WINNING THE TALENT WARS

RECRUITING AND RETENTION FOR THE NEW HYBRID WORKPLACE

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RAINMAKER**THINKING**®

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Recruiting and Retention for the New Hybrid Workplace

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RAINMAKER**THINKING**®

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INTRODUCTION

After huge recent fluctuations in the job market—record low unemployment in the months before the Covid-19 pandemic, record job losses during, and record re-hiring in the aftermath—employers are facing more severe talent shortages than any time since we at RainmakerThinking began our workplace research in 1993. This white paper reflects our most recent research and analysis.

While the particulars differ by geography, industry, skill specialization, and rank in the organizational hierarchy, the evidence of talent shortages is widespread:
- Voluntary unplanned turnover—the 'quit rate'—is increasing
- Pent-up departure demand—the 'want to quit rate'—is also increasing
- Open-position and time-to-hire rates are increasing
- Early voluntary departure of new hires—less than eighteen months—is increasing

Why?

SHORT-TERM AND LONG-TERM FACTORS

ACUTE FACTORS

Many observers point to acute, post-pandemic, presumably short-term factors:
- Workforce burnout and depression
- Fear of infection, resulting in fear of returning to the workplace
- Extended unemployment and other benefits
- Increased family care needs
- Location disruption
- Specific industry changes—for example, healthcare, restaurants & hospitality, and public safety
- Hastened retirements and career-pausing
- Postponed schooling/training/graduation, causing delayed workforce entry

LASTING ECHOES

While most of these acute factors will ebb with time, there will also be lasting echoes, especially given the longer-term trends that have been steadily transforming the employer-employee relationship.

EMPLOYER-EMPLOYEE RELATIONSHIP

Globalization & technology

Globalization and technology have reached a point where the world is so highly interconnected and rapidly changing that adaptability has replaced stability as the strategic imperative.

Job security isn't a guarantee

Institutions must be flexible, so employers can no longer pretend to offer job security to even the most loyal employees. Individuals must fend for themselves and their families, so employees must be prepared to sell their work to the highest bidder. This may mean whomever offers more money, flexible time or location, or otherwise.

Shorter terms of employment

Employer-employee relationships become less and less long-term and hierarchical and increasingly short-term and transactional as new modes of work continue to emerge. First there was temping and part-timing, now the gig economy.

More flexibility

Employers have learned from the Covid-19 pandemic they must be even more lean, flexible, and adaptable. Read: smaller real estate footprints and fewer permanent workers. Many employees, for their part, are recalibrating their career ambitions and plans, opting—at least for now—for more life in the balance with work.

Meanwhile, the supply and demand curve for employees promises to be unforgiving to employers for the foreseeable future.

- For jobs that require technical training and certification, whether through a professional degree or apprenticeship to a skilled tradesperson, the pipeline is not keeping up with market needs.
- For those service jobs that do not require training and certification, there are shortages of candidates with the soft skills necessary for optimum performance.
- Organizations with significant 'age bubbles' (those born before 1965) will begin to feel the steady effects as the oldest, most experienced employees retire. Those retirees take with them the skill, knowledge, wisdom, institutional memory, and relationships developed during their tenures.
- By 2022, individuals born in 1990 and later will comprise greater than 33% of the North American workforce, with similar figures for Western Europe and Japan, and even higher percentages in parts of South America, Africa, and Asia. Organizations with high percentages of young workers will face an increasingly transactional workforce, not hesitating to request greater flexibility and other concessions in their working arrangements.

THE TALENT WARS ARE COSTLY

When open-position and time-to-fill rates are high, teams remain perpetually understaffed.

There are five costs:

1. Sales realization opportunities are lost, and over-promised purchasers are ultimately disappointed, due to unfulfilled orders for services and products.
2. Current staff members become overcommitted as they seek to complete additonal work for positions which remain unfilled. Overcommitment syndrome leads to mistakes, delays, relationship friction, diminished morale, and burnout. Combined, these factors ultimately contribute to increased turnover.
3. Overtime costs increase.
4. Perpetual understaffing workarounds become entrenched in bad habits leading the team further and further away from best practices.
5. New hires do not get enough attention in the on-boarding and up-to-speed training processes.

