>

## What Causes Turnover

For years management theorists have suggested that the basic functions of management are to plan, organize, direct, and control the operations of their organization. Unfortunately, these functions tell the manager what should be done, not how to do it. Specifically, current labor force demographics suggest that the new diverse workforce will not respond to old traditional management practices.<sup>15</sup> Consequently, today's managers are faced with a different workplace and workforce configuration

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than that of 20, 10, or even 5 years ago. They must rethink their staffing strategies for the year 2000—and beyond.<sup>16</sup>

Despite the metamorphic workforce and workplace, effective managers can use a variety of strategies to hire good people, influence and motivate them to perform at a consistently high level, and inhibit the departure of the more highly qualified performers. The key to curbing exits is for managers to gain insight into employees' attitudes by understanding their personality traits and core beliefs and fostering long-term and well-conceived employee development plans. The result of such turnover-reduction intervention may help organizations to improve their retention of valuable people, especially the most enthusiastic, skilled, and proficient ones.<sup>17</sup> Given the high cost of turnover, investment in a well-executed retention program can yield a high rate of return.

Although there is no single answer that explains all the causes of employee turnover, more is being understood about the turnover phenomenon each year. An organization can keep good workers with a holistic long-term retention strategy and the necessary programs and policies to support it.<sup>18</sup> However, they must first understand the causes of employee departures. Some of the forces that underlie excessive employee separations and rehires are discussed below.

## 1. Hiring Practices

Putting the right people in the right position at the right time and then training them properly is one of the most critical tasks any organization faces. Good hiring and screening practices and effective job matches can expedite the speed with which new hires are moved to their profitable use.<sup>19</sup> The U.S. Department of Labor estimates the expenses associated with a bad hiring decision may be as much as 30 percent of the first year's potential earnings.<sup>20</sup> If the mistake is not discovered and corrected within six months, the cost goes even higher.

Because of the high cost of employee exits, managers must recruit, hire, and maintain an expert work force with a coherent and comprehensive strategic vision.<sup>21</sup> They must not only be sure that the hiring criteria are job related, with the new hires having the skills the organization needs, but they must be equally sure the criteria are consistent with the strategies and culture of the organization. The deployment of a built-in reward system for managers and supervisors who keep good people can help achieve that goal.<sup>22</sup>

Excessive turnover is driven by and is the natural and inevitable result of poor management. Overall, organizations fail because of managerial incompetency. Poor judgment, poor communication skills, lack of foresight, and a narrowly focused view of the management job are some of the reasons why managers fail in the human relations area as well as others.

## 2. Managerial Style

The experience, background, and training of managers appear to have a significant impact on the problem of turnover. Studies show that the backgrounds of managers

profoundly impact the mobility of people who work for them. A company's work environment is a reflection of the personality and philosophy of its leadership. Chief executive officers who have a particular staff function background, say accounting, often are deficient in their knowledge of other functional areas—say production and marketing—necessary to successfully manage and socially integrate the whole organization. They are more likely to have a disparate strategy with regard to energizing, activating, and unifying the different functional areas of the organization.<sup>23</sup>

Furthermore, a manager with a background in finance is more likely to view the organization as a basket of assets that responds only to government's stakeholders, rather than a social institution with a concern for employees. (Stakeholders are any individual, group, or other organization that can place a claim on the organization's attention, resources, or output. Examples of a government's stakeholders are citizens, taxpayers, service recipients, the governing body, unions, interest groups, political parties, and others.) Of course, a manager with a background in production is more likely to emphasize efficiencies in processing and distribution. Such executives tend to have a "myopic" vision by concentrating their efforts on the functional areas that they know best, which often are not personnel activities. They are likely to turn quickly to labor force reductions as a way to solve competitive problems. Such an idiosyncratic view will often weaken the cohesion of the group; cause workers to lose their commitment to the organization and to disagree with company work rules and systems; create tension and conflicts between management and the workforce; and cause general frustration and dissatisfaction among subordinates over the lack of top management guidance.<sup>24</sup>

Managers with myopic vision often experience excessive turnover (churning), and they may end up with an insufficient number of qualified people.<sup>25</sup> Further, they may not be able to get the most out of those who stay because they do not feel valued. Subordinates may be disloyal; show signs of diminished job satisfaction and poor performance; provide lackadaisical and less personalized service to clients; or when conditions become intolerable, seek to change their employment status.<sup>26</sup> The result may be organizational stagnation. Dysfunctional managers should recognize that changes in their management style could lead to better retention of employees, better customer service, and enhanced productivity.

Another factor contributing to turnover is the fact that some managers tend to focus on and manage for yesterday's conditions. They have a vested interest in the status quo because they feel more comfortable about a certain yesterday than an uncertain tomorrow. It is a natural inclination. After all, yesterday's workplace and work environment are where they got their experience, had their success, and is what they know best.<sup>27</sup> But management is about tomorrow, not yesterday. The workplace, the ways of doing business, and the nature of work are shifting, and organizations and managers must adapt to keep up. Tomorrow's concerns are about changing workforce demographics, galloping technology, advances in generalized knowledge, attitudinal and value changes of the workforce, and corporate cultures that are rich enough to embrace a wide spectrum of ethnicities, personalities, and work styles.<sup>28</sup>

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Workforce composition is changing at a maddening pace and management must change with it. For example, changing societal attitudes about gender roles have increased the number of women seeking full-time employment. Women have needs and wants that must be addressed on an individual basis and their quit rates far exceed those of white men.<sup>29</sup> Similarly, an increase in the percentage of minority workers and evolving immigration patterns have fundamentally altered the make-up of the workforce.<sup>30</sup>

The plethora of workforce composition changes have rendered many employment practices, including controlling the flow of personnel to and from the organization, both archaic and profoundly offensive for some employees. For example, the new diverse workforce does not blindly accept orders. Employees want to be told not only how but "why" they are asked to do things, which presupposes and is conditioned upon a good communication system. They want recognition for what they do and want to relate their work to the larger picture.<sup>31</sup>

As the dynamics of the labor force change, there are other factors that make retention and motivation of the workforce more difficult. Workers decreasingly see subdividing power as a rational way to place responsibility and sustain workplace order. According to Peter Drucker, "...one does not 'manage' people as previously assumed. One leads them."<sup>32</sup> In today's changing world of information technology, knowledge workers want to feel involved and empowered and cannot be managed as subordinates. They want to feel as if their fellow workers rely on them to do their best every day, that the organization is building on their strengths, and that their ideas do make a difference. Many are upwardly mobile and want more than just a job and a paycheck. They want a fair opportunity to showcase their talents; to be involved in decision making about policies, marketing directions, and operational changes; and to have opportunities for advancement. Many like to manage their own work time with their supervisor's approval.<sup>33</sup>

