



White Paper: Whose job is it anyway? Strategies for Increasing Job Retention

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EXECUTIVE SUMMARY

Despite sluggish economic recovery, involuntary turnover continues to challenge employers throughout the United States. According to the Department of Labor, in September 2012, more than 1.7 million Americans were separated from their jobs. These separations, the result of termination, or being fired, are referred to as involuntary turnover. It's estimated that over 20 million jobs will result in involuntary turnover in 2012 alone.

Poor employee retention is costly for American business and reflects a misappropriation of the time, effort, and financial resources that are invested in preparing individuals for professional success. Studies estimate the cost of turnover to be anywhere from 33 percent of an annual salary to upward of 250 percent for managers. And because involuntary turnover is typically unplanned, the costs in lost productivity and replacement can be even higher.

The most common reasons that employees are being fired come as no surprise to any modern manager – they are the lack of foundational skills commonly referred to as work ethic. In many cases, involuntary turnover could have been averted altogether with a focus on training and coaching work ethic. Yet according to the American Society of Training and Development, companies are spending less than 4.1 percent of their training budgets on these critical skills. And while educators and workforce development professionals concentrate on career preparation, their primary focus continues to be teaching someone how to get a job, rather than how to keep one.

Research by The Center for Work Ethic Development has shown that foundational behaviors are trainable, and are key drivers of organizational profit and individual success. This white paper introduces strategies for the development and support of work ethic in both those entering the workforce and those already employed. Work ethic development may be the key factor in employee retention and it is not only an employee's or employer's responsibility: it is everyone's job.

VOLUNTARY VERSUS INVOLUNTARY TURNOVER

The Bureau of Labor and Statistics (BLS), a part of the United States Department of Labor, tracks employment separation throughout the country and in all industry segments. It measures voluntary, involuntary, and “other” turnover, both monthly and annually. The BLS definition of voluntary turnover is when an employee chooses to leave the company. Involuntary turnover is when a company chooses to discharge an employee – typically because of a performance issue or layoff. “Other” turnover is when an employee retires, passes away, or suffers a debilitating injury (Bureau of Labor and Statistics, 2012). In September of 2012 alone, the BLS estimated that over 3.5 million people were discharged from employment, with 1.7 million the result of involuntary turnover. The total annual number of employees being discharged from their companies is estimated to reach over 20 million during 2012 (Bureau of Labor and Statistics, 2012).

This distinction in turnover is important because nearly half of the employees who leave a job do so involuntarily. During economic recessions, many of these separations are due to layoffs. But during normal economic cycles, the separations are predominantly performance-related discharges. In their 2010 assessment of reasons why employees were let go, Opportunity Knocks found an equal percentage of employees were being terminated for performance as were being laid off (Opportunity Knocks, 2010). This snapshot shows that the pendulum is swinging back to a traditional business cycle with a higher percentage of terminations than layoffs. Moreover, the Society for Human Resources Management (SHRM) found that the number one criteria for determining who is laid off was job performance, with poor performers accounting for almost two-thirds of all layoffs (SHRM, 2011). Using these studies as a baseline, with an extremely conservative estimate of 40 percent firings, more than 8.5 million Americans will be terminated in 2012. This lack of job retention has a significant impact on individuals and organizations.

COSTS OF TURNOVER FOR ORGANIZATIONS

Turnover has a significant impact on productivity and profit within an organization. The challenge for many organizations is that it is difficult to quantify the exact impact. Analysts at Deloitte LLP have worked to estimate the total costs within an organization. “For most large companies, turnover is a \$100 million problem, if you look at lost productivity, lost intellectual property or institutional knowledge, the cost to recruit and

replace talent, and the time it takes new employees to get up to speed,” says John Houston, a principal in Deloitte’s actuarial, risk and advanced analytics practice (CIO Journal, 2012).

On an individual basis, it may be more instructive to examine the data from SHRM, which estimates that it costs \$3,500 to replace each \$8.00 an hour employee. This is a conservative estimate, and below average turnover costs, which are 20.4 percent of an employee’s annual salary if they make below \$75,000 a year, according to an analysis of 30 different case studies prepared by the Center for American Progress (Boushey & Glynn 2012).