NOT ALL TURNOVER IS BAD

Remember: not all turnover is bad. With some employees, you should worry they might stay! Those are the stubborn low performers who do not want to do more, better, faster, or display a better attitude at work.

There are four reasons to push out stubborn low performers.

First, low performers get paid, so they are a waste of money. They consume valuable funds that could be used to differentially reward high performers, instead.

Second, low performers cause problems that high performers must fix. The pace of work is ultimately slowed down and the team's collective potential is stifled.

Third, they send a message to others on the team that low performance might be an option. Mediocrity abounds when there is no one setting the bar higher.

The fourth reason is the one to which you should pay the most attention in terms of competition for talent. The data is overwhelming that high performers—and people who are seeking to be high performers—hate working with low performers. Often, they become very frustrated when managers tolerate low performers. The message it sends is demoralizing to those who are trying to be high performers and do their best work.

Building and supporting a culture, processes, and competencies to identify and remove stubborn low performers is the first key to regaining control over turnover. Even if you personally don't have the authority or influence to help make that happen in your entire organization, you need to make that happen within your span of control. Make your team one that does not tolerate stubborn low performers. Upon that foundation, you can be confident that anybody who is good enough to be on your team should be treated as a retention priority.

THE COSTS OF VOLUNTARY TURNOVER

When good employees leave, there are five primary costs.

1. **Replacement costs.** When you lose an employee, you will incur the costs of recruiting, on-boarding, and up-to-speed training for a replacement.
2. **Lost ROI on talent development.** You will lose (often to your competitor) the recruiting, on-boarding, and up-to-speed training investment you have made in the departing employee.
3. **Disruption in workflow and relationships.** There is usually an increased work burden on remaining employees. When a good employee leaves suddenly or not on good terms, the disruptions are greater.
4. **Diminished morale and copycat departures.** When good employees leave, sometimes this triggers other unplanned departures. The instability caused by turnover also decreases team morale.
5. **Loss of bench strength.** The greater your turnover among good employees, the less robust your bench strength of home-grown talent for other positions throughout the organization.

So, why do good people leave when you wish they would stay?

TOP FOUR CAUSES OF EARLY DEPARTURES

There is great consistency in data over more than two decades, including the last two years, in the top causes of early voluntary departures among newly hired employees (within two years).

1. **Buyer's remorse.** This results from the employer overselling the job to potential candidates. The newly hired employee is very disappointed by the real conditions of the job as compared with representations or promises made during the hiring process.
2. **Inadequate on-boarding and/or up-to-speed training processes.** This occurs when the first days and weeks of a new hire's employment are not rigorously scheduled with interactions, experiences, and assignments designed to make a connection between them and the new organization. That means clearly presenting and continuously reinforcing the mission, values, history, culture, people, and work. It is important to transfer ownership of at least one concrete task, responsibility, or project to every new hire.
3. **Hand-off to a disengaged or unsupportive manager.** This is when the manager does not provide clear expectations, regular feedback about performance, engage in resource planning/troubleshooting/problem-solving, or give credit and reward for high performance.
4. **Limited flexibility.** This could mean flexibility in anything from assignment choice, to schedule, to location or workspace, to any other preferred work condition.

While much hiring was postponed during the Covid-19 pandemic, where hiring was occurring, some of the underlying conditions contributing to these causes were exacerbated, resulting in unnecessary hiring failures. At the same time, some new hires suffering these causes may have hesitated to leave their jobs during the pandemic, even if they had concluded that taking the job was 'a mistake.'

When employees, whether new hires or longer-term, decide to quit when the time is right, we call this 'leaving in your head,' or 'leaving without leaving.' This phenomenon is sometimes the explanation for diminished performance or bad attitude from a previously good employee.

Leaving without leaving is also a big component of pent-up departure demand.