### **3. Lack of Recognition**

Lack of personal and team recognition translates to the employee as a lack of success. Regardless of the organizational level, employees want to feel good about themselves and their work, have a sense of purpose, and to be recognized when they do their jobs well. They want more than the standard pay and benefits package that formed the heart of traditional retention plans. Also, some employees appreciate the challenge by management to grow professionally. They consider recognition as a form of reinforcement and feedback for their accomplishments. There is little wonder why lack of recognition is the number one reason why people leave their jobs.<sup>34</sup>

Organizations that have a positive environment in which there are well-considered programs to award unusually good work, have a much better chance of keeping their employees and enhancing job incumbency.<sup>35</sup> Projects can be used as incentives or rewards, and training and development programs in the newest technologies can be used to give employees a better quality of life at work. This lets employees know they are important and that the organization recognizes them as multi-faceted individuals with a variety of concerns and needs. It also gives the organization a competitive edge.<sup>36</sup>

Forward looking organizations fight turnover with a panoply of programs, benefits, and amenities that address all aspects of an employee's life, ranging from long-term personal financial growth to permitting employees to volunteer for their favorite charity on company time to flexible work arrangements. For example, Federal Express allows supervisors to confer instant cash awards to employees for quality efforts.<sup>37</sup> Because of its commitment to find and keep superior people, FedEx has earned the Malcolm Baldrige National Quality Award, the highest recognition of quality that a U.S. Company can receive.

#### 4. Lack of Competitive Compensation System

Another parameter of personnel policy—the design of an organization's compensation system—may have a critical impact on its ability to achieve its strategic goals in the human relations area. Overall, a poorly designed wage policy where salaries and benefits are not competitive can lead to turnover. Workers expect tangible rewards for good work and they like to be paid or receive financial rewards commensurate with their worth to the organization. For this reason, the organization's objectives and philosophies about what it will pay workers, as well as concerns about pay equity within the organization and in relation to other organizations, must reinforce and reflect the organization's culture, external environment, and business strategy.

In addition, employers should recognize that a person's earnings subliminally serve as an indicator of power and prestige and are tied to feelings of self-worth. For many workers, earnings are a barometer of their value to the organization. Earnings and pay incentives can make workers feel that they have a vested interest in the organization's collective success, heighten their sense of self-worth, and cement their commitment and loyalty. In other words, compensation affects a person psychologically as well as economically and sociologically.<sup>38</sup>

Hence, integration of an employee retention program with a good compensation strategy, and constant review of both of them, is a management imperative.<sup>39</sup> Otherwise, the natural and expected result will be an excessive number of employee separations. Key employees will be lured away by competitors with promises of higher pay, variable pay programs, idyllic surroundings, state-of-the-art equipment, and incentives to sign on for entry level positions. The consequences can be devastating for an organization.<sup>40</sup>

#### 5. Toxic Workplace Environment

Creating a positive and upbeat work environment that nurtures trust and imbues workers with a sense of common purpose is not easy.<sup>41</sup> Employees want a feeling of belonging and security. Their decision to stay or leave may depend on working conditions, the characteristics of the employer and the "toxicity" of the work environment. While employee allegiance and devotion are not automatic anymore, if there is a positive work environment that is enriching and rewarding to employees, in which they have an affinity for those around them, they are more likely to stay and to energetically participate in the organization's activities.<sup>42</sup>

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Often the difference between successful and mediocre organizations is employee motivation. Motivated employees are enthusiastic about the organization, their own personal development and long term potential, what they can do for the organization, the development and maintenance of a customer base, and the creation of innovative products or services.<sup>43</sup> According to Jefferey Pfeffer, several studies reveal that "—companies that manage people right will outperform companies that don't by 30 to 40 percent."<sup>44</sup> Organizations can develop policies and programs to enhance the skills, competencies, and intellectual growth of their employees to give them reason to stay and to achieve their career aspirations. The signs of a toxic workplace are:<sup>45</sup>

1. When an organization requires people to choose between having a life and a career.
2. When an organization treats people as if they are a factor of production.
3. When an organization looks at its people and sees them as costs, salaries, benefits, and overhead. That is, some organizations do not see their employees as assets.

Under these circumstances management needs to recognize that the alternative to creating a productive work environment is continuous supervisory headaches, stifling of innovative ideas, misplaced energy, and the continuous loss of good people. For most organizations, employee departures mean the deprivation of knowledge and the loss of cumulative skills and experience.<sup>46</sup> This will eventually translate into poor morale, declining loyalty, dismal production, poor customer relationships, and additional stress for those who stay.

It is axiomatic that organizations can never eliminate all turnover. Even when managers do all the right things, there will be some ongoing recomposition of the workforce. Expansion and contraction due to retirement or medical reasons, spousal transfers, a change in career goals, a return to school, or movement to be near an aging parent are inevitable and predictable. Furthermore, in the natural course of events, organizations and jobs are born, they grow, they mature, they decline, and they die.<sup>47</sup> However, this is no excuse for management to close its eyes to turnover. As long as the organization, and its management, ignores the turnover problem, it will not be able to reduce it or its negative effects on itself and its customers.

Despite the inevitability of turnover, many experts believe that managers can adopt appropriate turnover reduction programs and enhance job survival because the majority of employee resignations occur for common and avoidable reasons. Some organizations alleviate their vulnerability with sound employee development programs and good employee relations. They provide the tools which allow workers to develop their careers and gain a palpable sense of personal achievement. In other words, they create an environment in which employees want to stay. To foster good employee relations, managers must demonstrate a character-based approach to the employer-employee relationship. They must show commitment and respect and provide fair, equal, honest, and consistent treatment to all employees. Further, they must demonstrate integrity and honesty at all times.<sup>48</sup>

Finally, managers must create a consistent culture and utilize an effective two-way communication system through which organizational vision and values are

imparted uniformly to employees. Managers should share details about what the agency is doing with employees. This requires that management diligently collect and format relevant information and present it to employees clearly and forthrightly. They must also listen to and understand what employees are saying and experiencing, and give employees the freedom to air grievances about management decisions without negative consequences. Good communication through vision statements, newsletters, structured dialoguing, and other media are necessary if managers are to attract, retain, and motivate high quality and productive employees.<sup>49</sup>

## Conclusion

Today's boss must provide strong leadership in an environment where technology is growing at a runaway pace, change is constant, and uncertainty is never ending. They must achieve organizational profit and other goals with an increasingly diverse workforce whose attitudes and values have changed greatly from the previous generation. Managing today requires ingenuity and strategic wisdom to a greater degree than at any time in our history.

