eBook

THE HEARTBEAT SERIES

Understanding Why People Quit — Before It's Too Late

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Aims

This report set out to understand whether employee engagement scores can predict upcoming employee resignations, and if so, how far in advance.

We also wished to investigate how different aspects of the employee experience might change ahead of a departure, in order to establish common causes of employee attrition.

Overview

Our dataset included more than 34 million employee survey responses, in which more than 36,000 departing employees were represented. We investigated how the survey responses of leavers differed from those employees who remained in order to draw our conclusions.

Key Findings

- Falling engagement and loyalty scores give you 9 months' notice before an employee leaves (p.6)
- People leave unchallenging work, not a challenging workload (p.8)
- People leave when they can't discuss pay, not because they feel they're under-rewarded (p.9)
- People leave managers, not colleagues, culture or the company (p.10)
- People leave when they don't see a path for personal development (p. 12)

Introduction

By Dr. Joe Cainey, Senior Manager, Data Science, Workday

Our fascination with human-workplace interaction is nothing new. Since Maslow's attempts to understand the fundamental human psychological needs in the early nineteen-forties, there has been a notable trend of self-reflection.

From the fifties onwards we saw research applied more directly to the workplace with a significant boom in which behavioral psychology met management theory. Locke and Latham's work on goal-setting is a particularly great example.

Then in 1990 Professor William Kahn made perhaps the most pivotal contribution to the field by coining the term "employee engagement" – a concept, and metric, that has since been widely adopted by businesses around the world.

However, this body of research, while providing us with an incredible foundation, was not without its limitations. Due to the methods of the time, many of these studies were based on small qualitative datasets: face-to-face interviews with a few hundred people, at one or two companies, across one or two industries.

The accuracy and scope of insight from these smaller datasets will always be limited.

For what it has provided us in terms of rapid changes to the workplace, the 21st Century has also provided a huge leap in data-literacy. Now more than ever, we see business leaders, not just academics, asking why we behave the way we do, and pushing for better insights.

This has led the adoption of platforms that collect employee feedback, across multiple organizations, countries and industries, and has given us the potential to develop a more comprehensive understanding of human-workplace interaction than ever before.

This report is built on one such dataset from Workday Peakon Employee Voice, a platform that measures employee engagement with a methodology in part inspired by the work of Maslow, Locke and Kahn. This data includes feedback from tens of thousands of people who went on to leave their jobs and seek new opportunities.

With this data at our disposal, we sought to answer two primary lines of questioning:

Can this data be used to predict upcoming employee departures? If so, with what amount of foresight?

What changes for an employee in the run-up to a departure? Or, to put it another way, what workplace factors might cause an employee to leave?

While modern data practices open the door to a more in-depth understanding of human behavior in the workplace, they don't completely overwrite the work that came before it. As you will learn from this report, we still look to William Kahn's concept of employee engagement as the key predictor of employee turnover.

However, a data-driven mindset has allowed us to start benefiting from this research in ways that previously weren't possible, and provide insights that were never before available to individual researchers or organizations.

1.0

The data and methodology

1.1 Heartbeat dataset

Heartbeat brings together over 30 million employee survey responses and 7 million employee comments across 125 countries, and provides an unprecedented wealth of data for employees and employers alike to gain new insight into what inspires, motivates, and fulfills us at work.

Every employee in this dataset has answered the same survey questions—whether it's the head of business intelligence at a multinational hospitality company, or a developer building a growing customer review platform in New York City.

This means that any discrepancies across companies, countries, languages, and industries have been accounted for. All that remains are shared human truths about why we work—and how we work best.

1.2 Methodology

Heartbeat's dataset is provided by Workday Peakon Employee Voice, a platform that combines decades of academic research with the latest data science, to better understand the employee experience.

1.3 Measuring overall employee engagement

Workday Peakon Employee Voice evaluates overall levels of employee engagement using the Employee Net Promoter Score (eNPS). Based on the Net Promoter Score (NPS®) created by Bain & Company and used by hundreds of companies all over the world to measure customer loyalty and satisfaction, the eNPS evaluates employee engagement with one question:

> "How likely is it you would recommend [Company Name] as a place to work?"

This question encourages employees to consider all the factors that influence their workplace experience—from growth opportunities to peer relationships—when providing their answer.