TOP FIVE CAUSES OF MID-STAGE DEPARTURES

The top causes of pent-up departure demand in today's workforce also overlap with data over the last two decades regarding top causes of mid-stage voluntary departure occuring within two to five years of employment.

1. **Overcommitment syndrome for an extended period with no end in sight.** Chronic overcommitment syndrome results in siege mentality: when all incoming requests, assignments, and opportunities feel like an assault. This inevitably leads to burnout.
2. **Disengaged or unsupportive manager.** When someone's manager does not engage in regular, ongoing, 1:1 conversations about the work with them, they will stagnate. They may feel their manager does not provide the guidance and direction to set them up for achieving their best work. Or, they may come to resent the manager for failing to recognize the great work they do. An employee may also perceive a manager's lack of engagement as representative of how valuable they are to the organization as a whole.
3. **Limited flexibility.** This may be flexibility in anything from assignment choice, to schedule, to location or workspace, or any other preferred work condition. Now that employees have seen it is possible to achieve nearly universal work-from-home conditions, they are more skeptical of employers or managers who refuse to offer sufficient flexibility.
4. **Lack of career path.** The best employees will leave when there are no clear steps toward role/position growth or career advancement.
5. **Relationship conflict.** This could be cliques, ringleaders, or other exclusionary social formations. Or, growing friction resulting from a lack of clear communication when it comes to collaborative work.

Again, the Covid-19 pandemic—with its attendant dangers, fears, lockdowns, supply chain disruptions, market volatility, and other pressures—exacerbated many conditions underlying these causes. While many people did leave jobs (or the workforce altogether) during the pandemic, many others stayed in place waiting for the right time to leave. As hiring soars to record levels in the post-pandemic era, quit rates are also soaring as pent-up departure demand is released.

WINNING THE TALENT WARS

HOW TO GAIN STRATEGIC ADVANTAGE

There are six steps to gaining strategic advantage as an employer in the talent wars of 2021-2022:

1. Define a clear value proposition.
2. Build and maintain a supply chain of applicants.
3. Be very, very selective.
4. Stay in close dialogue between hiring and day one.
5. Structure on-boarding and up-to-speed training.
6. Turn every manager into a chief retention officer.

STEP ONE: DEFINE A CLEAR VALUE PROPOSITION

Decide who or what you want to be **as an employer** and tell your story loud and clear. This should not just be in terms of mission, vision, and culture, but specifically in terms of the work your organization accomplishes, how, and the value proposition you have to offer to the employees who do that work.

That means you need a purposeful staffing strategy. After all, the value proposition you offer to some employees may be very different from the value proposition you offer others.

How are you going to get all the work done? How many ways do you have of employing people? What are the different categories of jobs and the corresponding roles and responsibilities? How many 'traditional' employees do you need? Count anyone working full-time, exclusively for you, uninterrupted in their tenure, as permanent and long-term employees.

How many 'contingent' workers do you need? This includes anyone working for you short-term or temporarily, consultants or gig workers, people who may share employment with other organizations, employees who may periodically come and go, or those who work highly variable schedules when their availability meets your needs. How easily can people flow between the contingent roles into more traditional ones?

How many on site, and therefore local, employees do you need? How many remote employees do you need—those who can work from anywhere? Who are you trying to draw into your long-term core group? Who are you trying to draw in for short-term, high-turnover, 'just-a-job' positions?

What happens when traditional employees or core long-term team members leave? Do you have means of flexible retention—part-time, flex-time, or periodic work—methods for staying in touch, efforts at recruiting, and an easy process for people to return? Overall, you need an integrated staffing strategy that optimizes a mix of different ways to employ people. The more ways you have to employ people, the better.

For each role, you need to frame a clear value proposition.

The more ways you have to employ people, the better.

The employer side of the transaction is always the same: Employers want to get as much of the highest priority work done as well as possible, as fast as possible, with the least possible cost or friction. The employee side of the transaction is more complex and variable: Employees want to earn money, have favorable working conditions, and make a positive contribution to the mission.

