

HEALTH WEALTH CAREER

TRENDS AND DRIVERS OF WORKFORCE TURNOVER

THE RESULTS FROM MERCER'S 2014
TURNOVER SURVEY, AND DEALING
WITH UNWANTED ATTRITION

16 July 2015

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TODAY'S SPEAKERS



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Principal,
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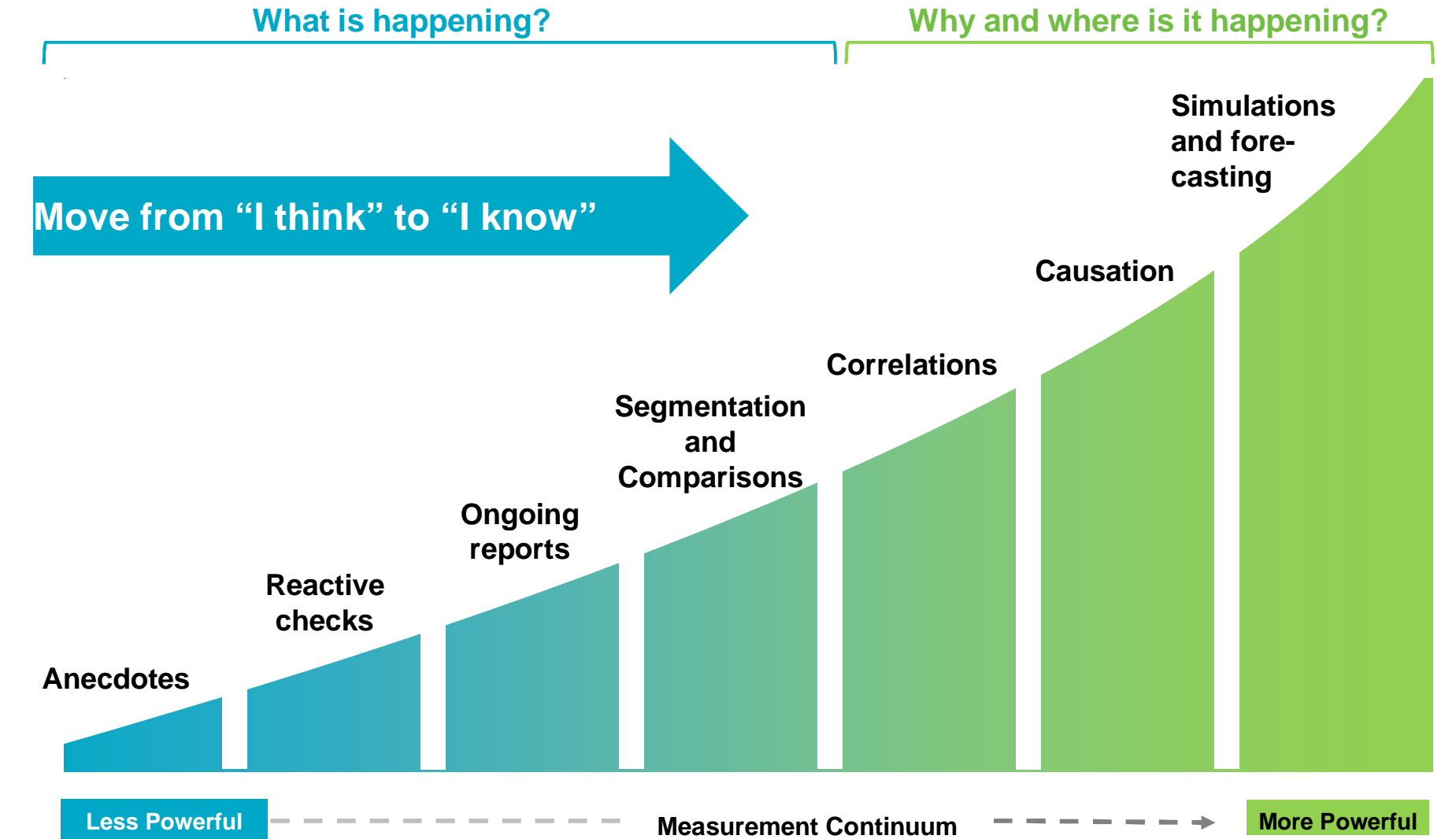
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Senior Associate,
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AGENDA

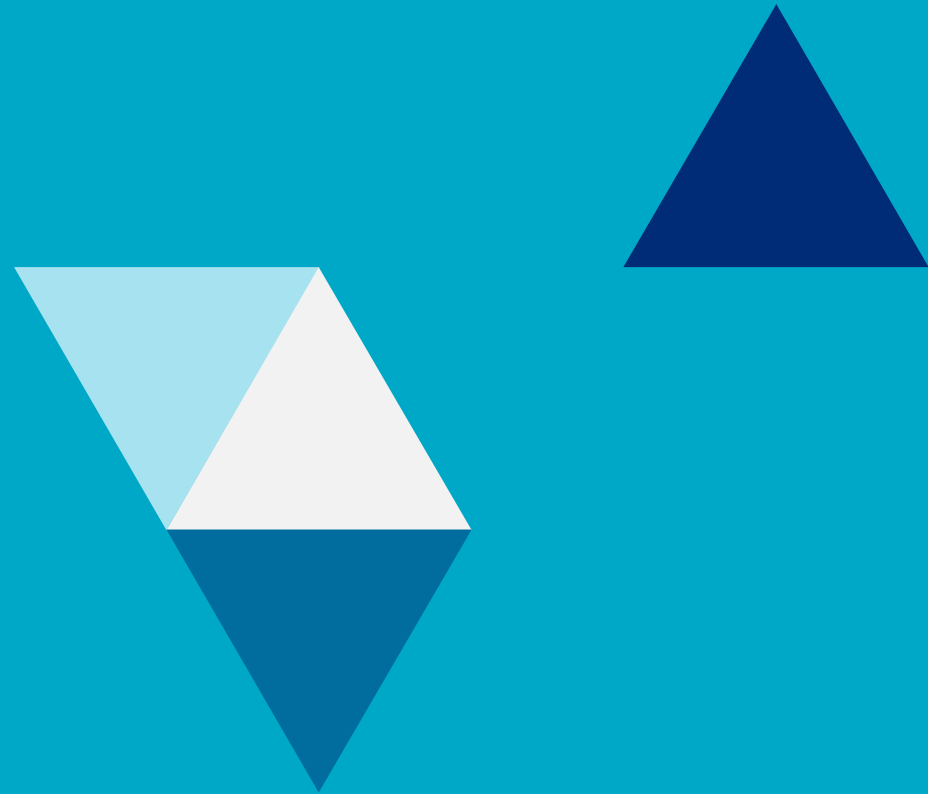
WHAT WE'LL COVER TODAY

- 1 Workforce turnover trends
- 2 Drivers of workforce turnover
- 3 Summary comments
- 4 Questions

