



The Great Re-evaluation

Rethinking retention and performance management post pandemic

Personio

Introduction

Since March 2020, we've seen sweeping changes in the world of work and the labour market across Europe, prompted and perpetuated by the pandemic.

And as local and wider labour markets have fluctuated, so have people's priorities for work. The break from the routine of the 9-to-5, five days a week, forced people to re-think their values in work and life – in what is now being called the “Great Re-Evaluation”.

Today, 62% of employers across Europe are struggling to recruit the skilled talent they need, while employees are far more open to changing roles.

Confronted with the challenge, time and cost of hiring new recruits, small and mid-size organisations simply cannot afford to lose the valuable talent they have – highlighting the critical importance for employers to focus on talent retention.

We surveyed employees and HR decision makers at SMEs across Europe, to explore just this. Read on to discover more on employees' changing priorities for the workplace, how employers must in turn re-evaluate how they manage talent at the time of the “Great Re-evaluation” – and what the HR function needs to make this happen.

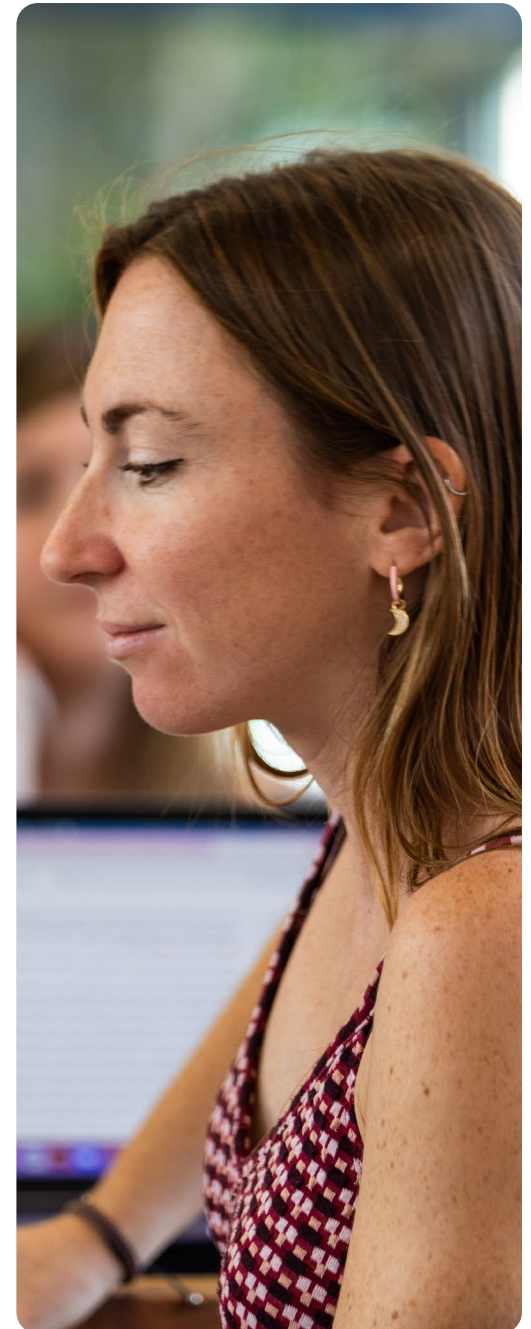
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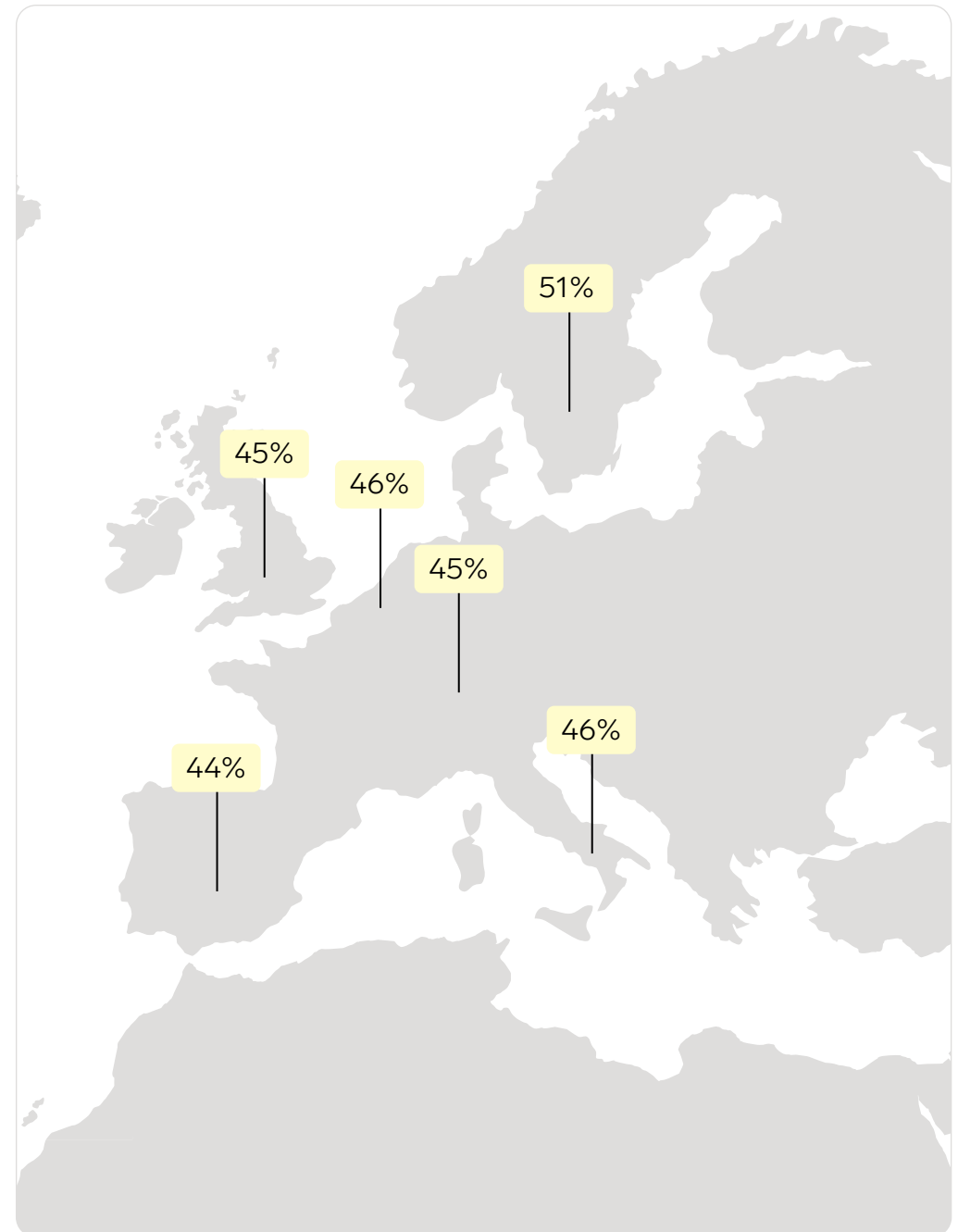
People on the move

