

Why tenure metrics matter: the value of a stable workforce

Steven T. Hunt, Ph.D.

Click to follow my posts: www.linkedin.com/in/steventhunt

Employee tenure is one of the oldest human capital metrics. Defined as “length of time in a role or organization,” tenure is frequently criticized as a poor measure of employee productivity. But research indicates tenure is a valuable metric of workforce stability that can help companies maintain steady performance in a world of accelerating change.

The objective nature of tenure historically made it an attractive metric for collective bargaining agreements. Union employees with greater tenure are said to “have more seniority” and are often given higher pay, preference in work schedules and job assignments, and protection from job layoffs. Though still commonly used in unionized work settings, relatively little importance is placed on tenure for most non-union jobs.

People often downplay the importance of tenure because it is a poor measure of job performance. Just because someone has been in a job longer does not mean they are a better performer than a less tenured employee. In fact, [performance in many jobs tends to be curvilinear](#) over time. Performance is low when employees start a job and are learning what to do. It climbs as they learn the job, but after a certain amount of time performance may peak and begin to decline. Work may become routine and boredom and complacency may creep in. Performance often plateaus below its former peak but above where it started when the employee was totally new.

Because the most tenured employees do not always have the greatest performance, many people criticize tenure as being a lousy metric of employee value. But such sweeping criticisms of tenure overlook its unique benefits:

Turnover Costs. More tenured employees may not be the most productive. But they are usually more productive than novice employees. And they provide value without incurring costs of recruiting and training new hires. Loyalty has financial value.

Relationship Stability. Building strong relationships is critical to performance of jobs where trust and mutual understanding between employees, customers or partners is necessary to achieve company goals. Time spent with others is a [key factor in driving trust](#). As employees gain tenure they have time to build stronger relationships. Even small differences in relationship tenure can have big impacts. For example, we conducted a study at SAP SuccessFactors looking at tenure and changes in customer reference-ability over the course of a year. Customer account managers with as little as 6 months more tenure had a 43% greater likelihood to see increases in customer reference-ability compared to less tenured account managers.

Organizational Wisdom. Wisdom can be defined as judgment and insight gained from experience. A [recent study](#) found no association between length of service and job

productivity. But employees with higher tenure provided more valuable guidance and advice to the organization overall: “compared to employees with two years of tenure, employees with 15 years of tenure are 20% more likely to serve as a critical resource to others and 21% more likely to contribute new ideas for products or services.”

Team Performance. Tenure is critical for collaborative work where [relationships have a major impact on business outcomes](#). New work groups go through [four basic stages of development](#).

1. Forming when they are first identified as a group.
2. Storming when members establish role expectations and work through initial challenges.
3. Norming when the group develops a shared sense of understanding about each other and how to cooperate and collaborate.
4. Performing when the group begins to achieve peak levels of productivity.

Reaching the norming and performing stages requires time. Yet many companies change roles, team structures and customer accounts so often that employees are stuck in a never-ending cycle of “forming and storming.” Group members never acquire enough tenure to reach the “norming and performing” stages. One way to stop this madness is to place value on building tenure of employee-manager, employee-coworkers and employee-customer relationships.

Measuring tenure is not the same as measuring performance. Tenure is not so critical that it should prevent making organizational changes. Nor should tenure necessarily be emphasized over other measures of employee value such as productivity. But tenure is not a trivial metric to be ignored. We live in a world characterized by ever increasing change. In this world, there is growing value in having tenured employees with the kinds of experience and stable, strong work relationships that can only be created through time.