THE MEASUREMENT CONTINUUM



WORKFORCE TURNOVER TRENDS

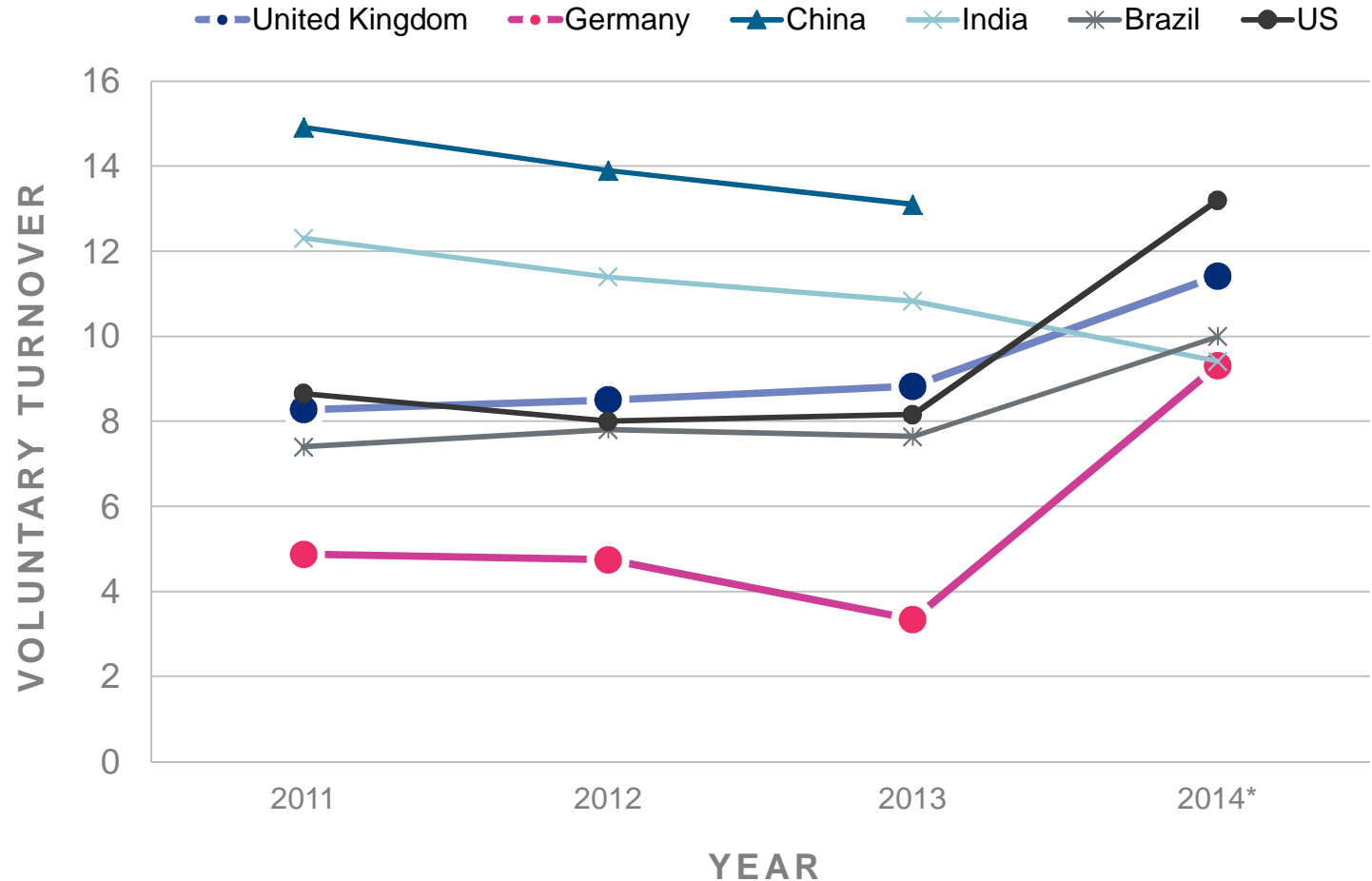


TURNOVER TRENDS

AVERAGE 2011-2014 VOLUNTARY TURNOVER

Key Observations:

- In UK and Germany there was a increasing voluntary turnover trend in 2014.
- In growth markets (China, India & Brazil) there was a more flat trend.
- The US followed the same trend as Europe and there was an increasing turnover trend.



Source: Mercer's Workforce Metrics Survey (2011 – 2013)