Our Counting the Cost report in 2021 was one of the first pieces of research to call attention to the “Great Resignation”. But this problem – that talent is scarce, and that recruitment and retention are real challenges – has only grown in the last 12 months.

Nearly half (46%) of employees at European SMEs are considering a job move in the next 12 months. Even if they don’t make the jump, it still means that a large number of staff are not motivated at work.

Our latest data reveals that a whopping 46% of employees in SMEs across Europe are planning to look for a new job in the next 12 months.

This could equate to some 46 million workers¹ in Europe who are thinking about their next move.



¹ Based on the number of employees working in businesses with 1-249 employees in the European Union and United Kingdom.

Distance does not always make the heart grow fonder

While some businesses are returning to more traditional ways of working, many have decided to keep remote or hybrid working as the norm.

However, our research shows a link between those that have been primarily working remotely over the past year, and higher potential employee turnover. Of those planning on looking for a new job in the next 12 months, more are likely to have primarily worked remotely over the past 12 months, compared to those working hybrid, or working in an external workplace. There is a danger that remote working could be fostering higher levels of dissatisfaction with jobs, or that a sudden return to the office could jar after people have enjoyed more freedom.

“With remote and hybrid working models in their infancy at many businesses, employers shouldn’t take the importance of company culture and management practices for granted. Both are key in strengthening the bonds and lines of communication between remote teams and individuals.”