These estimates for the cost of turnover are focused primarily on hourly employees, and the cost for replacing managers and salaried sales representatives can be even higher. The American Management Association estimates the cost of replacing a manager can be as high as 200 percent of their annual salary. Bliss & Associates Inc. estimate the cost of replacing a sales representative can be as high as 250 percent of their compensation (Bliss, 2008). Turnover has a significant impact on a company’s bottom line and performance, and even more so in involuntary turnover. According to a study by the IE Business School, “involuntary turnover was significantly and negatively related both to store productivity and efficiency – in particular for the first month following the firing” (Simón, De Sivatte, & Olmos, 2012). These costs are not figured in the traditional costs of turnover and add even more to an organization’s bottom-line impact.

Adding all of these factors together paints a more complete picture of the impact of turnover for employers. But for organizations with large employee populations and/or higher than average turnover, the cost can be even more significant. The Contact Center Association, the global resource for the call center industry, looks at the bottom line:

“Often hidden as line items in cost of goods and services (COGS) and selling, general and administrative (SG&A), turnover means: increased exit costs, higher recruiting costs, more training expense, and lost productivity on the floor (replacing a fully productive agent with one ramping up). This adds up to a substantial amount of per agent cost. Our recent survey indicated that the average turnover cost was \$3,500 per agent. For larger call centers (>1,000 agents), that number climbs to \$4,000 per agent. To put that in context, a 1,000-seat call center running an industry average 70% annual turnover is wasting about \$2.8 million per year on turnover costs” (Milnor, 2011).

The financial and performance impact of turnover, and in particular of involuntary turnover, are significant to both individual businesses and to our overall economy. With even the most conservative estimates of \$3,500 per person discharged, and 8.5 million people being fired, that means the national impact is over \$30 billion annually. This constant removal of people out of the job market puts additional strain on the educational and workforce development systems, as these individuals have to be retrained or risk becoming chronically unemployed. Our responsibility in the public and private sector is to find a way to mitigate this massive drag on our economy.

FACTORS THAT CAUSE INVOLUNTARY TURNOVER

Due to employee privacy concerns and regulation, there is little scientific data on the exact nature of employee discharges. However, anecdotal research points to the most common reason employees are terminated – an inability to meet basic workplace behaviors. A recent article in the Raleigh Durham News Observer indicated that in many cases, employers opt to fire employees for “bad attitudes.” Upon closer examination, the real issue was not only an employee’s internal attitude, but also the external behaviors that comprise and express “bad attitude.” Negative attitudes are expressed in problematic behaviors such as poor customer service, low employee morale, and employee theft. It’s these behaviors that affect the bottom line. The article goes on to state that these behaviors are ultimately what usually lead employers to terminate an employee (Clark, 2012).

And in her book, “Better Business,” Patty English estimates that only 20 percent of all discharges are the result of performance issues. The vast majority of the reasons for terminating employees are rooted in attitude-based behavioral issues, such as a lack of integrity and poor attendance (English, 2008). This is further confirmed in a report by BusinessInsider.com, where only one of the 13 most common reasons for getting fired had anything to do with performance. The others included a wide array of behavioral and attitude issues: refusing to follow orders, being caught lying or stealing, or being inebriated at work (Wachtel, 2011). The causes of most employee discharges are not “skill” issues, i.e., being able to perform the job. Most employees are fired because of “will” issues – bad attitudes and behaviors. Leadership IQ conducted research on 20,000 new hires and found 46 percent of them were fired within 18 months. More important than the failure rate is

that when fired, 89 percent of the time it was the result of attitude and behavior problems and only 11 percent of the time for poor performance (Schawbel, 2012).

While job skill development remains one of the top priorities of education, workforce, and corporate training, little is being done to develop the behaviors that will lead to long-term employment. The American Society of Training and Development (ASTD) indicated in their 2011 State of the Industry report that less than 4.1 percent of all corporate training dollars go for this core training (ASTD, 2011). America's workforce centers, which are tasked with training unemployed and displaced workers with the skills they need to be successful, spend less than a quarter of their budgets on actual training, and the vast majority of that goes to job skill training (Eberts, 2010).

If individuals can learn the skills necessary to obtain and perform work, they can also learn the attitudes and behaviors necessary to keep their jobs. The key to reducing involuntary turnover, and thus, improve job retention, is to focus more time, effort, and resources on developing the foundational values and behaviors that lead to long-term successful employment, and modifying and eliminating the attitudes and actions that lead to termination.