Managers must keep in mind that employees are the major contributors to the efficient achievement of the organization's success. They must hire and train the right people, adapt their managerial style to today's worker, provide recognition and pay for superior performance, and create a nontoxic and productive work environment. Those managers who cannot or refuse to change face the prospect of excessive departures that can imperil the business strategy and be ruinous to the performance of their organization.

## Notes

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- <sup>14</sup> John M. Ivancevich, *Human Resource Management* (Boston Massachusetts : Irwin-McGraw-Hill, 1998), p. 669.
- <sup>15</sup> Lee Gardenswartz and Anita Rowe, "Why Diversity Matters," *HR Focus* (July 1998), pp. S-1 to S-3; Bob Filipczak, "It's Just a Job," *Training* (April 1994) pp. 21-27; Peter Drucker, "Managing in a Post-Capitalist Market Place," *Industry Week* (January 3, 1994), p. p. 13-18; Marc Adams, "Building A Rainbow, One Stripe at a Time," *HR Magazine* (August 1998), pp. 72-79; and Armour, op. cit.
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- <sup>17</sup> Ibid.
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- <sup>20</sup> Carol Hacker, "The Cost of Poor Hiring Decisions—," p.S-13.
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- <sup>22</sup> Solomon, op. cit.
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- <sup>26</sup> "Profits from Loyalty," *Time* (November 9, 1998), p. 12
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- <sup>41</sup> Carney, op. cit.
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- <sup>45</sup> Ibid.
- <sup>46</sup> Emily Nelson and George Anders, "Wal-Mart, Amazon.com Settle Fight Over Recruitment and Trade Secrets," *The Wall Street Journal* (April 6, 1999), p. A 3.
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# **How to Decrease Turnover and Increase Employee Retention.**

by Dr. Jim Harris\*

Here are five principles embraced by the world's best-run companies that decrease turnover and increase employee retention.

## **Principle #1: Capture the Heart**

Excellence is impossible with a disengaged heart. As Hal Rosenbluth, CEO of Rosenbluth Travel says, "The highest achievable level of service comes from the heart, so the company that reaches its people's heart will provide the very best service."

Companies such as The Walt Disney Corporation, ServiceMaster, and Southwest Airlines create compelling visions to capture the hearts of their employees. Marriott and Meredith Publishing help employees balance work and life demands. Others like Salem Sportswear and Ben and Jerry's Homemade capture the heart of employees through celebration and injecting fun into the workplace.

## **Principle #2: Open Communication**

Employees are more loyal if they feel "connected" to the company, if they are "in the loop", and kept informed on key company issues. Most important, they need to know that their opinions matter and that management is 100% interested in their input.

Donnelly Corporation opens communication by placing huge posters throughout their facilities with ten questions for all employees to ask each other - question such as "What took too long today," "What requires too many sign-offs," and "What is just plain silly?" The headquarters accountants at Ameritech once eliminated over 6,000,000 pages of financial reports by simply traveling to each office, holding up one report at a time, and asking field managers, "Do you need this report?"

## **Principle #3: Create Partnerships**

Today's great companies go beyond treating workers as hired hands to creating vibrant partnerships with all levels of employee. Progressive companies like Chaparral Steel and Nucor Steel have eliminated time clocks and docking workers pay - both seen as "distrust" rather than trust systems. Springfield ReManufacturing, North American Tool and Die, and Lincoln Electric create partnerships via sharing all financial numbers with employees, and share the good times with the bad by having incentive bonuses structured for every worker.

#### Principle #4: Drive Learning

As a member of the first international management delegation to visit the former Soviet Union after the fall of communism, I learned a valuable lesson from a successful Russian entrepreneur. He told me that the key to business success is to "hone your skills to perfection and learn something new everyday." The only long-term competitive advantage for any organization is the collective brainpower of its people.

Great companies like Johnsonville Foods promote lifelong learning through encouraging all employees to attend any training class they offer regardless of its direct applicability to their current job. At Cunningham Communications, all employees from receptionist to the President are required to read at least one hour of industry-specific material everyday.

#### Principle #5 - Emancipate Action

Today's most profitable companies understand that to increase employee loyalty and retention, they must go beyond traditional empowerment programs that only allow people to "follow policy". Rather, excellent companies emancipate the action of employees and give them the "freedom to succeed".

Hewlett-Packard gives employees the freedom to fail and try again through their operations principle: "We reserve the right to make mistakes." MCI's approach is not to shoot managers that make mistakes, but to shoot managers who do not take risks. Nordstrom's legendary service stems from their one-rule personal manual that reads: "Rule #1: use your good judgement at all times. There will be no other rules."

By integrating these five principles into your workplace, you will increase the loyalty and retention of your great employees.

\*Adapted from the American Management Association's best selling book, **Getting Employees to Fall In Love With Your Company** (AMACOM 1996) by Dr. Jim Harris. **Getting Employees...** is available in bookstores everywhere and online at AMAZON.com.

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## KEEPING ENTRY LEVEL WORKERS FROM QUITTING

Gregory P. Smith

Attracting, motivating and retaining entry-level workers can present a challenge to businesses of all sizes. The wide age range of such workers, which may include inexperienced beginners in their late teens to older workers with extensive job experience, complicates the matter. What motivates the workers varies according to their different needs and perceptions. Youthful workers, for example, may view the job as only a first step in their work life. Benefits, such as insurance, may not seem as important to them as to the older worker with a family.

Turnover is costly for all businesses, large or small. For a worker you are paying \$24,000 a year, will cost you an additional thousand or so dollars to replace them. However, the small business owner may feel the impact more immediately and to a higher degree. While there may not be a magic formula for attracting and keeping entry-level workers, here are some tips to consider:

***Avoid the mindset that "it's only an entry-level job"*** when advertising and hiring. If you present the job as a "nothing" job, applicants will view it the same way. It may be entry-level, but it is still important to hire the best person you can find for the job.