Cassandra Hoermann
Head of People Experience
Personio



“It is early on in our adjustments to the removal of COVID restrictions and we can therefore take heart in emerging research that points to people wanting to reintroduce themselves to proximity-based, office working. And that the responses to this research show that people are prepared to move to another employer if this isn’t part of the strategy of their current organisation.

The other side of the coin is that people have discovered a new rhythm and flow of life and work with remote, work-from-anywhere principles. If these are altered through imposition or direction from their employer, those people will also look to a company that fully embraces remote or more flexible working.

It is too early to say what the most appropriate models and approaches are but there is a new wave of pro-remote workers who were previously either denied this choice or hadn’t appreciated how it could work well for them.

One to watch keenly, and experiment and adapt as the realisations of choice and impact emerge through these adapted practices.”



Perry Timms
Chief Energy Officer
People and Transformational
HR Ltd





Employers are aware, but are their leaders?

Promisingly, many HR professionals in small and medium sized businesses are aware of the scale of the problem. But their leadership teams might not be so concerned.

Almost two fifths of HR decision makers (38%) expect to see more staff than usual leaving their business in the next 6-12 months, rising to over half (54%) in the Netherlands. Although, in Spain, just a quarter (25%) of employers are concerned about staff leaving.

Worryingly, half (48%) of HR decision makers surveyed feel their leadership team doesn't realise the scale of their current skills shortages – which could be what's preventing 53% of leadership teams from effectively tackling them.

HR decision makers at European SMEs

48%

of the leadership team doesn't realise the **scale of our current skills shortages**

53%

of the leadership team isn't doing enough to tackle **skills shortages in our business**



Pete Cooper
Director People Partnering
Personio

“90% of HRDMs at European SMEs report that their business suffers from skills shortages, retention or hiring issues. And while recruitment is undeniably important, businesses need to get better at understanding what drives retention – after all, fewer employees leaving means fewer that need recruiting and greater engagement levels. In addition, once lost productivity, recruitment and onboarding costs are accounted for, **it can cost as much as 33% of someone’s annual salary to replace them²** – meaning employee turnover can take a huge toll on a business’s bottom line.

Even if people don’t leave, it means they may have checked out and are unmotivated. For employers the priority shouldn’t just be to stop people leaving, it needs to be about retaining and maintaining a motivated, productive and engaged workforce.”

90% of HR decision makers say their business suffers from skills shortages, retention or hiring issues.



² Data from Work Institute’s 2017 Retention Report



The retention conundrum

There's clearly an opportunity for European SMEs to get better at talent retention and get ahead of the competition.

To do this, they need to start by **recognising the ways that the pandemic has prompted employees to re-evaluate their priorities** for work and life, which is, in turn, causing them to rethink their jobs and careers.

This has been dubbed the “Great Re-evaluation” and has an impact on the way employers should engage their workers.

Notably, spending more time with family and better work-life balance have become more important for employees – even more so than salary.

And although it's further down the list of priorities, the importance of greater organisational purpose shouldn't be underestimated. Well over half (57%) of employees also place greater importance on working for an employer that has a bigger purpose beyond making money – which has become a lot more important among younger generations.

What's more important for employees since the pandemic...

Spending more time with my family

71%

Work-life balance

71%

Salary

68%

Making time for my hobbies and social life

68%

Flexibility in my working hours

65%

Employer care regarding wellbeing

65%

Flexibility in where I work

60%

Benefits

59%

Annual leave allowances

58%

Working for an employer with a bigger purpose

57%

Opportunities for career progression

55%



Disappointment with promotions and progression

The pandemic has also affected people's careers, with many employees dissatisfied with their career progression. Nearly a third (31%) of employees feel they have missed out on a promotion they felt was due within the past year, while nearly one in four (37%) employees feel their career has been held back by the pandemic.

39%

of employees say the pandemic has impacted their career plans

27%

feel that working remotely has held them back in terms of career progression

“HR and leaders across organisations need to think very carefully about the inclusion of employees working remotely, in a hybrid fashion or fully in the office when it comes to careers and promotions. Judgement should be based on who creates the most value for the enterprise and those with the best potential, whether they are present more of the time, or remote. This is a new paradigm and needs careful assurance and selection to avoid ‘presence-biases’”



Perry Timms
Chief Energy Officer
People and Transformational
HR Ltd



Retention strategies: It's not all about the money

There are also other factors that are encouraging people to look elsewhere, especially in a candidate's job market where almost half of people (48%) think it would be easy to find a new job.