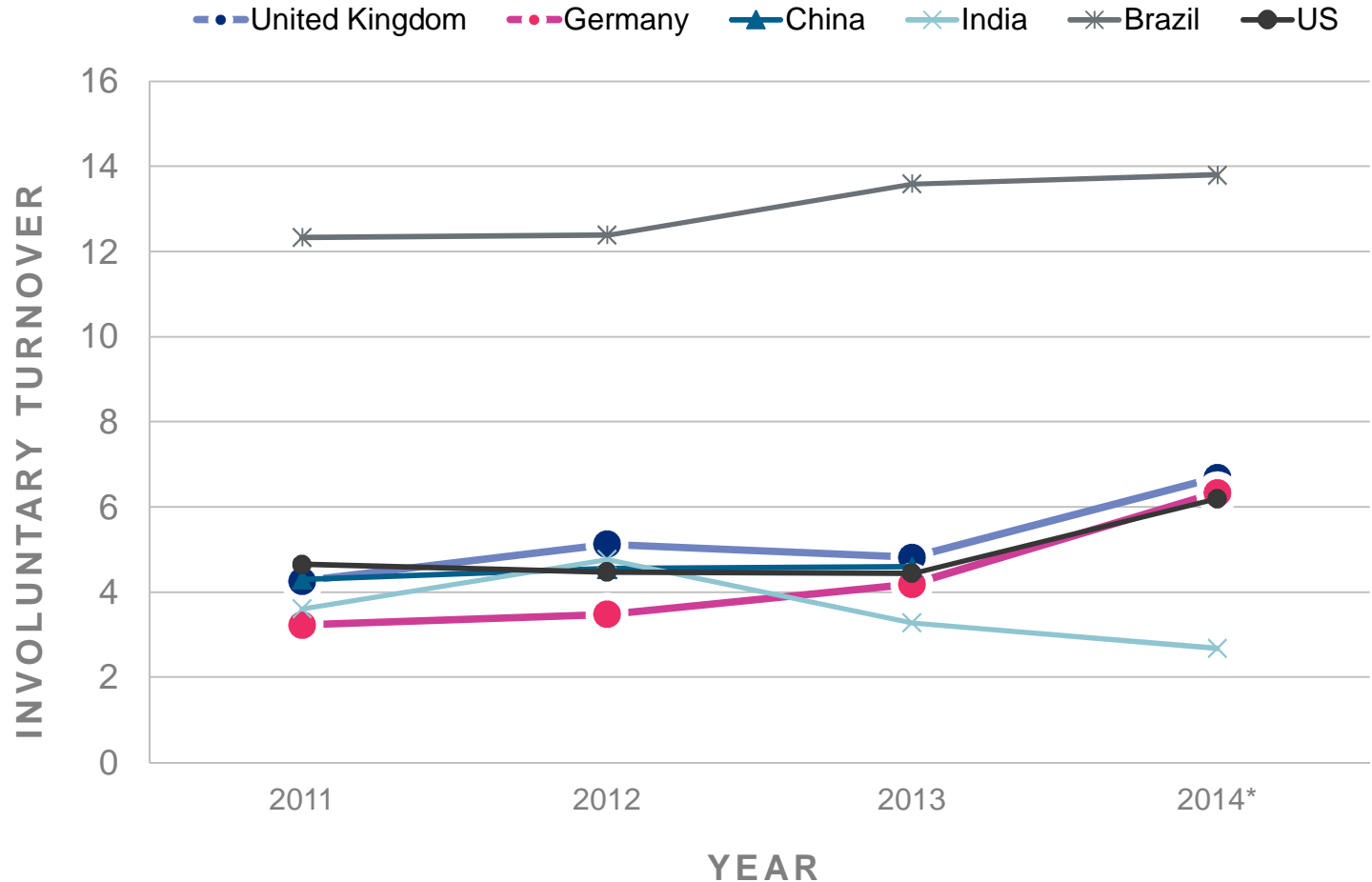
*Mercer's 2015 Turnover Survey

TURNOVER TRENDS

AVERAGE 2011-2014 INVOLUNTARY TURNOVER

Key Observations:

- Across most markets shown in the graph the involuntary turnover rate is within a small spread.
- Brazil is the outlier with considerably higher involuntary turnover rate than the other countries.



Source: Mercer's Workforce Metrics Survey (2011 – 2013)

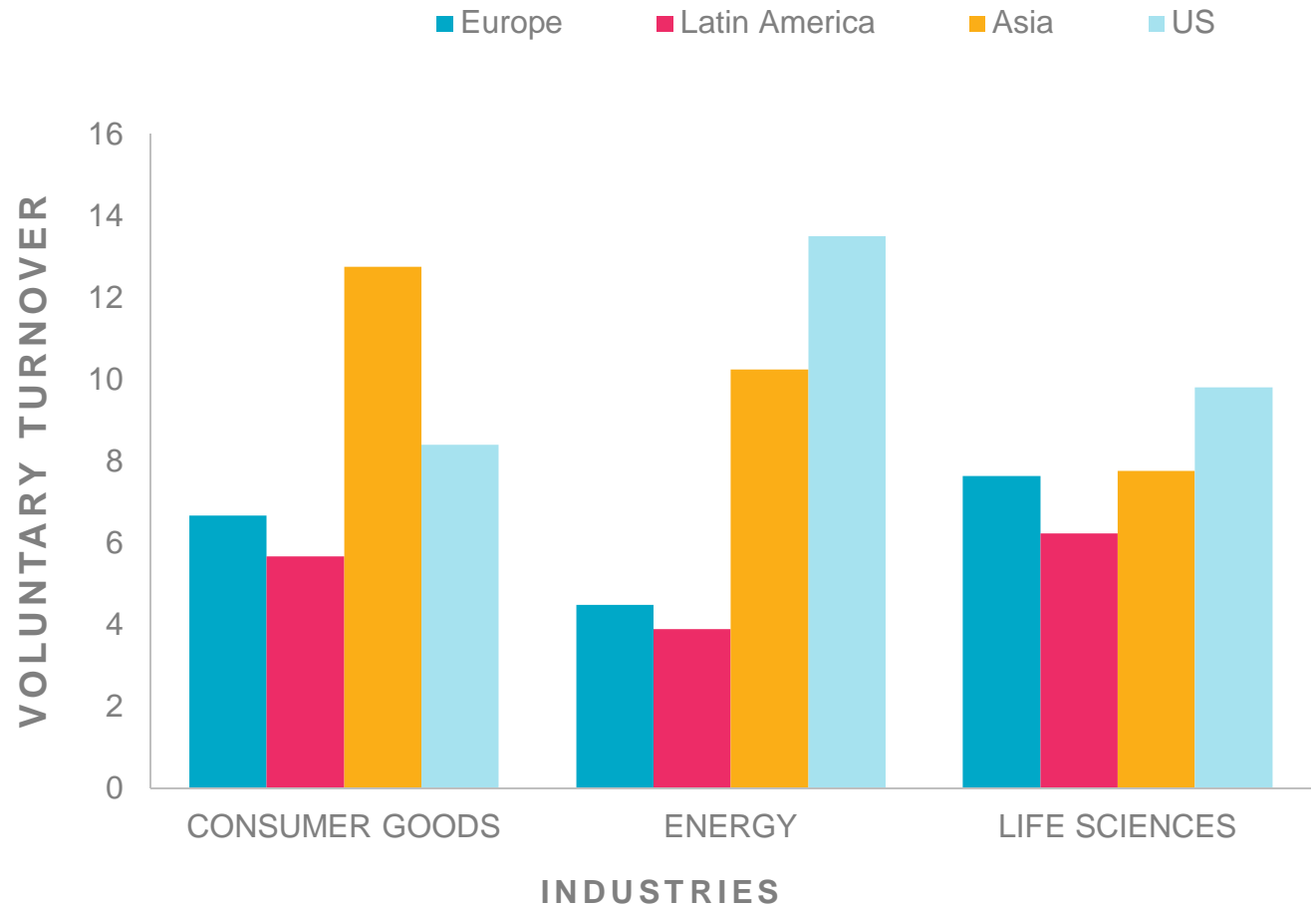
*Mercer's 2015 Turnover Survey

TURNOVER TRENDS

AVERAGE VOLUNTARY TURNOVER BY INDUSTRY

Key Observations:

- In the consumer goods industry the highest turnover is in Asia followed by the US and Europe and Latin America closely aligned.
- In Energy sector Europe and Latin America has the lowest turnover with also Asia and the US higher.
- In the Life Science Industry the turnover is much closer aligned across the regions.