DEVELOPING FOUNDATIONAL VALUES AND BEHAVIORS FOR JOB RETENTION

The U.S. Department of Labor has identified a group of skills that are imperative for individuals to acquire in order to successfully maintain a job. They are: communication, networking, enthusiasm, teamwork, critical thinking, and professionalism (United States Department of Labor, 2012). The reality is that most members of the incoming workforce are deficient in those skills. The Conference Board, in conjunction with SHRM found that 75 percent of employers said the incoming workforce was deficient in these skills (Conference Board & SHRM, 2008). Dr. James Heckman, a Nobel laureate even noted in his 2006 report that these skills were more critical to job success than a college degree (Heckman, 2006).

The Center for Work Ethic Development looked deeper into these soft skills and found that there were two levels: intermediate soft skills and foundational behaviors. Foundational behaviors are skills that have to be developed to ensure the efficacy of other soft skills. And just like soft skills, work ethic - the attitudes and behaviors that lead to long-term employee retention and productivity - are teachable and trainable.

These foundational behaviors are not difficult or complex. On the contrary, feedback from hiring managers indicates a need for simple, basic, trainable behaviors - not advanced job skills. Additional research by The Center for Work Ethic Development also shows that providing basic training and modeling of these behaviors has a drastic effect on employee retention. Without a foundational grounding in these basic work ethic behaviors, additional vocational and skill training will not lead to increases in job retention.

What employers want are the basics that many employers assume would be learned from family, society, or school, but are often lacking in today's workforce. Organizations need employees who will show up on time, are honest, respect the policies of the organization, dress appropriately for their roles, and conduct themselves with a good attitude. These foundational behaviors, defined as work ethic by The Center for Work Ethic Development, include attitude, attendance, appearance, acceptance, accountability, appreciation, and ambition.

While work ethic is often grouped under the heading of soft skills, soft skills do not fully define the work ethic of an individual. All seven behaviors must be developed to build the full foundation of work ethic, and ensure the efficacy of intermediate soft skills. Additionally, the majority of soft skills training in the United States focus on a limited number of skills, typically team building, communication, and motivation. While these are important, research from The Center for Work Ethic Development indicates that they still omit key ethics and behaviors, and do little to mitigate early termination. Other elements of work ethic are often erroneously ignored because of misconceptions about their trainability. For example, David S. Murphy, membership director of the International Association of Information Technology Trainers asserts, "If a person doesn't come with the right attitude, no amount of training is going to make them an effective long-term hire" (Whitney, 2009). The Center for Work Ethic Development found through numerous studies and extensive testing that there are highly effective methods for developing the behaviors and supporting values of work ethic.

After working with more than 500 educators, workforce development professionals, and corporate trainers, The Center for Work Ethic Development has found three critical components for developing the values and behaviors of work ethic. By combining experiential learning, a peer-to-peer model, with adaptable and flexible training modules, these behaviors can be both developed and demonstrated by learners. These three components are key to taking the concepts of work ethic and turning them into recurring behaviors.

EXPERIENTIAL LEARNING

When training participants for long-term behavioral change, the most effective type of training The Center for Work Ethic Development has found is experiential learning. David Kolb created his model for experiential learning by utilizing four key concepts. These concepts are expressed in the experiential learning circle that involves “(1) concrete experience followed by (2) observation and experience followed by (3) forming abstract concepts followed by (4) testing in new situations” (Smith, 2001). Although the learning circle was first created in the mid 20th century, the concepts continue to be utilized and drawn upon today and can be actively used to teach work ethic.

Key to experiential learning is the principle of learning by doing. This is even more important when the goal is behavior change, and not simply sharing knowledge. A landmark study by University of Pittsburgh faculty found that the average learner retains only 10 percent of what they read, 30 percent of what they hear, but 80 percent of what they do (Chi, Bassok, Lewis, Reiman, & Glaser, 1989). This increase in retention is not only dramatic, but also the cornerstone for long-term behavioral change. Learning work ethic means more than simply giving answers to a test, it is the ability to consistently deliver specific behaviors. And there is no better way to deliver this than experiential learning.

The first step in using experiential learning to develop work ethic is to draw upon current or past experiences to identify how and when work ethic has been either present or lacking in a given situation. Allowing employees, students and workforce development clients to observe, experience, understand, and test the foundational behaviors in a safe learning environment first supports a stronger understanding of those behaviors. It also builds the confidence to use those skills in their daily routine at home, work, or school. Teaching in this way allows the student to actually experience the behaviors and reasons behind the concepts they are learning.