Employers need to understand the push and pull factors at play if they're to retain talent effectively. First, looking at what would make those who are considering leaving stay in their jobs, pay is still cited as the top factor that could persuade people to remain. However, it's important to recognise that while pay might encourage people to stay, it's not what's pushing them out the door.

The top reasons for leaving given by employees across European SMEs are **stressful working environments, lack of appreciation for the work they do and lack of career progression opportunities**. These are critical areas for HR (and their colleagues in leadership) to look at to help keep people in the business.

Top 3 things that would make people stay

Pay rise / bonus

54%

More appreciation of the work I do

35%

Improved work / life balance & Better benefits

30%

Top 3 reasons people might leave in next 12 months

Stressful working environment

32%

Not enough appreciation of the work I do

31%

Lack of career progression opportunities

30%

Retention strategies: are employers looking at the right areas?

The good news is that 96% of HR decision makers say they are taking some sort of action to help retain their current workforce, but they should ensure there is enough focus on improving important “softer” benefits.

When asked what they are doing specifically to retain talent, HR decision makers demonstrate that they are already focusing on some of the right things, with their top top answers being **improving benefits and salaries, and providing more recognition and appreciation of work.**

However, HR decision makers should also consider how they can support employees when it comes to the other important push and pull factors at play. Indeed, employees are also being given to move jobs in search of simple recognition, better career progression opportunities as well as improved work/life balance or working conditions.

What are European SME HR decision makers doing to retain talent?

Improving benefits and salaries

30%

More appreciation and recognition of work

30%

Offering more learning and development opportunities

28%

Looking to improve work / life balance

26%

Offering more flexibility in working hours or location

26%

Improving workplace culture

25%

“There are multiple reasons why people might want to move to a new job, whether that’s dissatisfaction with their career progression, changing priorities for work and life, a lack of recognition or a stressful working environment, and so on.

Clearly, employees care about a lot more than just compensation. So while employers should of course ensure their compensation packages are competitive, that’s no longer enough. The question will be what broader rewards employers can offer that will keep people engaged and motivated as well?

Here, great quality performance and career discussions are crucial. They not only highlight personal pull and push factors, but also help leaders identify overworked or frustrated employees and ensure they get the appreciation and career progression opportunities they need.”



Ross Seychell
Chief People Officer
Personio

Rethinking performance post pandemic

Performance reviews are a critical component in retaining talent. They help people progress their career, understand where they need to develop and at what standard they are performing.

They are also a great moment to check-in with people, thank them for their effort and find out what their priorities and concerns are.

But the data shows that employees say performance reviews are neither fair nor frequent. The research also highlights that employees have not been getting feedback from managers regularly enough since the pandemic.

51%

Only 51% of employees say that on the whole performance reviews at their organisation are fair

39%

Only 39% of employees have received regular feedback on their performance since the pandemic



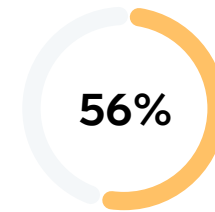
The data shows that employees say performance reviews are neither fair nor frequent.

Reviewing the performance review

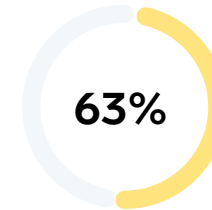


HR decision makers at European SMEs think employees get more feedback than they do, which indicates there could be a broken link in the chain of management. Whilst two thirds (66%) of HR decision makers say formal reviews take place more than once a year, just two fifths of employees (43%) say they receive multiple formal reviews each year.

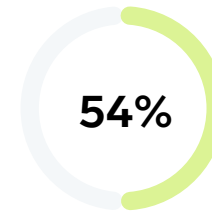
Shockingly, a fifth (18%) of employees say their performance is never formally reviewed by their manager – going up to 25% among employees in Germany. 16% of European employees say they never get informal feedback.