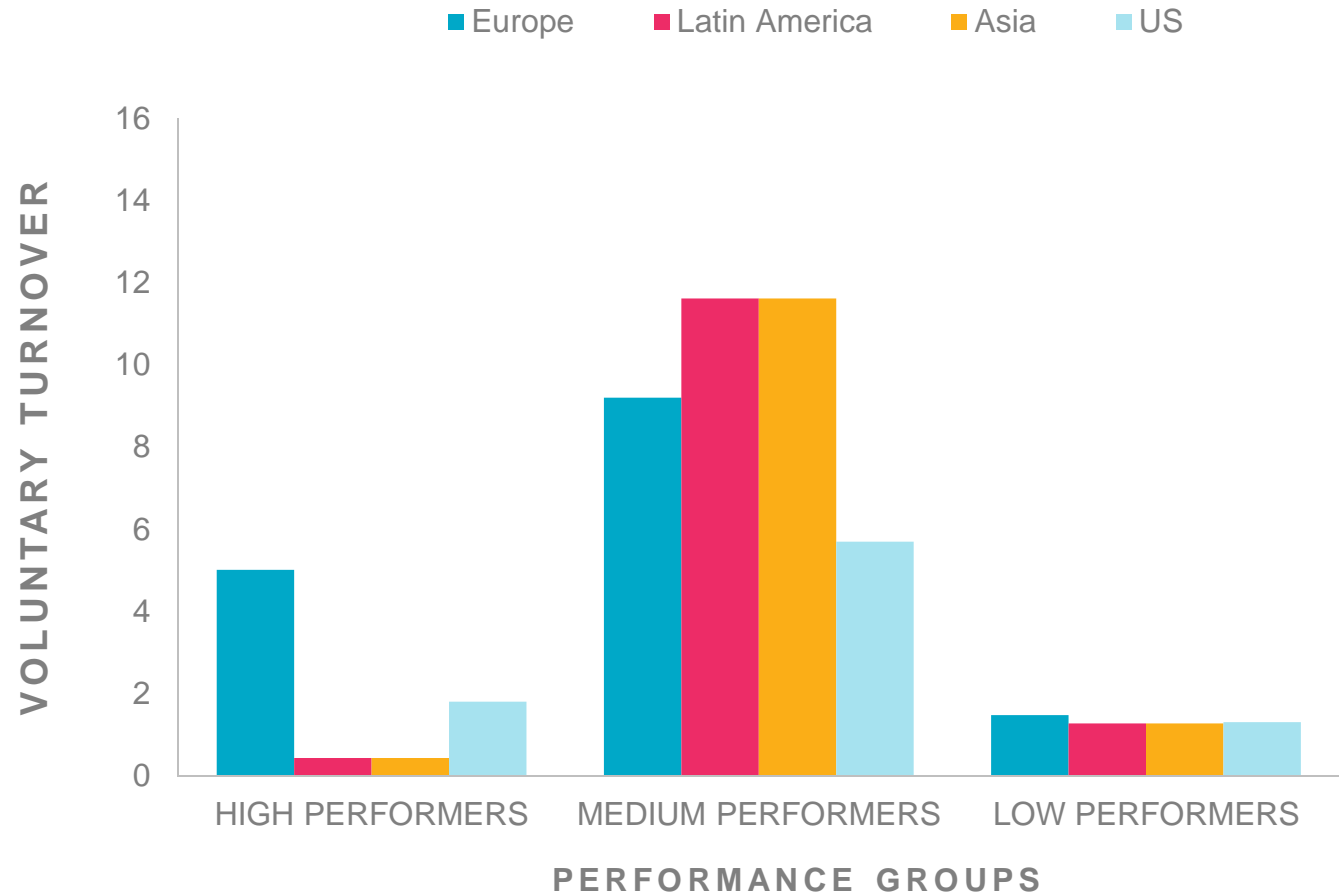
Source: Mercer's 2015 Turnover Survey

TURNOVER TRENDS

AVERAGE VOLUNTARY TURNOVER BY PERFORMANCE

Key Observations:

- Overall the highest level of turnover is in the medium performer group where as the high/low performer groups are considerably lower.
- If the low performing employees are the employees which are most reluctant to leave the organization there may be significant cost and productivity impact.



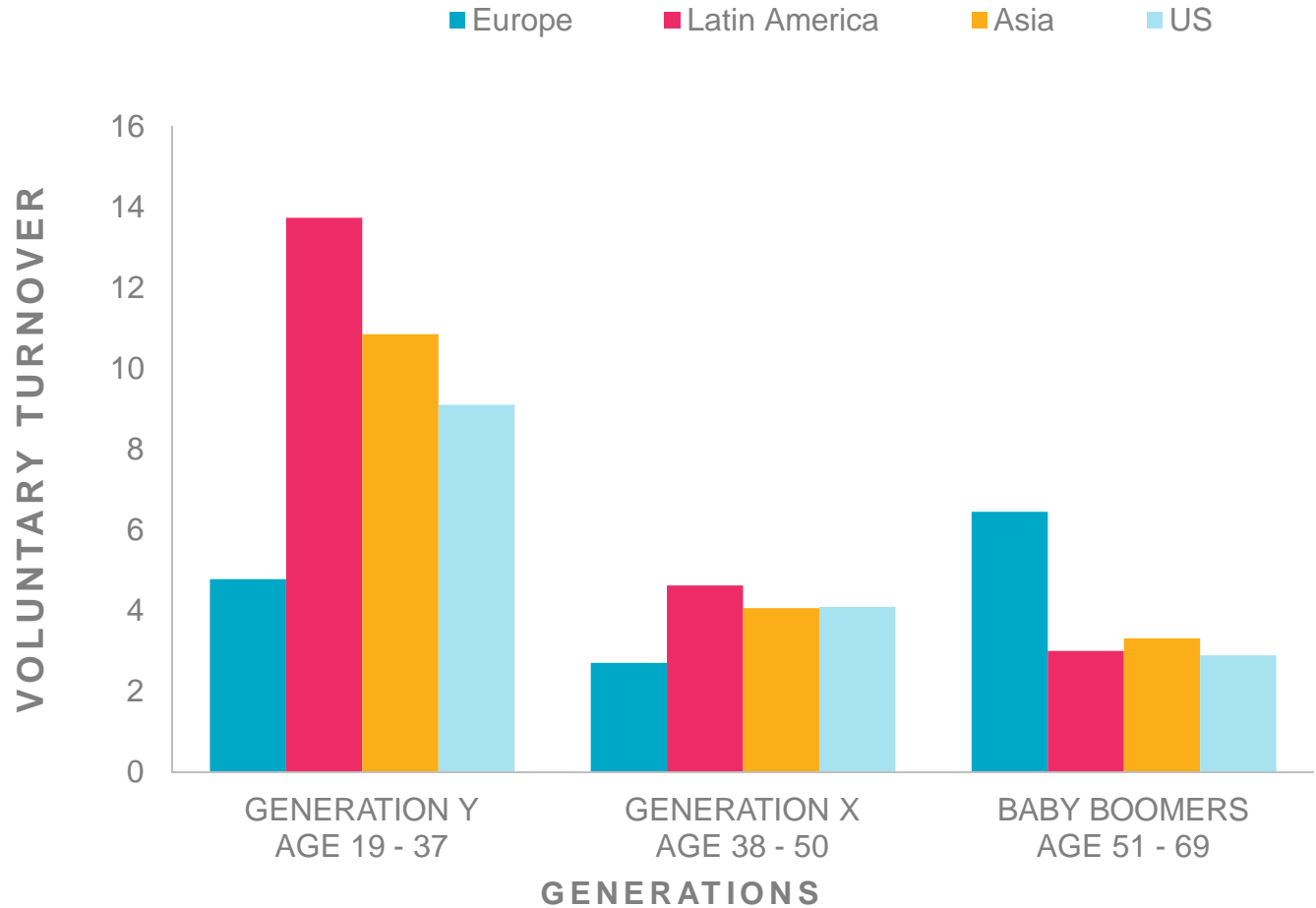
Source: Mercer's 2015 Turnover Survey

TURNOVER TRENDS

AVERAGE VOLUNTARY TURNOVER BY GENERATION

Key Observations:

- Across generations there are different factors driving engagement and retention. If companies doesn't have a segmented approach they may see different turnover trends across generations.
- Except for Latin America there is a clear declining trend as employee age increases.