A recommendation is also a form of identity capital. Similar to when someone recommends a brand or product to a friend, an employee's willingness to recommend their company suggests they're aligned with their work on a deeper, more personal level.

Answers are given on a 0-10 scale, providing a sufficient level of detail to measure emerging trends in employee engagement over time.

1.4 Understanding what drives employee engagement

Many factors of the employee experience influence engagement. Some are obvious, such as workload. Others are more subtle, like the level of autonomy an employee feels in their role.

Built upon decades of research in behavioral psychology, management theory, and human motivation, Workday Peakon Employee Voice measures 14 underlying workplace factors that have been shown to influence employee engagement.

- Accomplishment
- Autonomy
- Environment
- Freedom of Opinions
- Goal Setting
- Growth
- Management Support
- Meaningful Work
- Organizational Fit
- Peer Relationships
- Recognition
- Reward
- Strategy
- Workload

1.5 Scoring the drivers of engagement

Employees using Workday Peakon Employee Voice are regularly asked a series of core questions about each of the 14 drivers of engagement. Similar to the eNPS methodology, employees respond to each question by rating how strongly they agree with the statements on a 0 to 10 scale.

Core driver question for Autonomy:

"I feel like I am given enough freedom to decide how to do my work."

Sub-driver questions dig a level deeper to provide a more nuanced understanding of each of the 14 drivers. Sub-drivers for Autonomy include:

'Flexibility' sub-driver question:

"My work schedule is flexible enough to deal with family or personal life."

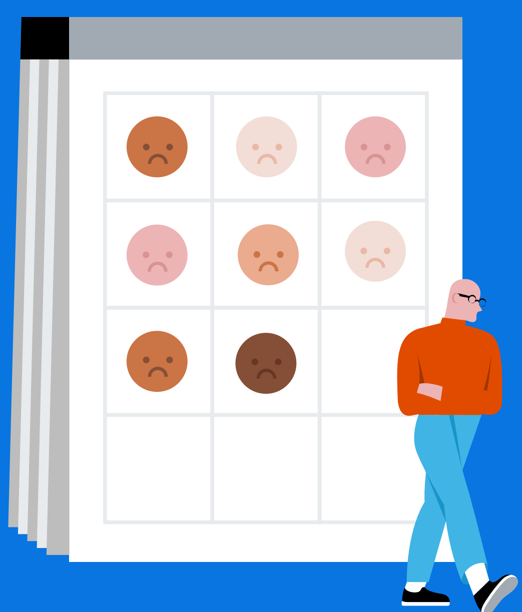
'Remote work' sub-driver question:

"I am satisfied with our work-from-home policy."

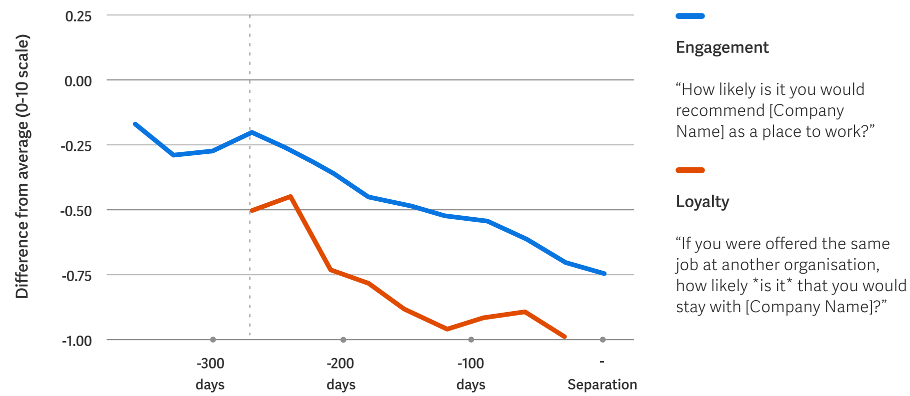
The Workday Peakon Employee Voice question set includes 45 questions total, which companies distribute weekly, bi-weekly, monthly, or quarterly to monitor rising and falling levels of engagement.