56% of HRDMs agree performance review processes are biased against employees working remotely, compared to those who come to the office



63% of HRDMs agree performance review processes have been updated to account for more people working remotely



54% of HRDMs agree performance reviews processes are not fit for purpose in the new world of work

Clearly it's important for businesses to ensure employees are receiving frequent, valuable feedback on their performance. And the data also demonstrates that the newest challenge is to make performance review processes fair, up to date and fit for purpose for the new world of work. Which is of particular importance where employees have been working remotely and may be experiencing greater disconnect.

“The way we work has seen massive transformation.”

“The way we work has seen massive transformation, and now SMEs need to catch up with today’s reality when it comes to performance discussions and talent management more generally. This includes taking into account new challenges and opportunities of remote and hybrid working set ups.

This is an important but significant challenge for HR, especially since two fifths of HR decision makers say that performance review processes cause a heavy administrative burden for the HR team and wider business.

The task now will be for HR teams to **support their people managers on high quality performance discussions** and ensure that they have the tools in place that **free both HR and wider teams up to fully focus on important strategic work.**”



Ross Seychell
Chief People Officer,
Personio



63%
Performance review processes can be slow and cumbersome because of friction when working across teams / departments

61%
Performance review processes cause a heavy administrative burden for the HR team and wider business

Challenges for HR

HR is up against the clock

At a time when it feels like people have never been harder to recruit or hold on to, the HR function has a vital and strategic role to play with their leadership teams, helping them understand how to best retain and recruit talent.

But they can't do this if they're being held back by admin and a lack of resource. And currently, lack of time is seen as a major barrier preventing HROs from supporting the business as effectively as they'd like.

HR decision makers:

59%

don't have enough time to manage people development as effectively as they would like

55%

are spending time on admin tasks, preventing them from investing time on more strategic work.





Challenges for HR

Budget constraints and too much admin are seen as the biggest factors holding back HR functions from supporting the business's success.

One in six (18%) mention a lack of HR resources to put towards strategic work as a key factor, with the same number citing low organisation morale or engagement, and lack of collaboration with the senior leadership team is holding them back. HR teams are still not being set up for success or properly supported – even at this most critical of make-or-break moments for their businesses.

What are among the top three challenges or barriers your business faces that prevent the HR function from supporting the business's success?

Constrained costs / budgets

25%

Too much HR admin / process work

19%

Not enough HR resource to put towards strategic work

18%

Low organisation morale / engagement

18%

Lack of collaboration with the senior leadership team

17%

“SMEs are the backbone of the European economy. While many are already on the path to recovery, they must **hold on to the valuable talent** they already have in their business or **hire the best candidates** they need to support their growth ambitions.

HR teams are right at the centre of this opportunity. It’s vital that they revisit and reassess recruitment and retention strategies to make sure these are fit for purpose in the post pandemic talent market. This includes looking again at their existing performance review framework and making sure that it recognises where their people have most impact on their business, whilst connecting those who are working now hybrid or even fully remote.

But they can only do this if they are a strategic partner in the business and have access to the proper resources and budget needed to tackle these issues.

Unless HR teams can be freed up from admin and access a powerful bedrock of data that can fuel their strategic decisions, businesses will risk their success. At this pivotal moment, the future of European SMEs is in the hands of their HR teams.”



Ross Seychell
Chief People Officer
Personio

Methodology

Survey fieldwork was undertaken on behalf of Personio by Opinium, with fieldwork conducted between 26th January and 8th February 2022.