“Each one teach one” is a mantra for an extension of experiential learning The Center for Work Ethic Development has found effective in the further development of these behaviors: the peer-to-peer model. Also known as collaborative learning, this approach takes the concept of experiential learning a step further and allows the learner to be the teacher, which further reinforces the concepts that have been taught.

PEER-TO-PEER MODEL

There has been much discussion and research in recent years regarding the use of collaborative learning concepts to support both youth and adult learners. Past methods of teaching through memorization are no longer considered to be as effective as experiential or peer-to-peer learning. This is especially true with the development of work ethic values and behaviors.

The Wagner Center for Leadership in Action at New York University (NYU) makes an effective case for using a peer-to-peer model and learning exchanges.

“Supporting interaction among peers can foster some of the most fruitful learning because peers often share a deep understanding of each others’ common challenges, experiences, and practices, and have developed valuable expertise. Naturally, peers can deliver information and knowledge in knowing and practical ways... For these reasons, peer engagement can simultaneously deepen and quicken learning” (NYU, 2007).

This argument makes the point that, when peers teach each other how to overcome the challenges of home or work, they strengthen their own knowledge base, further ingraining behavior into long-term habits. Using this model in tandem with experiential learning serves to pair learners with other learners to simultaneously demonstrate and teach concepts to each other. This is an important component in the teaching of work ethic. There are more than 900 studies around the world showing the effectiveness of this collaborative, peer to peer model of learning. Moreover, when developing critical-thinking skills, such as behaviors of work ethic, this approach is dramatically more effective. “The peer support system makes it possible for the learner to internalize both external knowledge and critical thinking skills and to convert them into tools for intellectual functioning” (Gokhae, 1995).

FLEXIBLE AND ADAPTABLE APPROACH

Using a collaborative, peer-to-peer model and an experiential learning approach are two key approaches in teaching the behaviors of work ethic. Another key finding is that the curriculum and approach needs to be flexible and adaptable. With more than a third of the current workforce being non-white, and 47

percent being female (Burns, Barton, & Kerby, 2012), training needs to be flexible enough to relate to learners who come from a myriad of different backgrounds. This need for cultural relevance is magnified in many workplaces where for the first time ever four generations are working together. The approach taken in work ethic training has to be adaptable so that it isn't seen as speaking only in the language of one particular group or generation.

Teaching the behaviors of work ethic to everyone in an organization, and then setting shared expectations around those behaviors creates an environment in which everyone understands the responsibility they have to their customers and each other. Professional and reliable employees show up on time, properly attired with a positive attitude, strong initiative, and appreciation for the opportunity to be there and serve customers. The definition of these behaviors is static, however the application of them needs to be adaptable to each workplace. Work ethic training has to incorporate the dynamic nature of the 21st century work environment, and be able to adjust to those realities. Even within a single organization, there may be different expectations about how these behaviors are realized.

RESULTS

Effectively teaching foundational values can have a profound impact on participants. Ferris State University found a 40 percent increase in job sustainability after adding values-based training to their career readiness programming, defined as students retaining employment one year after graduation.

Arapahoe/Douglas Works!, a workforce development center in Colorado, implemented training created by The Center for Work Ethic Development, and found that over twice as many participants received satisfactory ratings from employers as a result of completing the program.

And in a pilot program with a chain of pizza restaurants in Colorado, 100 percent of managers felt that work ethic training increased on the job performance in their young employees and said that employees performed better than before the training program in categories such as showing up for work more consistently, and treating customers, both internal and external, with more respect.

CONCLUSION

Employee turnover is harmful to the bottom line and morale of an organization. Because it is unplanned, involuntary turnover is even more detrimental. The cost and impact of turnover is not only powerful to organizations, it can be devastating for individuals. Involuntary turnover, however, can often be averted. By teaching work ethic, individuals learn key behaviors to retain their jobs, and continue toward personal and professional success.

The Center for Work Ethic Development found that by using experiential learning, a peer-to-peer model, with an adaptable and flexible approach, individuals move beyond simply learning the seven foundational behaviors of work ethic, they put them into action. By incorporating these approaches, knowledge transformed into long-term behavior change.

The Center for Work Ethic Development provides assessments, training, and certifications that drive organizational profit, and promote individual success. For additional information on how to develop high performing individuals and teams, please visit <http://www.workethic.org>.

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