2.0

Falling engagement and loyalty scores give you 9 months' notice before an employee leaves



Falling engagement gives you 9 months' notice before an employee leaves



Our study found that both employee engagement and employee loyalty scores are strong indicators of an upcoming employee departure. Nine months before quitting, an employee's overall engagement score begins to drop significantly.

Coined by Boston University professor William Kahn in 1990, employee engagement refers to the level of personal investment an employee has in their work. Highly engaged employees are enthusiastic about their jobs and strongly value their company's mission and goals.

For the last 30 years, employee engagement has been one of the most deliberated concepts in human capital management.

2.1 Spotting the warning signs

When engagement scores start to drop, employees are at risk of leaving. This score begins to dip at the 9-month mark, and continues to fall steadily until the employee departs.

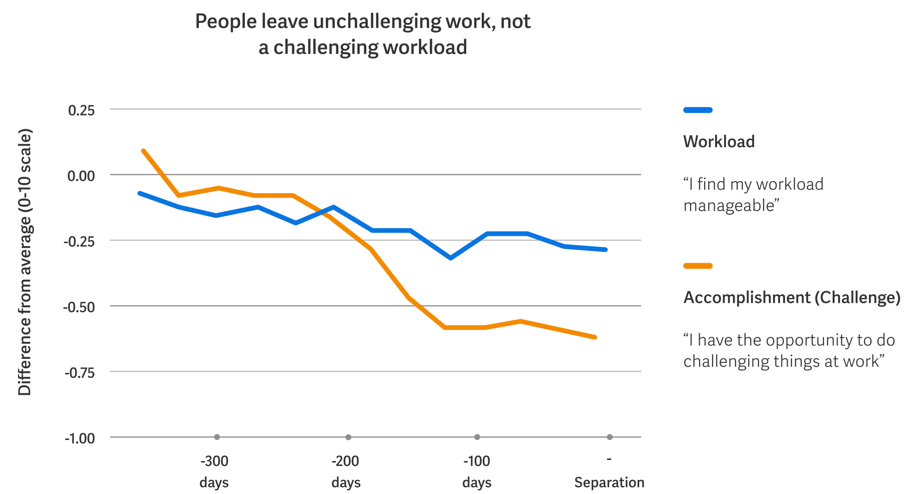
At the same time, an employee's loyalty—a natural outcome of engagement, and a measure of intent to stay with a company—starts to dip as well.

With engagement and loyalty scores noticeably slipping, it's obvious something has gone wrong. During this nine month period, organizations may have the opportunity to spot the warning signs and act on them to prevent employee departures. But what's happening beneath the surface?

Let's take a closer look at the broader workplace data behind employee engagement.

3.0

People leave unchallenging work, not a challenging workload



To begin unpacking why employees quit, let's start with the concept of accomplishment. A sense of accomplishment is a key driver of employee engagement—and essential to a healthy, rewarding work experience.

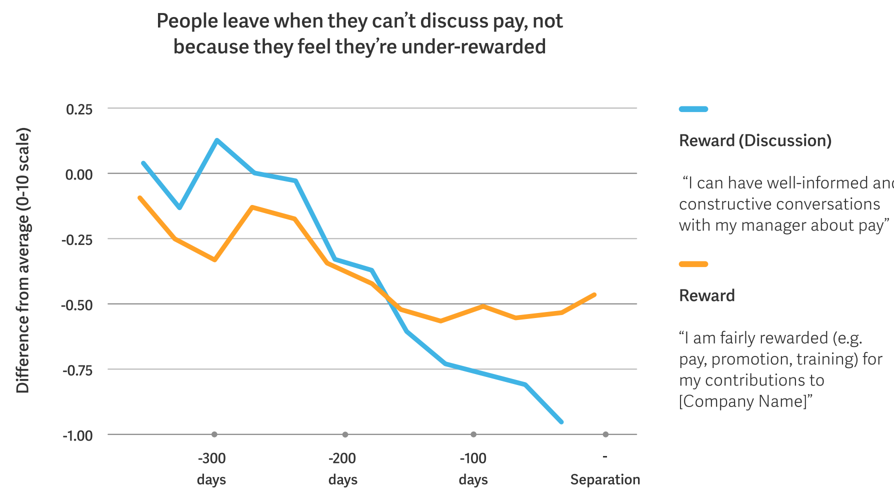
Professor Teresa Amabile and Steven Kramer explored this need for accomplishment in their 2011 book The Progress Principle. After analyzing 12,000 diary entries from 238 employees across seven major organizations, they found that when people consistently make progress on meaningful projects, they become more creative, productive, and engaged as employees.