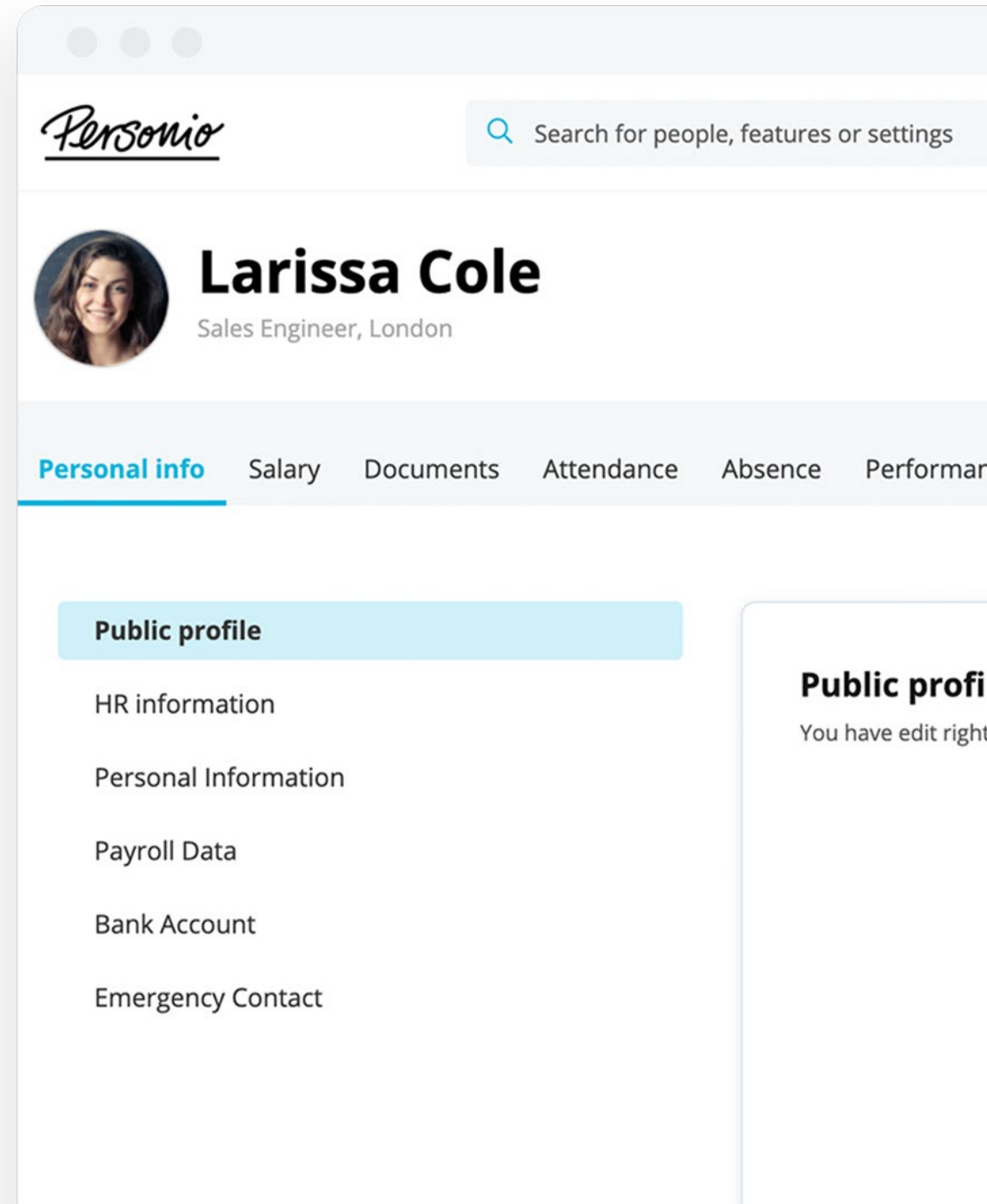
The survey sample was: 1,205 Senior HR decision makers in companies with 10-249 employees in Spain, UK & Republic of Ireland, Germany, Netherlands, Italy and Sweden. 5,000 employees in companies with 10-249 employees in Spain, UK & Republic of Ireland, Germany, Netherlands, Italy and Sweden.

Make Time to Focus on Your People with Personio

If you are ready to transform the way your organisation thinks about HR and adopt technology that embraces your business culture while giving you the agility to adapt in future, now is the time to take a look at Personio, the best HR software solution for startups and SMEs.

Our benefit of cloud-based solutions is their speed. Get your trial access to Personio in just 2 minutes.

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The screenshot shows a web browser window displaying the Personio user profile for Larissa Cole. The browser's address bar shows the Personio logo and a search bar with the text "Search for people, features or settings". The profile header includes a circular profile picture of Larissa Cole, her name "Larissa Cole", and her title "Sales Engineer, London". Below the header is a navigation menu with tabs for "Personal info", "Salary", "Documents", "Attendance", "Absence", and "Performance". The "Personal info" tab is selected and highlighted with a blue underline. The main content area is divided into two columns. The left column is titled "Public profile" and lists several sections: "HR information", "Personal Information", "Payroll Data", "Bank Account", and "Emergency Contact". The right column is partially visible and also titled "Public profile", with the text "You have edit right" below it.

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