***Pay the highest wages that you can afford.*** Constant turnover due to low wages can quickly increase your business costs and erode any savings realized initially. If necessary, stretch the company budget to pay a little more. Low pay can be a false economy in the long term.

***Recognize and reward entry-level workers for their accomplishments.*** Again, "entry level" does not translate into "unimportant." Take time to acknowledge the worth of entry-level employees. Avoid, however, shallow or routine praise given simply because "that's what the book says to do." Employees, especially the older ones, quickly recognize this and it can do more harm than good.

***Compliment employees according to the level of their skills.*** An inexperienced employee may deserve, and appreciate, a compliment in a situation where an experienced employee would actually scoff at a compliment for something so routine. Tailor your praise (and criticism) to the person and his or her level of expertise.

***Offer cash rewards on an on-going basis.*** For someone on entry-level job wages, even small cash rewards on a regular basis can be important.

***Award "personal days" for special achievements.*** Some workers may value and appreciate time off as much as cash.

**Offer a choice of rewards.** One employee may choose cash as a reward for achieving a goal; another employee may choose time off instead. Allow employees to choose what is important to them.

**Be flexible.** Consider offering flexible working hours to employees. You may find this benefits the company as well as motivates employees.

**Consider a combination of sick-vacation-personal days:** the employee may be absent from work a certain number of days each year, whether for vacation, sick or personal. The number of days is the same--how the employee uses the days is up to him or her, no explanation required.

**Offer financial assistance for education** as an incentive for entry-level workers to grow within the company. Consider tying the assistance to longevity with the company. An employee who uses the assistance may "pay off" the loan by remaining with the company for a pre-determined period of time.

**Have meals brought in occasionally.** Example: on the last Friday of the month, give all employees a longer lunch break and have pizza delivered, along with beverages.

**Listen to employees, then respond**--just listening is not enough. If the answer to a suggestion or request is "no," tell the employee and offer an explanation. Otherwise, employees feel that management is only pretending to listen to their concerns. This can also happen if the answer is *always* "no."

**Take time to know your employees as individuals.** An advantage for small business owners is that they often have the opportunity to know employees on a more personal level and to have a better understanding of what motivates their employees as individuals. Use that knowledge--and everyone can benefit.

Free by fax: If you would like a free report on how to improve employee retention, please fax your name on your letterhead or E-mail us with the words, "Retention" to 770-760-0581/greg@chartcourse.com.

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— CHAPTER SEVEN —

## Three “Best Practices” to Retain Nursing Assistants

One of my main goals in this report is to argue that the vicious cycle of nursing assistant turnover can be turned into a positive feed-back loop. Perhaps another way to think about turnover is to replace the image of a revolving door with that of an escalator. Instead of a cycle of staff shortages which leads to burnout which, in turn, leads to turnover, we can move to an upward progression, in which committed nursing assistants receive support, are allowed increased professionalism and mastery in their jobs, and can advance to positions of greater responsibility.

It is important to remember that recruitment and retention are not really two separate activities. Instead, they represent a seamless web of concern for the development of the nursing assistant. Everything you do to upgrade the working conditions of your nursing assistants will help you in recruitment. The word quickly spreads in a community, and more applicants will begin to show up if your facility gets the reputation as a place that “really cares” about nursing assistants.

For example, one nursing home we know had a very high turnover rate and a lot of trouble attracting applicants for nursing assistant jobs. Then a new director of nursing came on board, who decided to try some changes. She did some of the things we discuss in the following pages, like involving nursing assistants in decision-making and developing career ladder programs. Even though the facility did not raise salaries, the word quickly got around that this nursing home was a more congenial place to work, and the number of applicants picked up.

In this chapter, we focus on three “best practices” that we have identified in our exploration of programs around the nation. Each of these programs involves re-thinking the needs of nursing assistants and the nature of their job. In each case, the payoffs in decreased turnover and increased staff satisfaction are potentially very great.

#### BEST PRACTICE NUMBER 1:

### ***Career Ladder Programs***

Sometimes in the nursing home world, we do not need expensive studies with fancy statistics to tell us basic truths. Instead we only need common sense: one major cause of turnover is that we offer nursing assistants “no place to go — but out!”

Over and over, when you ask nursing assistants what they don't like about their jobs, you hear: “There's no place to go. It's a dead end.” There is no doubt that if we want to retain good nursing assistants, there has to be some way for them to go up a ladder of increasing responsibility. Otherwise, they stagnate and eventually leave.

Think about your own career. How would you feel if there was no possibility for advancement, nothing to work toward? Would you stay in such a job for long? Unfortunately, we tend to act in a contradictory way: We want career nursing assistants, but we do not actually offer them a career.

To be sure, some facilities have scholarship programs to allow nursing assistants to pursue the goal of becoming a nurse. Project LINC in New York City is perhaps the most extensive program of this kind. It funds nursing assistants to attend nursing school, and provides them with support while they attend school. Such programs benefit not only the individual, but can also help us solve the long-term care nursing shortage.

However, these programs do not help us solve the **nursing assistant** shortage. Indeed, they move talented nursing assistants into supervisory positions. Further, many nursing assistants we have talked to do not wish to become nurses. They enjoy the contact they have with residents, and are not interested in what they see as a managerial position that involves much paperwork. They would like opportunities to advance, but still remain in the profession of nursing assistant.

One of the most exciting innovations in nursing home care is the design of nursing assistant "career ladder" programs. Such programs not only benefit the staff, who feel they can progress and grow, they also benefit the facility, by preparing nursing assistants to meet the increased demands of heavier care residents.

### **One Company's Approach**

One of the most comprehensive programs of this kind was developed at Genesis Eldercare (formerly Genesis Health Ventures) in Pennsylvania. Carolyn McDonald, formerly of Genesis and now an educational consultant in Massachusetts, was integral to the development of the Genesis career ladder, and has described it in several articles.

McDonald emphasizes that the career ladder is very flexible, and that a nursing home can design it in many ways. In the Genesis program, the first rung of the ladder is called the Geriatric Nursing Assistant Specialist. To be eligible for the program, candidates must work in the facility for at least six months, and must have had an above average performance evaluation. A six-month training program is then provided through a local community college. The program is made up of six modules, for a total of 108 hours. Upon completion, there is a formal graduation.

Data collected in February, 1996 reveals that since 1988 when the GNAS program began, more than 1200 nursing assistants have completed it. The overall rate of retention is 72%.