Source: Mercer's 2015 Turnover Survey

EMPLOYEE TURNOVER

IS IT A GOOD OR A BAD THING?

‘Good’ - refreshing the organisation:

- ‘Innovate or die’ – bringing in fresh blood and new thinking to keep ahead of the curve and encourage a thirst for the ‘new’
- Assisting with the management of workforce planning and responding to a change in skill requirements / employee profiles
- Creating ‘head-space’ for career flows and replacing instances of poor performance with more effective employees

‘Bad’ - loosing key talent:

- Critical organisational knowledge/skills
- Small pool of external talent for critical jobs / key people / core capabilities
- It is having an impact on the business

EMPLOYEE TURNOVER

KEY QUESTIONS TO CONSIDER

What is the business impact and **where** is the business impact of employee turnover on operations and results?

- Key individuals, specific capabilities or key roles?

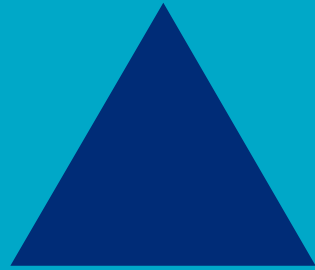
Why is dissatisfaction and voluntary turnover happening?

- Pull - Attraction of a new job or new experiences
- Push - Dissatisfaction with the current job, manager or employer
- Pull vs Push: It is rarer for people to leave jobs in which they are happy, even for more money

How do you most effectively address identified issues for the specific individuals/capabilities/roles?

- Addressing an untargeted employee population may be ineffective and expensive
- The issue may be more complex than it first appears

DRIVERS OF WORKFORCE TURNOVER



UNDERSTANDING EMPLOYEE TURNOVER



Using **Turnover Reporting** is like driving your car but watching traffic through the rear-view mirror, not seeing what's ahead and thereby in danger of crashing

Using **Predictive Analytics** is like driving your car and watching traffic through the front windshield, anticipating traffic, making course corrections to avoid traffic jams and getting their faster and safer.

STRATEGIC WORKFORCE PLANNING

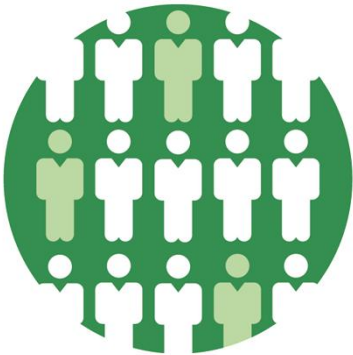
MAINTAINING A FUTURE PERSPECTIVE TO EMPLOYEE TURNOVER



THE WORKFORCE FLOWS

UNDERSTANDING THREE INTERRELATED LABOUR FLOWS

Attraction



Who comes into the organisation, and who of these stay within the organisation?

Development



How successful is the organisation at growing and nurturing the talent it needs to execute its business strategy?

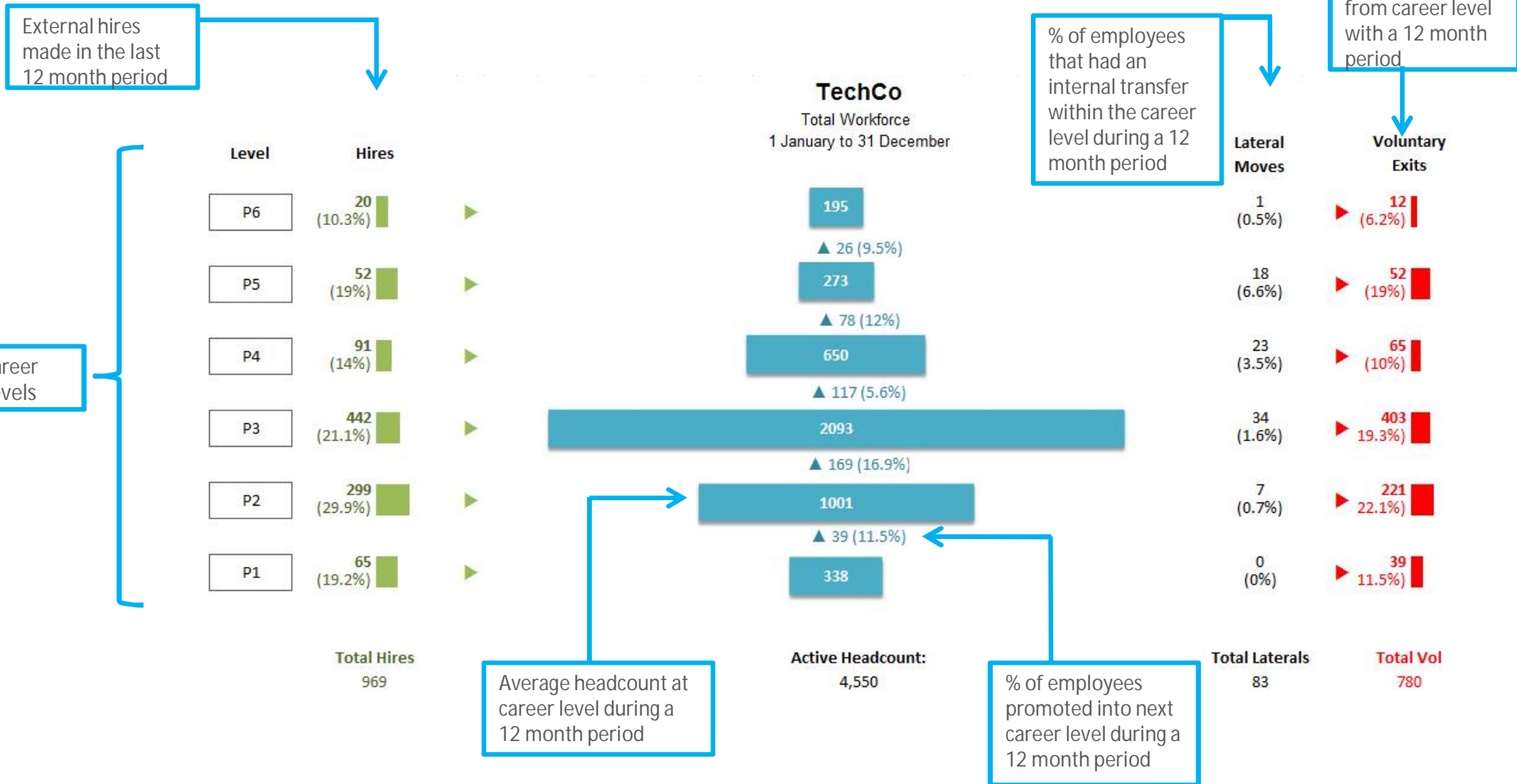
Retention



How successful is the organisation at retaining people who have the right capabilities and produce the highest value?

