

Research Paper: Reducing Attrition by Increasing Engagement

IDT 612: Reducing Employee Attrition Rates by Increasing Employee Engagement

By

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To

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Reducing Employee Attrition

Introduction

Employee engagement is one of many primary concerns when designing and developing training. The statistics surrounding the costs associated with employee disengagement and attrition in the workplace indicate the need to increase this controllable part of the employee attrition equation. Employee attrition, or those reasons why employees leave for any reason other than termination, cost organizations billions of dollars each year; FlightSafety is no different. It is estimated from HR data that FlightSafety spends upwards of \$6 million each year in employee hiring and training. By providing engaging Teammate training events and increasing the offering of internal training for upwards mobility within the organization, attrition rates, and the costs associated with it can be dramatically reduced. While this paper is aimed at general employee attrition reduction strategies, it is also meant as a focus for the FlightSafety Human Resources action plan.

Attrition: Definitions, Facts, and Costs

Definition

Vignesh, et al. defines employee attrition as the “gradual reduction in membership or personnel as through retirement, resignation or death. In other words, attrition can be defined as the number of employees leaving the organization which includes both voluntary and involuntary separation” (2018, pp. 1-2). This can be best represented by the formula shown in Figure 1.

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Figure 1

Calculating Attrition Rates: Employee Attrition Formula

$$\frac{\text{Number of employees who left during a given period}}{\text{Average number of employees during the given period}} \times 100$$

To add to this definition, the group also proposes several different types of attrition. These include internal/external, skilled/unskilled, functional/dysfunctional, voluntary/involuntary, and pull/push (p. 6). To define the attrition process, various attrition models have also been proposed, including a traditional model as provided by Bill Mobley in 1982 and a revised model provided by Denisi and Griffin in 2009.

Facts

A great deal of research into the causes of employee attrition has been done. To this point, the use of data mining and data analytics to predict employee attrition within organizations has become an important factor and asset to large organizations. In a recent article to SMU Data Science Review, Frye, et al. not only lay out the causes of attrition but what can be done to address it before it becomes a statistic for an organization. According to their research,

“...we present a model for predicting employee attrition, as well as discuss the serious ethical implications of using such a model within organizations. To accomplish this, we examined publicly available data from the Office of Personnel Management, the Bureau of Labor Statistics, and IBM. With these sources, we determined a set of statistically significant factors that correlate to an employee’s decision to quit and determined to which types of occupations our model may be applied. Logistic Regression...allowed us to simplify the model and predict employee quits with the highest accuracy of our testing methods, achieving a greater than seventy-four percent success rate” (2018, p. 1)

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Costs

The costs associated with employee attrition are also well documented and researched. According to most current methods, the costs associated with hiring and training the typical employee are between 30-125% of that position's salary. The costs associated with replacing C-level personnel climb to over 200% (Terra Staffing Group, 2020). FlightSafety's attrition rates are estimated at around 2.3%. While this number may seem low, especially with current averages around 18.5% (Yadav, et al., 2018, p. 349), when you consider the costs associated with this, it is quite staggering financially. Figuring this average for FlightSafety, the costs associated with employee attrition are roughly \$5.9 million per year.

According to a FlightSafety survey of Best of the Best Instructors done in 2020 (controlled document), the number one reason FlightSafety Teammates leave is due to lack of engagement by their immediate supervisors, senior leadership, and Human Resources' lack of providing engaging opportunities for personal and professional development. These last issues – lack of personal and professional development – are directly controllable by Teammate Training, a business unit within FlightSafety's Teammate Resources/Human Resources department.

This is confirmed by Branham (2000) as to why good performers leave:

- They don't perceive growth opportunities (personal development and training to increase chances for promotions and salary increases)
- They don't see their work as important, or their contributions are not recognized and valued by others (training)
- They don't get to use their natural talents (personal development)

Engagement: Definition, Facts, and Costs

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Definition

One of the main contributing factors to employee attrition in any organization is engagement. Within FlightSafety, Teammate engagement associated with internal training and personal development offerings is one of the top three reasons Teammates leave the company (attrition) and costs FSI roughly \$6 million per year (Washok, 2018). To address this, Teammate Training has done in-depth research into effective means of increasing employee engagement.

HR.Research defines employee engagement as “...employees’ willingness to give their best at work” and “employees’ commitment to the organization and its objectives” (2021). While somewhat dated, Leiter and Maslach (2003, p.91) note that engagement “requires energy, involvement, and efficacy.” Statistics on the costs associated with employee disengagement – or those employees who are not working 100% during their scheduled hours – shows the tremendous *soft losses* to companies. Soft losses are those losses that are not directly related to products or services but are internal (Dale Carnegie report, 2013). Comparisons with companies with high levels of employee engagement are also provided, showing the benefits of an engaged employee pool.

Facts and Costs

According to the report “The State of Employee Engagement and Experience 2020” produced by HR.Research (2021):

- Only 27% of today’s employees are engaged or have a positive employee experience
- Only 30% are satisfied with their career development
- Only 34% are satisfied with the learning opportunities within their organization
- Only 20% feel a sense of accomplishment

When surveyed, human resources participants in the report stated the following top four initiatives would improve employee experience (as proposed by the employees themselves):

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- Career development (57%)
- Learning and development (57%)
- Recognition programs (42%)
- Manager and leadership development (42%)

Clearly, employee engagement and experience is focused on two areas when discussing attrition rates – training and personal development. These two aspects are directly controllable by human resources (in FlightSafety, that is Teammate Resources and Training). Furthermore, Masalimova et al. note that:

“Disengaged employees...often do only as they are told, miss more work, and are more likely to leave an organization. Those who are actively disengaged are physically present but emotionally absent; they are unhappy and vocal in their unhappiness, speak poorly of their organization, and actually quit but physically stay in the environment causing significant morale issues for the others within the environment. These disengaged employees are extremely detrimental to the organization; yet these employees make up a majority of the corporate workforce” (2015, p. 298).