Some nursing assistants decide to remain at this rung of the ladder, but there is a second step, as well. This is the Senior Nursing Assistant, who serves as a team leader for the nursing assistants on the unit. For this position, the nursing assistants take 30 hours of leadership training. They help solve problems at a more basic level than nurses are able to.

At the top of the ladder is the Senior Aide Coordinator. This person serves as a team leader and role model for all the nursing assistants in the facility. The Coordinator attends department meetings, helps with orientation, and serves as a liaison to families. He or she also meets with all nursing assistants in the facility regularly.

Genesis reported dramatic reductions in turnover and improved morale. They had more job applicants, because of the possibilities for advancement. It should be noted that modest salary increases accompany the completion of the course and advancement to each new position.

This model is tremendously exciting. It helps to solve many of the sources of dissatisfaction and turnover discussed earlier. It gives nursing assistants hope for the future and something to work toward, and helps to ensure a stable workforce. Even if such a structured program is not right for you at the moment, brainstorm with your staff to come up with at least one or two ways in which nursing assistants can be promoted.

Most important, such programs show the kind of respect for nursing assistants that is greatly needed. Human resources expert Robert Desatnick sums this point up beautifully: "The best reward for high achievement is to give the individual the opportunity to do more."

BEST PRACTICE NUMBER 2:

***Increasing Peer Support***

As we noted earlier in this report, research has demonstrated that the degree of satisfaction with co-worker relationships is a strong predictor of turnover in nursing homes. As research has shown, if staff do not feel integrated with and supported by co-workers, they are more likely to leave.

Indeed, our studies and those of others have shown that a major problem nursing assistants experience is a lack of support from their peers. All too often, they feel isolated in their work, unable to connect with others, or sometimes even in competition with other nursing assistants.

It is critical to establish a cooperative atmosphere among nursing assistants. One issue to be aware of is the rotation of staff. Research has shown that greater staff integration is one effect of permanent assignment of a group of staff to a particular unit or group of residents. The rotation model of staffing, where nursing assistants are regularly assigned to new units with new co-workers, can make nursing assistants feel more isolated. In permanent assignment models, staff not only develop closer relationships with residents, but also with other nursing assistants with whom they share a long-term relationship.

Of course, a shift to permanent assignment of staff may not be possible at this point in your facility. However, when making staff assignments, try to keep the following point in mind: Most people prefer continuity in their

co-worker relationships. Having to develop new relationships to a new group three or four times a year adds to the stress of the nursing assistant's job.

A second point is one we have mentioned earlier: Establish "buddy systems" in your facility. Consider allowing nursing assistants to pair up on the job. This is especially critical in the early stages of a nursing assistant's career. Providing each new nursing assistant with a "peer mentor" can make the entry into nursing home work much easier. (And remember Chapter 6: Don't forget to formally recognize the "peer mentor" for taking on this responsibility!)

### **Support Groups**

A more comprehensive way to address this issue is the nursing assistant support group program, developed by Mary Ann Wilner. In a research project she conducted, Wilner found that the intense job pressure often makes nursing assistants isolated. She noted that the isolation is increased by the lack of opportunities to exchange information with peers on the job.

Wilner's project placed experienced group leaders in 16 nursing homes. The evaluation showed that the groups helped the nursing assistants to work better as a team, to learn from each other, and to develop new coping skills. Many members reported an increase in self-confidence and reduced stress. Modest reductions in turnover were also found in the facilities that used the program.

Wilner suggests the following points to make a support group successful:

#### SUPPORT GROUP GUIDELINES

- Include only nursing assistants, to ensure a comfortable, uninhibited discussion.
- Membership must be voluntary; no one should be forced to attend the support group.
- Limit the group size to 15 members.
- Initially invite all nursing assistants, so everyone feels included. If more than 15 are interested, start another group.
- After the fourth meeting, close the membership, to allow group solidarity to develop.
- Keep all discussions totally confidential. Be sure to hold meetings in a private room.
- Topics for discussion are generated by the nursing assistants, not the administration. This is peer support, not a didactic training program.
- Use an experienced group leader from outside the facility. Avoid using the facility social worker or another employee, because confidentiality must be assured. Places to find group leaders include schools of social work, local psychotherapists, and clinical social workers.

Like all retention programs, the support group concept requires full support from the administrator, director of nursing, and charge nurses. According to Wilner, "People have to have the attitude that even if there's an emergency, you don't cancel the support group." Making a consistent room available and providing refreshments also promotes the success of the group.

BEST PRACTICE NUMBER 3:

***Job Redesign***

In recent years, an increasing number of nursing homes have been taking a hard look at how the work of nursing assistants is organized. Some facilities have begun to experiment with different models of supervision for nursing assistants, in an effort to bring them into the decision-making process. Based on our review, such programs have major potential to reduce turnover.

Specifically, as was pointed out in Chapter 3, nursing assistants who stay in the job tend to be more satisfied with supervision, and, conversely, poor supervision is a big reason why nursing assistants become dissatisfied. Supervisors who are flexible and listen to nursing assistants are major sources of satisfaction.

Compelling evidence for the importance of supervision comes from Mary Ann Wilner's study. In her groups, problems communicating with supervisors was one of the most frequently discussed topics. Nursing assistants

felt that when they raise problems to nurses, they are seen as gossiping or complaining, or even as being insubordinate. More often, supervisors simply do not ask nursing assistants' opinions. The nursing assistants felt that their knowledge of the residents was not being tapped, and that the residents were suffering as a result. A commonly offered example was the unhappiness that results for residents because the nursing assistants are not consulted about roommate assignments.

They also felt that residents suffer because vital information is not communicated to them from supervisors. They might not be informed, for example, about medical changes in residents who have recently returned from a hospital. Overall, anxiety about talking to nurses, and confusion about how to handle supervisors who treat them condescendingly, occupied much discussion time in the group.

One solution to these supervision problems is job redesign. Making the nursing assistants active participants in redesigning their work life can be a very effective tool to increase satisfaction with supervision, and with the work environment in general.

Unfortunately, there is still a lack of practical experience in the long-term care industry. Although a number of other industries have developed new ways of designing frontline jobs, so far only a few attempts have been made in nursing homes. But we do know enough to state definitively that participatory job redesign can help improve job satisfaction and reduce turnover.