However, nine months before quitting, that sense of accomplishment starts to drop for employees. In particular, evidence suggests that employees are at greater risk of quitting when they feel they aren't being sufficiently challenged.

Interestingly, it's not the amount of work that's the problem. At-risk employees find their workload manageable, virtually up until the day they leave.

4.0

People leave when they can't discuss pay, not because they feel they're under-rewarded



In addition to a sense of accomplishment, employees need to feel appropriately rewarded for their work to remain engaged. That means their inputs—efforts, knowledge, skills—need to be reflected in tangible things like pay, bonuses, benefits, and recognition.

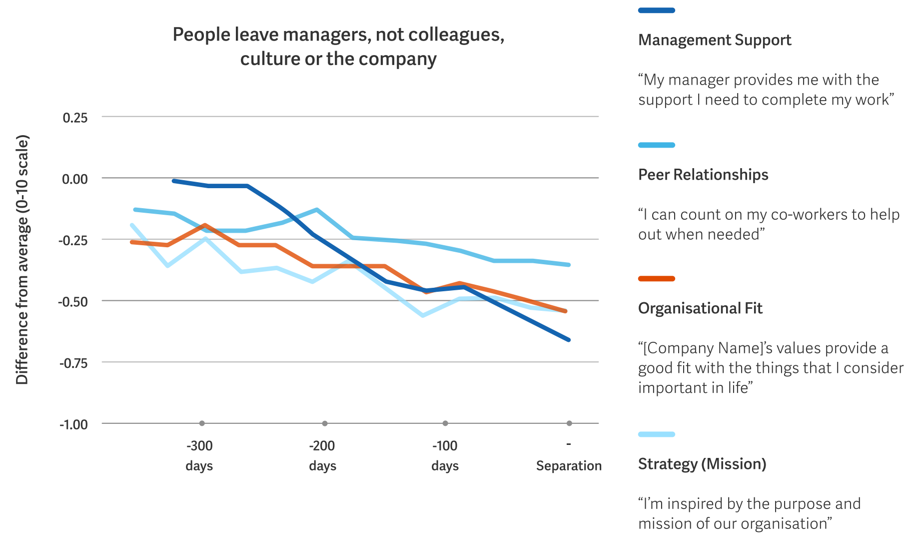
And it means they need to be rewarded fairly. In 1963, behavioral psychologist John Stacy Adams introduced his Equity Theory of employee motivation, which corroborated the desire employees have to feel that their rewards both reflect the effort they've put in—and are in line with what their peers receive.

However, the data reveals another facet to how reward impacts engagement. Because even when employees feel they're appropriately rewarded, the inability to talk openly about pay with their managers can cause employees to disengage, and become more likely to quit.

This suggests that the ability to have discussions with a manager about rewards ties into an employees' sense of self-worth—and supports their sense that the company respects them. This echoes the volumes of research showing that employees need to feel their managers care about them as people, and are willing to support them emotionally, in addition to financially.

5.0

People leave managers, not colleagues, culture or the company



Not surprisingly, the inability to communicate about pay is an indicator of deeper problems between individuals and their managers—who have a huge impact on our overall experience in the workplace.

More than just taskmasters concerned with execution and efficiency, great managers empower employees to do more, without relying on the outdated methods of reward and punishment.