- Many organisations report on these three areas in silos and struggle to see how they interact
- **Workforce maps clearly shows the relationship between these three flows**

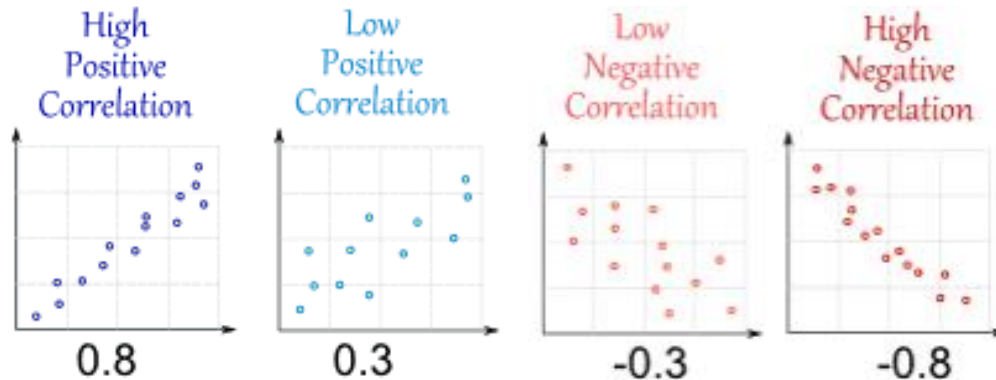
IDENTIFYING WHAT IS HAPPENING INTERNAL LABOUR FLOWS



IDENTIFYING WHY IT IS HAPPENING CORRELATIONS

Correlation can tell you something about the **relationship between variables**. It is used to understand whether the relationship is positive or negative, and the strength of relationship.

Correlations are often visualised through a scatterplot diagram.



IDENTIFYING WHY IT IS HAPPENING STATISTICAL MODELLING

CAUSE

Independent Variable

External Influences

- Unemployment Rates, Location, Market Share and Labour Pool

Organisational Practices

- Size of facility, Supervision, Spans of Control, Overall Turnover of Staff, Risk, Workload

Employee Attributes

- Age, Gender, Ethnic Background, Tenure, Education, Pay Level, Promotion History



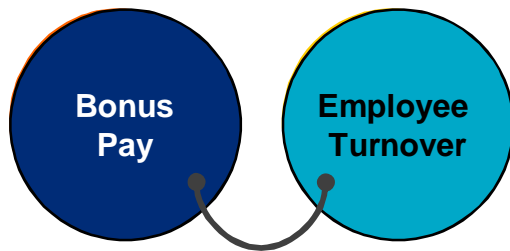
EFFECT

Dependent Variable

Turnover

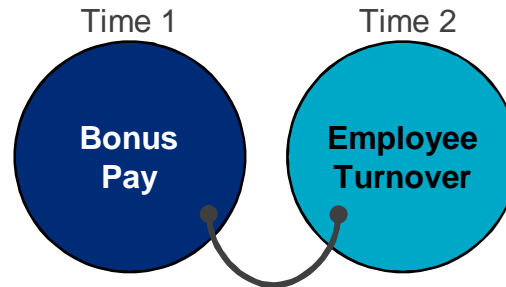
IDENTIFYING WHY IT IS HAPPENING STATISTICAL MODELLING

Understanding cause and effect:



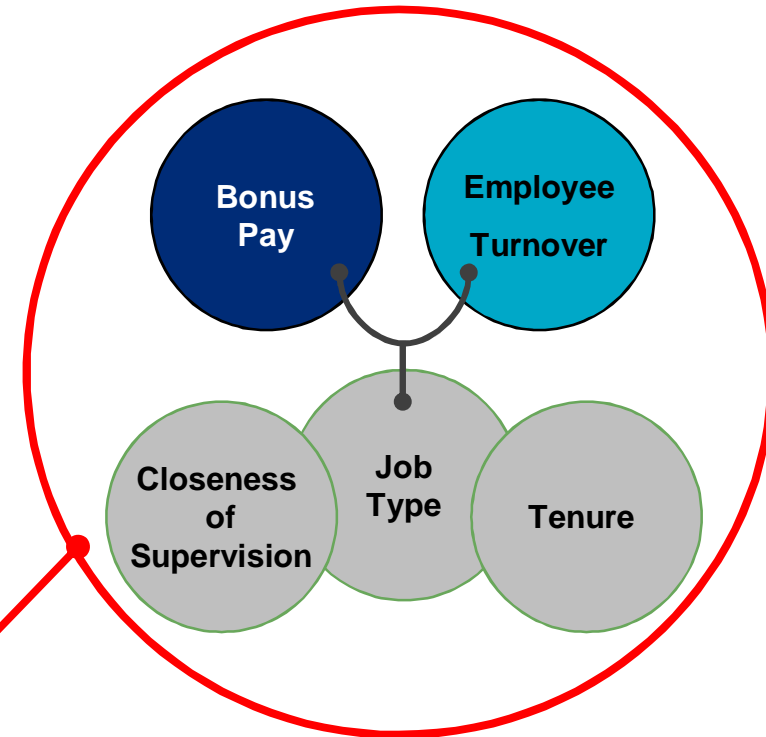
1. Correlation

A relationship must be demonstrated to exist



2. Time (directionality)

The relationship must exist over time (causes precede consequences)