### **What Is Job Redesign?**

Diane Brannon provides a clear definition, suggesting that the term refers to "the deliberate restructuring of tasks and task sequences to provide more stimulating and motivating work, and to generate more productive use of staff resources." To this I would add, restructuring of tasks **with the input and influence of nursing assistants.**

The major suggestion of those who have worked on job redesign in long-term care is this: Nursing assistants should be made **active participants** in decisions about their work. A major source of dissatisfaction, as noted above, is the feeling on the part of many nursing assistants that they have no input into decision-making processes.

This situation is very unfortunate, because nursing assistants are an immensely valuable resource for continuous improvement of the quality of care in the facility. They have the most intimate knowledge of the residents, and wherever greater involvement has been tried, they have been able to solve care-related problems. In fact, one recent study found that nursing assistants who planned to stay on in the facility were much more likely to say that they were involved in care planning.

### ***Incremental Approaches***

The term "job redesign" may sound like it implies a major effort to transform your facility. Although some facilities have had great success with major changes (see below), small-scale attempts at empowering nursing assistants to find solutions to work problems are in fact highly effective. Here are some ideas that work:

- On the most basic level, hold **informational** meetings for nursing assistants. One finding from our research is that nursing assistants hear about state and federal policy changes, or funding cuts, and worry about them without really understanding them. Bring the nursing assistants together and **inform** them about what is going on. Make these meetings fun, by including recognition activities and announcements of events in nursing assistant's lives (like a new baby, or a child accepted to college). But also be sure that these meetings have **content**. Discuss plans for an upcoming state survey, or the impact of changes in your facility's administrative staff, or even what is going on with health care reform in Washington. Ask for their opinions, and really listen to them.
- Establish **problem-solving committees** that consist of representatives from the administration, the nursing staff, and the nursing assistants (as well as other relevant employees). Take a persistent problem — residents' laundry comes to mind — and put this interdisciplinary committee to work. Then use their suggestions. Use committees of nursing assistants for other activities, too, like planning an event (for example, Career Nurse Assistants Day).
- Allow the nursing assistants to help administration **set performance goals**. Rather than handing such goals down from on high, put together a group of nursing assistants to help you both decide on the goals, and also on how to implement them. For example, nursing assistants on a unit could tackle the problem of staff on the previous shift leaving too much work for the following shift, or of absenteeism. Of course, the nurses and administrators also take part in the process, but they use the nursing assistants' expertise to the greatest degree possible.

### *A Complete Overhaul*

I noted earlier that it is also possible to take on job redesign in a big way. The Amherst Wilder Foundation in St. Paul, Minnesota, provides a good example of a serious attempt at job redesign. They felt their system of care was too fragmented and task-oriented. They were also worried about persistent staff dissatisfaction and turnover.

They responded by organizing staff into teams. Each team had a primary nurse and nursing assistants, who were assigned to a group of residents over the long term. These groups were also empowered to try to improve the quality of work and life in the facility. They did this, interestingly, in response to persistent worries about turnover and staff dissatisfaction.

The facility was divided into "nursing districts" of about twelve residents each. Small work groups were used to solve problems, including making suggestions about supplies and equipment, developing bath schedules, revising shift routines, and other areas. Nursing assistants operated on an equal footing with other staff in making decisions. In this facility, job satisfaction increased dramatically, and turnover dropped from a rate of 42% to less than 25%.

The key to the success of the Wilder Foundation's attempts at job redesign is to involve the nursing assistants as partners in improving the work life and quality of care in the facility. For job redesign to work, it must be participatory, and nursing assistants must feel that the changes are fair.

In discussing job redesign, I realize that I am proposing what for some facilities would be seen as a major change in the way that work is organized. However, even if you are not quite ready to take a major step, experimenting with some of the principles of job redesign can improve the work environment in your facility.

The payoffs are likely to be very great. Working as a team can be a powerful problem-solving tool, since nursing assistants know their own jobs — and, often, the residents — better than anyone else in the facility. And administrators who have tried opening up the decision-making process find that their own jobs become more enjoyable. An excited atmosphere develops in the facility, as new solutions are found for old problems. So by involving nursing assistants in decision-making, everyone benefits.

✦ ✦ ✦

*Another way to turn your nursing assistants into loyal allies is through training. Let's have a look now at how training, by involving your nursing assistants in a satisfying and empowering learning process, becomes a powerful retention tool.*

TAKING ON TURNOVER

**TURNOVER AND ATTACHMENT:  
THE IMPACT ON CHILDREN**

"Attachment" refers to the feelings that bind one person to another. A baby leaning toward her mother from someone else's arms, a toddler's face lighting up with joy when his father enters the room, or a preschooler making picture after picture for "Mommy," are all signs of young children's attachment to their parents. When psychologists and educators speak about attachment, they are referring to such behaviors and the feelings they represent, but they also use the term more specifically in accordance with a theory developed by John Bowlby (1969, 1982) and elaborated by other researchers over the past half century (Ainsworth, Blehar, Waters & Wall, 1978). Here, we highlight attachment theory and research as it relates to child care programs and turnover.

**WHAT IS ATTACHMENT THEORY?**

Attachment theory describes the development of a mental structure, begun during infancy, based on a child's relationship(s) with one or more persons who act as primary caregivers. As the child begins to distinguish her primary caregivers from other people, she seeks contact or closeness with them. This proximity ideally serves to protect the child from physical and psychological harm, and creates a sense of security that permits her to explore her environment.

To develop a healthy attachment, a child must have at least one primary caregiver who is consistent and accessible. Over time, by interacting with primary caregiver(s), the child constructs an internal model of how she and the world of human relationships fit together (Bowlby, 1969, 1982). Although this is done unconsciously, she is assessing whether people and relationships are safe and dependable, or threatening and unreliable (Ainsworth et al., 1978).

Many of us informally observe a child's quality of attachment when we describe her as clinging or aloof with her parents or other caregivers. Psychologists and educators determine whether children are securely, anxiously or insecurely attached to caregivers, using methods of observation that change as children mature and their attachment behaviors (such as seeking contact or signaling distress) become less overt (Waters & Deane, 1985; Main, Kaplan & Cassidy, 1985).