Costs

Employee disengagement costs organizations money. According to research provided by Borysenko (2019), “...only 21% of employees report that they are highly engaged at work.” How does this translate into dollars? “Disengaged employees have 37% higher absenteeism, 18% lower productivity and 15% lower profitability. When that translates into dollars, you’re looking at the cost of 34% of a disengaged employee’s annual salary, or \$3,400 for every \$10,000 they make” (Borysenko, 2019). Using this average calculation and the *average* employee’s salary (roughly \$47,000/year according to Borysenko), this equates to \$15,980/disengaged employee/year. When looking at upper-

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level employees, such as managers and supervisors, whose salaries are higher (around \$60,000-\$80,000), the costs increase to \$20,400-\$27,200 a year *per individual*.

This statistic is further supported by Mrkonjic (2021):

- Only 15% of workers worldwide are highly engaged; 33% of American workers are highly engaged; 53% of Americans state they are unhappy at work
- Disengaged workers costs American companies up to \$300-500 billion per year
- 40% of employees with inadequate training are likely to leave their job in the first year
- Employee turnover costs a company around 21% of [that employee's] annual salary
- 91% of employees surveyed stated they would stay if professional development opportunities were offered

Increasing Employee Engagement: Methods and Strategies

Methods

In their work “Relationship between Employee Engagement, Job Satisfaction and Potential Turnover,” Reissová & Papay state, “Employee engagement is sometimes even referred to as a key indicator of an organization’s health” (2021, p. 850). Furthermore, “A high level of employee engagement is desirable because it brings a number of positive effects. The main areas in which the benefit of a high degree of engagement can be observed are higher work performance, higher job satisfaction, [and] lower potential turnover” (2021, p. 847).

Methods to improve or increase employee engagement vary according to the industry and organization. However, regardless of the industry, there are several key practices that can be immediately implemented to increase employee engagement in the office. According to Lavigna and Basso (2020, p. 18), these broad categories include reward and recognition, quality of the work environment, quality of the work itself, and quality of the organization as a whole. In order to address

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these, forward-thinking human resources departments have been measuring employee engagement within their offices and have devised several strategies that can have direct and immediate impact on increasing employee engagement and reducing overall attrition.

Strategies

First and foremost, organizations that wish to reduce attrition rates and numbers need to take into consideration the conditions their employees are forced to work within. Along with those issues cited earlier, results from a recent report published by the Center for State and Local Government Excellence warn that “increasing numbers of workers are planning to leave their jobs” and cite “worsening workplace conditions and frustration with their inability to improve those conditions” as a leading cause (2019). Thus, by simply listening to their employees and taking action on those issues that they have, organizations may begin to see a reduction in attrition and an increase in overall satisfaction, leading, in turn, to increased revenue and satisfaction of clients and customers.

Furthermore, and as proposed throughout this work, these forward-thinking organizations are implementing and establishing “evidence-based analysis, designing effective employee engagement programs, and offering professional development and growth opportunities,” all of which have been shown as major contributing factors in employee attrition rates (Center for State and Local Government Excellence, Nov., 2019).

Rochemartin (2017), a well-known name in emotional intelligence training, proposes the following strategies (the associated attrition factors addressed indicated after):

- Immediate and frequent recognition (personal development)
- Create a productive environment (personal/professional development and training)
- Encourage creativity and collaboration (training)
- Subsidize development courses (personal/professional development and training)

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Conclusion

In the report, “Employee Engagement: Why It Matters (Part 1),” Lavigna and Basso summarize the benefits of strong – or high – employee engagement:

When a public-sector organization improves its performance by improving employee engagement, clients, customers, and stakeholders will be more satisfied with the services they receive. The benefits of engagement also go beyond the workplace. Research, including information gathered by the Institute, has shown that highly engaged employees feel better about their lives in general. This is because what happens at work affects how we feel and behave when we are not at work. If employees are engaged at work, and believe they are making a difference, they are also more likely to have a higher level of overall well-being. This can translate into improved relationships outside of work, a heightened sense of safety and security, and more time and energy to devote to family and personal interests and goals. A high level of employee engagement can also help recruit talented employees. Highly committed people want to work with other committed people, in organizations that value engagement” (2020, p. 18).

While compensation and benefits will always be at the top of the list of reasons why employees leave voluntarily (attrition), there are several other factors that are directly, and inexpensively, implementable within an organization to reduce the rate of attrition and thus, the costs associated with replacing employees. It has been shown that providing engaging opportunities within the workplace as well as engaging personal and professional development strategies and training events can mitigate these rates and retain the mid- to high-performing employees. Opportunities such as personal development and soft skills training benefit both the employee as well as the organization; professional development opportunities provide a path of advancement for the employee and a goal to ultimately reach; and

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training opportunities that engage the employee with real-world case studies and problem-solving promotes a sense of accomplishment on the floor as well as with their peers.

Increasing employee engagement also promotes a healthy employee outside of the office. This sense of well-being, stemming from being engaged with work and opportunities for personal and professional advancement, promotes the overall sense of worth within the employee that reaches far and wide. This can result in an increase in productivity within the office as well as an increase in social activities and awareness.

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