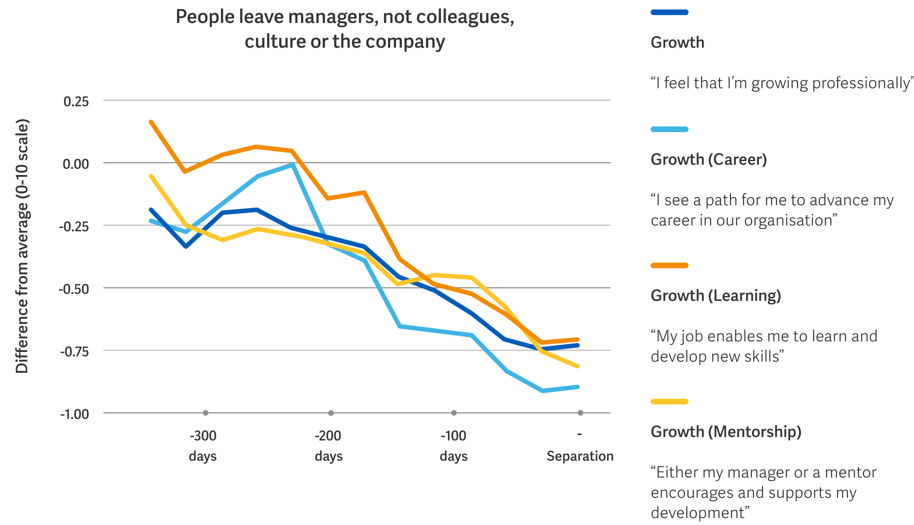
One leading thinker in this area is Kathy Kram, now Professor Emeritus of Organizational Behavior at Questrom School of Business. In 1985, she proposed the concept of “developmental relationships” as a model for supportive management. Instead of lecturing or simply handing down instructions, Kram encouraged leaders to embrace a two-way exchange based on expertise, equality and empathy. Her research showed these kinds of relationships could last almost 30 years.

Lacking this kind of mutually beneficial relationship, employees begin to disengage quickly. Nine months before quitting, employees report a steady decline in management support.

While peer relationships are a crucial part of a positive and engaging work experience, when compared to management support, they don't seem to be a factor that increases an employee's likelihood of quitting. And neither does organizational fit or strategy—essentially a company's culture and mission, respectively.

6.0

People leave when they don’t see a path for personal development



We all want to do work that helps us grow as people and professionals. But just how powerful is this thirst for ongoing development?

A great body of research suggests that the desire to overcome challenges in the quest to become our “best selves” is an integral part of human nature. From mythologist Joseph Campbell’s Hero’s Journey to psychologist Abraham Maslow’s Hierarchy of Needs, time and again we see that deep in the psyche of mankind is a need to travel the upward path.

Since our jobs form a large part of our identity in the modern age, it’s especially important that our organization is able to support us on this path. When we feel our role is helping us develop into our best self, it can have an incredibly powerful impact on employee engagement.

Lacking those opportunities, an employee starts to disengage. The data shows that nine months before quitting, employees begin to show a decline when asked questions related to their ongoing development—in effect, all aspects of growth are stalled.

7.0

Summary

In our investigation into the signs and causes of employee turnover, we unearthed findings that are both interesting, and highly valuable to organizations and theorists around the world.

The value of attrition prediction

Firstly, the indication that employee departures can be anticipated up to nine months in advance has significant potential for businesses.

The ability to predict attrition rates based purely on employee engagement data gives organizations the opportunity to be proactive in their recruitment and employee engagement strategies. Businesses, for example, can forecast the time and financial costs associated with hiring, as well as take preventative measures when faced with staff turnover.

The strength of employee engagement and loyalty scores as attrition indicators is also encouraging, and implies that employee feedback platforms that use a standardized question model are able to successfully act as an early warning system.

The causes of employee turnover

The causes of turnover highlighted in this report confirm the common understanding that managers and growth opportunities are very important to the employee experience.

However, the discovery that our quality of work affects our desire to remain at a company more far more than our quantity of work–while supported by academic theory–is perhaps counter to the common assumptions of managers and business leaders.

When compiling this report, we chose to highlight the most significant changes that occur ahead of an employee's resignation–both in terms of statistical significance, but also in terms of what we felt would have the most significant impact on how leaders viewed their interactions with their teams.

That said, these workplace factors are not the only ones to change. Almost all engagement driver scores saw some degree of decline ahead of employee departures. For more information, visit workday.com/employee-voice

Improving our understanding of organizational psychology with data science

In writing this report, we wished to build on the wealth of research that has been provided by academics before us. The expanse of workplace data now available, across multiple countries, industries, and workplaces, has given us the opportunity to contribute to the field in a way that was never previously possible for individual researchers.

It is our hope that this and each subsequent Heartbeat report is able to add to the continuing conversation about how we work, and that the insights we provide can be used to help everyone in an organization to reach their full potential.

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