### WHY DOES ATTACHMENT MATTER?

Some of the better-known studies of attachment have focused on extreme cases, such as people raised in orphanages who had no childhood opportunities to form attachments with adults, and who continued to have troubled relationships for the rest of their lives. These cases are thankfully uncommon, but there is evidence that milder developmental problems can result when children, for a variety of complex reasons, form insecure or anxious attachments to their parents (Bretherton, 1985; van IJzendoorn, Sagi & Lambermon, 1992). Children who were anxiously attached to their mothers as infants, for example, have been found to function more poorly in preschool than children who were securely attached; to be highly dependent, non-compliant and poorly skilled in social interaction with their peers; and to be described by teachers as hostile, impulsive, prone to give up easily, and withdrawn (Erickson, Sroufe & Egeland, 1985).

### HOW DOES ATTACHMENT THEORY APPLY TO CHILDREN AND THEIR TEACHERS?

Because disturbances in attachment do affect children's development, researchers have spent many years examining whether child care undermines a child's primary relationship to her parents or guardians. In stark contrast to children in poorly-run orphanages, children in child care centers do have a primary attachment to their parents, and with few exceptions, researchers today agree that child care does not disturb these relationships (Belsky & Cassidy, 1994). Children with poor attachments to their mothers, however, are at higher risk developmentally if they attend poor-quality child care programs with unskilled caregivers and high turnover (Kontos, 1992; Lynch & Cicchetti, 1992; van IJzendoorn et al., 1992). If they attend high-quality care, however, secure attachments to teachers can compensate for insecure attachments to their parents (Howes & Hamilton, 1992a, 1992b, 1993; Howes & Matheson, 1992).

In more recent interpretations of attachment theory, child care teachers and providers have come into focus for their positive role as available, responsive adults who can help children build an internal image of the world as safe and of themselves as lovable and valuable. Children's relationships with teachers and providers differ in intensity and form from

those with their parents or primary caregivers, but can be similarly classified as secure or insecure (Howes & Matheson, 1992; van IJzendoorn et al., 1992; Goossens & van IJzendoorn, 1991; Anderson, Nagle, Roberts & Smith, 1981). Children are more likely to be securely attached to their teachers if they attend classrooms where teachers are highly responsive and involved with them, rather than harsh or detached. Teachers with these qualities are also more likely to be in programs with low turnover. Children securely attached to teachers have been found to be more competent with their peers, less hesitant, and more likely to engage with their teachers (Howes et al., 1992; Howes & Hamilton, 1992a).

#### WHAT DOES RESEARCH TELL US ABOUT TURNOVER AND OTHER DISRUPTIONS IN CHILDREN'S RELATIONSHIPS WITH TEACHERS?

Like other forms of attachment, teacher-child relationships require some degree of stability to develop and strengthen, but we do not yet know precisely how resilient they are to change. Howes and Hamilton (1993) differentiated among types of change in child care programs, and their impact on children's relationships with teachers and peers. Over three years, they observed 72 children who experienced an average of 2.4 changes in primary teachers, with 44 percent of children experiencing three or more changes. When children faced more changes, they were rated as lower in gregarious behaviors (laughing, running, etc.) and higher in social withdrawal and aggression. Children who experienced more primary teacher changes over the course of the study were more likely to be aggressive toward others as four-year-olds. Younger children were the most vulnerable to changes in their primary caregivers.

#### HOW CAN POSITIVE TEACHER-CHILD ATTACHMENTS BE PROMOTED?

The first step is retaining skilled teachers, who can help children re-establish a secure relationship or switch from an insecure to a secure one. But to do so, teachers must know how to interact with and supervise children in a sensitive, age-appropriate manner; they must know how to create developmentally enhancing environments for children; and they must have sufficient support—including decent job conditions that encourage them to stay in the child care field. ★

## SECTION 5. PUTTING TOGETHER YOUR TURNOVER REDUCTION PLAN

At the end of Part 2, we discussed how to make a turnover management plan for your program, implementing policies and practices that can help relieve the stress and disruption of turnover whenever it happens. But now that you have examined the aspects of your program that could have a major bearing on causing staff turnover—the work environment, your recruitment and hiring practices, your compensation package, and your substitute system—it's time to put the pieces together into a coherent turnover reduction plan, so that staff departures happen less often. Such a plan, in fact, should be an ongoing part of any child care program's work—something that you periodically revisit, revise and keep up-to-date.

The central idea of a turnover reduction plan is for all of us to move beyond complaining about turnover, and to define meaningful, achievable ways to do something about it, both now and for the future. If all of the goals appear too big, it can be easy to give up—and yet, without a longer-term vision, taking small steps may not seem worthwhile. A turnover reduction plan should include short-term goals and steps for reaching them, as well as

benchmarks to measure progress toward achieving a high-quality child care workplace.

The process of putting together a plan is very much like the process we discussed for using the Model Work Standards (page 90):

- Assess your current policies and practices. If you have been using the chapters of this workbook in order, most of this process is already complete.
- Discuss higher and lower priorities for improvement.
- Determine the cost for each of your top priorities.
- Make an action plan.
- Document your progress.
- Celebrate and broadcast your accomplishments!

**The idea is to move beyond complaining about turnover, and to define meaningful, achievable ways to do something about it.**

The activity on pages 139-140 is based on the class assignment that many child care programs have completed as part of a "Taking On Turnover" training. Following the activity is a sampling of the variety of turnover reduction plans that programs have implemented.

## **ACTIVITY**

### **YOUR TURNOVER REDUCTION PLAN**

1. Each staff member should answer the following question:

- ✓ What are the main changes that you believe would make your program a place where staff would stay and be motivated to pursue their professional development? Name at least two changes, but no more than five, and why you think they would improve your program.

2. Staff should then discuss and compare the changes they have suggested. Depending on the size of your program, this could be a simple or complex process. Some centers have devoted staff meetings to the subject, while others have used a survey form or suggestion box, and then tabulated and ranked the results to make a plan. Whichever method you choose, make an effort to discuss these issues with all of your co-workers.

While differences and disagreements will probably emerge, you may also find—as we have consistently found in our turnover training sessions—that directors and teaching staff express very similar desires about how they would like to improve their programs to reduce turnover (see page 73).

- ✓ What are some of the changes that your co-workers have identified as priorities? Discuss similarities and differences among the lists.

- ✓ If there are major differences among the lists, what do you believe accounts for these differences?

- ✓ Based on your conversations with others, how would you adapt your own proposal for reducing turnover at your program?

3. A staff member or a representative committee should be delegated to draft a turnover reduction plan for the program which reflects input from all staff. The plan should include:

- ✓ the priority areas for action;
- ✓ estimated costs for each part of the plan;
- ✓ who will be responsible for implementing each part of the plan;
- ✓ a timeline; and
- ✓ steps for evaluating your progress and revising the plan as needed.