3. ISOLATION

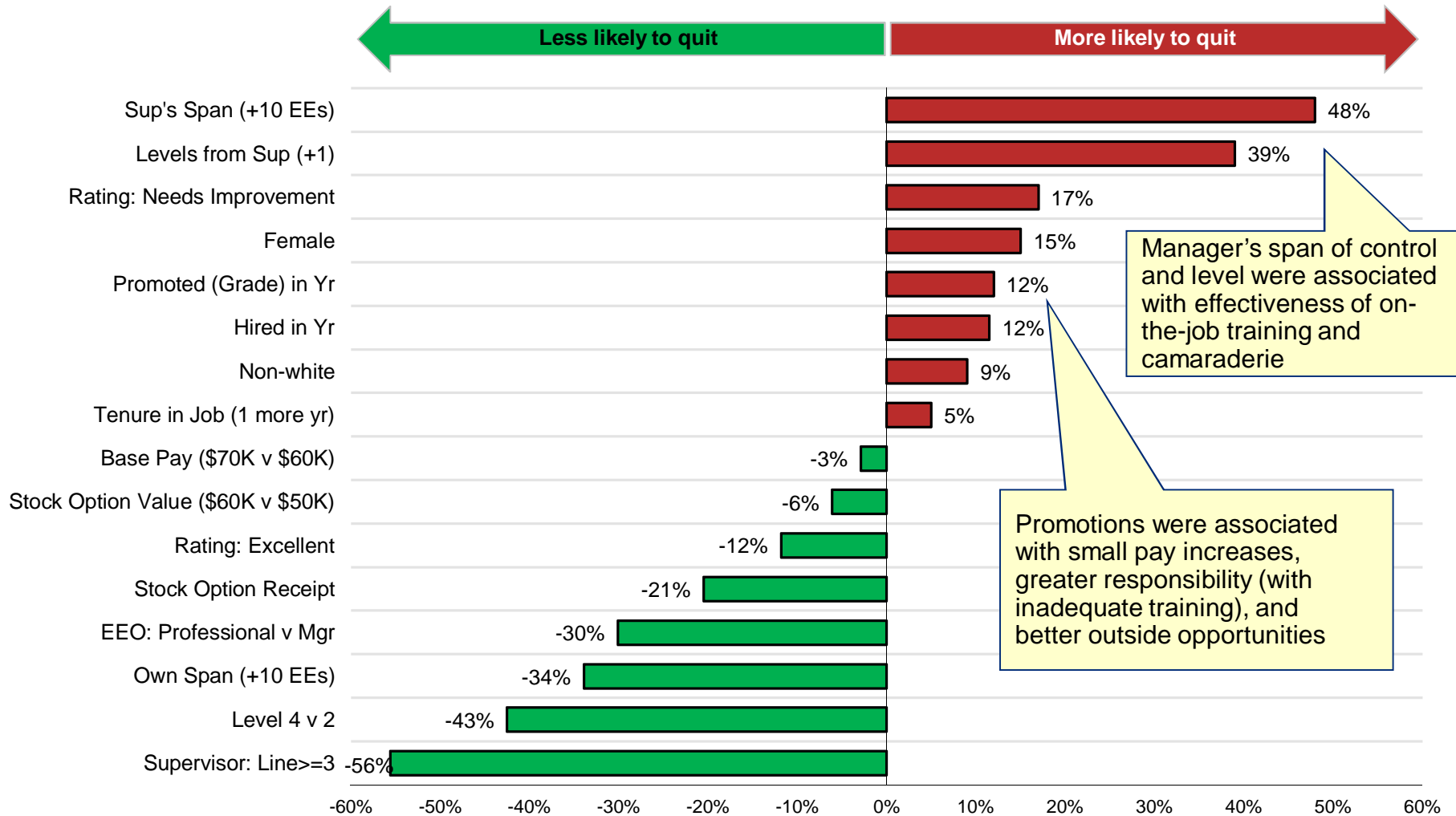
Other factors that could influence the outcome must be accounted for

The key is to analyse multiple variables to isolate those that impact the outcome of interest.

IDENTIFYING WHY IT IS HAPPENING

STATISTICAL MODELLING: EXAMPLE OUTPUT

Percentage difference in turnover probability



The models on which these results are based control for individual attributes, organisational factors, and external influences

PREDICTIVE ANALYTICS SCORE AND FORECAST

Once the impact of independent variable is determined, the model can be used to analyse current employees to create a probability for that employee to quit.

Once a probability has been determined for each employee, aggregate forecasts can be created. Areas of focus can be identified to help minimise the risk and protect the opportunities.

Location	Region	Employee Count	Predicted Turnover (next 12 months)
City O	West	230	43.7%
City P	West	210	40.1%
City Q	West	190	31.8%
City R	West	210	32.5%
City S	Central	310	20.7%
City T	Central	180	35.8%
City U	Central	190	27.9%
City V	Central	150	45.2%