4. The staff as a whole should then discuss and finalize the plan.

5. If you have found, after this process, that your program is not able to get a plan off the ground, what were the barriers? What are the primary issues in the organization, and for you personally, that stand in the way of progress? If a lack of openness in communication is the main problem, for example, that may need to be the starting point for trying again soon.

### **REDUCING TURNOVER: PROFILES OF FIVE CHILD CARE PROGRAMS**

How programs approach this planning process, and how quickly they are able to move forward, depends on their size, their decision-making structures, and their levels of trust and openness in communication. While issues of compensation have come up in all the programs we have worked with, these

have by no means been the only issues, or necessarily the most pressing ones. Staff communication, staff space, and acknowledgment for work well done were among the many other issues that programs saw as critical. The following are some changes that programs have instituted:

- ➔ Many have created salary schedules for the first time.

- ➔ Many have also clarified staff job descriptions, with involvement from all staff.
- ➔ At one center, staff voted to change from a nine-hour work day (with an unpaid hour off for lunch) to an eight-hour day including a half-hour paid lunch break.
- ➔ At another center, staff are now able, at their own request, to make their own purchases of equipment and supplies, instead of having the director do this for them.
- ➔ Site directors at a multi-site agency developed site budgets and were able to gain more control of their own sites' finances.
- ➔ To improve teaching staff involvement in decision-making, one center created a staff representative position on the Board of Directors, and now requests that a Board member attend staff meetings.

Below, in more detail, are some ways in which five diverse programs have aimed to improve their policies and practices to reduce turnover. These profiles mainly reflect the *first* steps that the programs took as the beginning of a longer process. Most importantly—in every case but one—the staff of these programs now feel motivated and encouraged to take further steps against turnover, because they have seen results and experienced success within a very short time.

### Program One

This private nonprofit center with ten teaching staff found the turnover plan relatively easy to initiate because of its small size, and because a high percentage of staff had attended a Taking On Turnover training together. The director identified three priorities: more money to help staff with continuing education, a better substitute list, and more in-service training. The teaching staff priorities were a better substitute list and an annual raise.

At a meeting, the staff agreed that the substitute list was the number-one priority; they felt they had been relying too much on whomever they could get, and because of the difficulty of finding qualified, reliable substitutes, some staff had not been using all of their vacation time. All agreed to work on nurturing stronger relationships with a more consistent group of substitutes.

Next, the staff made a request to the Board for a pay increase, and received a raise of \$0.25 per hour for staff who complete three units of continuing education. Because the staff were clear about their needs and priorities, they felt that the Board was more responsive than in the past: without being asked, the Board agreed to a four-percent cost-of-living increase for all staff, their first in two years.

### Program Two

In this center, which is similar to Program One, working relationships have not been as clear, and therefore these became the focus of the turnover

reduction plan. The director identified an assistant director, a staff lounge, and staff pay raises as the top needs. The staff's top concerns were better teamwork, a pay raise, a staff room, an assistant director, and better advancement opportunities within the agency.

The program began by calling in an organizational consultant to focus on communication. By working with this consultant, the staff:

- ➔ agreed to hold bimonthly staff meetings;
- ➔ clarified the duties around clean-up of the center, which had become a major source of tension;
- ➔ agreed to hire an assistant director, defining her duties to include serving as a mentor for substitutes, and creating a buddy system for each sub to work with a staff member;
- ➔ decided to use a caterer for lunches, which also freed up some lunch-preparation space for setting up a staff room; and
- ➔ agreed to focus next on pay issues and opportunities for advancement.

### Program Three

At this small, for-profit center, the director held a series of meetings on turnover issues, but most of the teachers did not feel listened to. Teaching staff reported that except for incentives

to pursue further training, the director dismissed their suggestions as unrealistic or inappropriate. As priorities, the teachers had identified respect, open communication, training incentives, and fair and equal pay. In the process of discussing their "wish lists" with each other, they had discovered some discrepancies: while one long-time employee was paid \$9.75 per hour, for example, a new teacher with the same qualifications had been hired recently at the rate of \$12.00 per hour.

"More than anything," reported one

teacher, "we all wished to be treated with a fundamental degree of respect. That means being highly involved in any dialogue that relates to changes in policy affecting the children and our work." An example she cited was the expectation from the director and the owners that

*Small first steps against turnover can make a staff feel motivated to take further steps, because they have seen results and experienced success.*

teachers would help "sell the program" to prospective parents by holding circle time with children in a certain prescribed way, which felt to them more like an artificial performance than an authentic activity. Unfortunately, a turnover reduction plan did not materialize after this process, and several teachers left the center.

### Program Four

This large corporate-sponsored for-profit center conducted an anonymous survey of all staff (over 70 people) and then tallied the results.

The administrators then held a staff meeting on the subject, and set up a joint administrative/teaching staff committee to summarize the recommendations, which were sent on to corporate headquarters. The corporate sponsors were also asked to visit and learn about staff concerns firsthand. A major issue was the amount of paperwork required for teaching staff, some of whom received paid time to complete it, while others did not. The corporate office has now streamlined the forms which staff use, and gives all staff paid time for the task. But at this time, another widely-mentioned complaint—the presence of only one adult bathroom for over 70 employees—has not been resolved.

#### **Program Five**

This large, unionized nonprofit center also conducted a survey of teaching staff, but found that it had to circulate the survey form twice before getting good feedback. The center set up a joint administration/teaching staff committee to study the survey results and make plans, and teaching staff received paid release time for working on it.

A major issue was the center's substitute policies, with substitutes often

being sent into classrooms with no orientation. The program set up a formal orientation and job training system for subs. Teaching staff also said that they wanted recognition from each other for work well done; better communication with the administration, which they considered "too distant"; compensatory time for advocacy and professional development activities; and more funds for professional development. These were sorted into issues which could be addressed now and which should be part of the next union contract negotiations. For their next contract, instead of a pay increase, staff are proposing that extra funds be directed toward increasing the number of staff—for instance, by adding a "floater" position.

III

While "taking on turnover" must begin with ourselves and our own child care programs, all of us sooner or later come up against the limits of what we are able to achieve alone. In the final chapter, we turn our attention to ways of reaching out to other programs and other stakeholders in the wider community in order to take unified action.

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