At Risk Employees

AA543755

AA54827

AA485432

AA852436

AA9687

AA00342

AA99564

AA05643

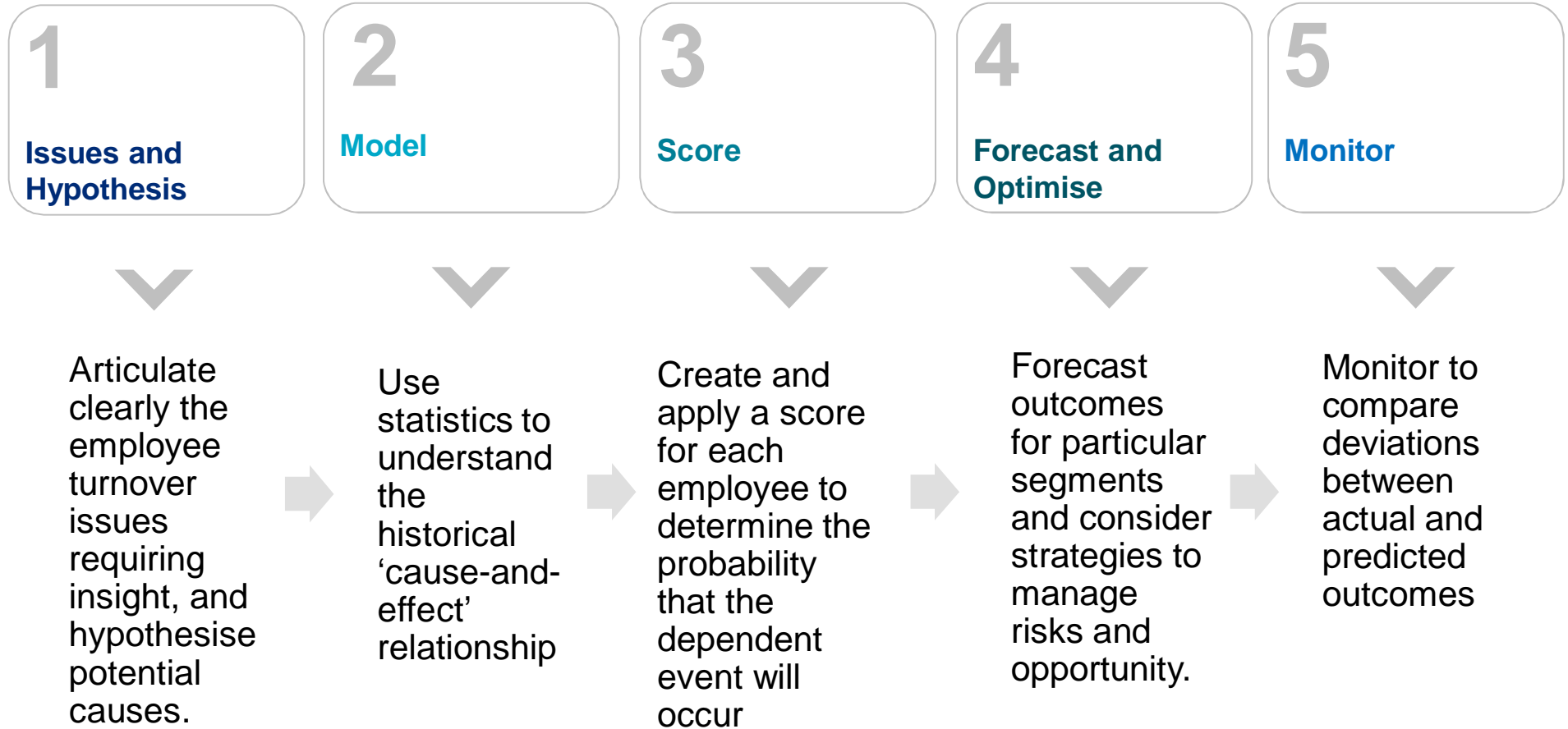
PREDICTIVE ANALYTICS MONITOR

Location	Region	Employee Count	Predicted Turnover	Actual Turnover
City O	West	230	43.7%	25.3%
City P	West	210	40.1%	43.7%
City Q	West	190	31.8%	38.5%
City R	West	210	32.5%	31.1%
City S	Central	310	26.7%	24.7%
City T	Central	180	35.8%	66.7%
City U	Central	190	27.9%	26.2%
City V	Central	150	45.2%	48.3%
City W	East	210	47.3%	41.4%
City X	East	160	45.5%	52.0%
City Y	East	170	41.4%	48.2%
City Z	East	250	36.4%	38.0%

Turnover is substantially below expectation in this location, based on the characteristics of these employees and the statistical models.

Turnover is substantially above expectation in this location, based on the characteristics of these employees and the statistical models

APPROACH



APPLYING TURNOVER ANALYSIS EXAMPLES

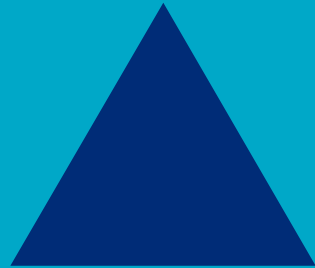
Google:

- Has developed an algorithm to successfully predict which employees are most likely to become a retention problem so that they can act and plan accordingly.
- Also has developed an algorithm for predicting which candidates had the highest probability of succeeding after they were hired. Its research also determined that little value was added beyond four interviews, dramatically shortening time to hire.

Hewlett-Packard:

- Has generated a “Flight Risk” score that predicts which worker will quit their job for each of its more than 330,000 worldwide employees. HP can focus its efforts on retaining those it wants to keep.

SUMMARY COMMENTS

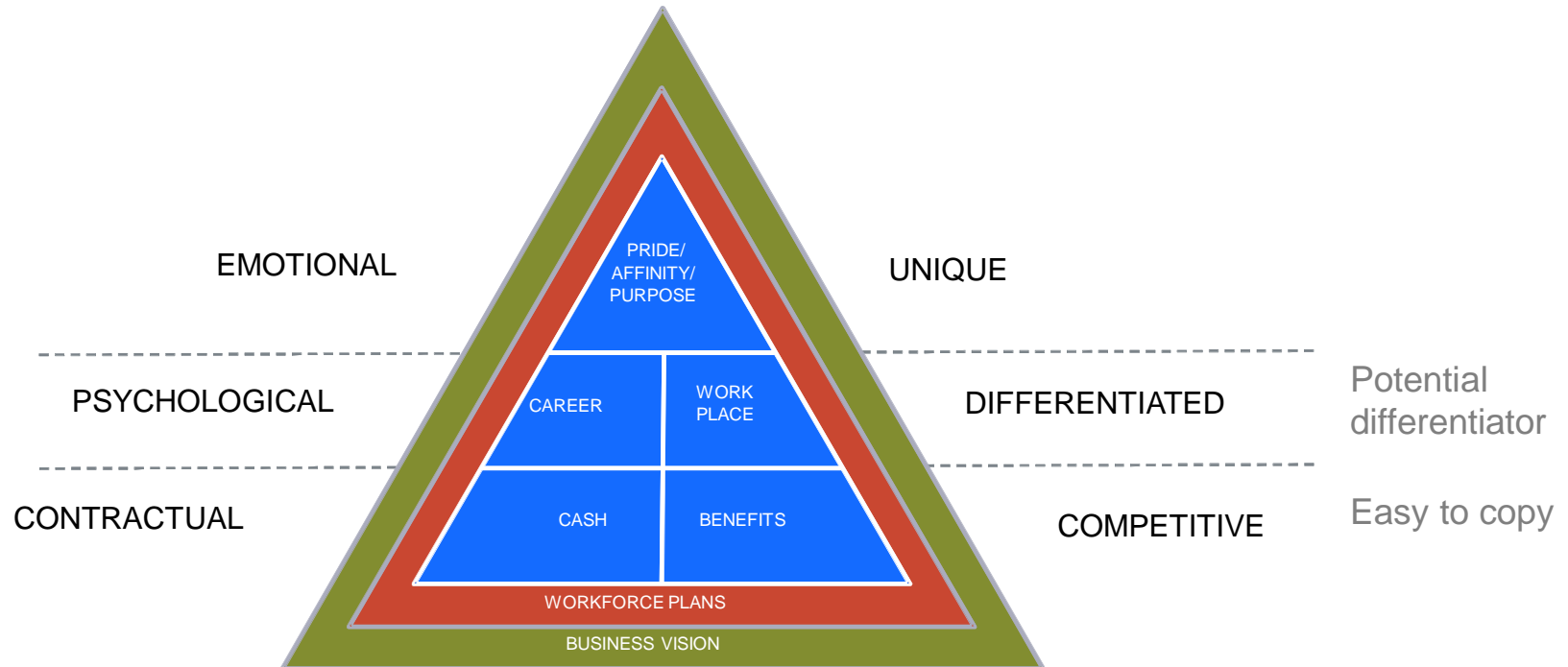


ARMED WITH THE DATA WHAT ARE THE SOLUTIONS?



FOCUSING THE RETENTION EFFORTS

An Employee Value Proposition represents the total value an employee receives from their employer



Emotional connection complements the contractual deal.
The greater the emotional connection, the less dependence on contractual components

QUESTIONS?



Sue Filmer
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QUESTIONS

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.



CLICK HERE TO ASK A QUESTION
TO "ALL PANELISTS"

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TODAY**