Every employer value proposition is based on some balancing calculus, mixing and matching on each side of the ledger various aspects of eight defining factors. We call these the 'dream job factors.'

1. Performance-based compensation	2. Supportive leadership
How much is baseline pay and benefits? Are they comparable to your competition? Are there clearly defined opportunities to learn more based on extra-mile effort and results?	Is there an immediate manager who provides regular guidance, support, and direction? Will they make expectations clear, provide regular feedback and recognition?

3. Role and responsibilities	4. Location and workspace
What is the nature of the actual work itself? Is it difficult, repetitive, or tedious? Or, is it interesting and valuable? Is it mission driven? Does it have positive, meaningful results?	Is the work done in a particular place in a specific geography? Or can the work be done from anywhere? Sometime? All of the time? If there is a particular place, is it pleasant?

5. Scheduling flexibility	6. Training and development
Is the job full-time, extra time? Or is it part-time, flex time? Is there any ability to set one's own schedule? Occasional scheduling accommodations?	Are there formal and informal opportunities to build new, relevant knowledge and skills? Is there a chance to become a deep subject matter expert? Or to build a wide repertoire?

7. Relationships at work	8. Autonomy and creative freedom
Is the workplace welcoming and inclusive? Are there opportunities to build productive and mutually supportive working relationships with colleagues, leaders, clients, or decision makers?	Is it clear what exactly is up to employees, and what is not? What is required in every job? What is allowed? Where do employees have discretion in how they complete their work?

It's no secret that Covid-19 has changed how we work. Modes of work are different, sites of work are varied, and means of performance are broader than ever. If the dream job factors weren't a part of your organization's repertoire prior to the pandemic, they probably are in some shape or form now. If not, it's time to take action.

Very few, if any, employers can provide every employee with optimal choices in all the dream job factors. But you have to offer something. The less you offer in one category, the more you must offer in another. One job may offer only heavy lifting with very little autonomy or creative freedom. Then the question will be simple: What **do** you offer? Scheduling flexibility? Location flexibility? Supportive leadership?

Again, you have to offer something. Every role is different, but the value proposition of every single role will be made up of various components, balancing these eight factors.

Who you seek to attract—what sort of talent and from where—will differ from role to role. Some positions require specific training, credentials, or other criteria. Others do not. Once you know who you are seeking for what roles, you can start delivering an attraction message calibrated to attract the right applicants for the right roles.

Yes, tell your story: tell people about your organization's mission, values, and culture. But building a truly compelling recruiting message is going **beyond** your story. You must tell every applicant the story of exactly where your organization will fit into their story. What is the specific value proposition for every potential employee for that particular role, based on balancing the eight dream job factors?

STEP TWO: BUILD AND MAINTAIN A SUPPLY CHAIN OF APPLICANTS

Depending on your optimal staffing mix, you may build your staffing supply chain using a mix of internal professionals, expert external partners, and technology.

Who internally on your team is responsible for attracting applicants from appropriate talent pools? Is it hiring managers themselves? Are they winging it, all alone? Or are they supported by staffing and recruiting professionals from HR? Who is responsible for framing the attraction message? Preparing the materials? Delivering the materials? Explaining and answering questions?

Are you working with a recruitment-advertising or marketing firm? Executive recruiters? Temp agencies? Gig work vendors? Outsourcing work to third party companies or independent contractors?

Are you utilizing online advertising, job search, recruitment, or social networking venues? What about more traditional job fairs?

Do you work with school-based career counselors, at any level of education? Or industry and professional associations?

Do you rely on your current employees for job referrals? Do you have a formal employee referral program? Does it produce good candidates?

Is it easy for job searchers to learn about career opportunities in your organization? How easy is it to apply?

Do you have an interactive applicant tracking system? Can applicants self-screen online to be channeled to the right opportunities? Can applicants easily self-schedule video chat, phone, or in-person interviews? Can applicants ask you questions online throughout the process?

Can applicants do all their hiring interactions with you via their smartphone?

Being able to answer 'yes' to all the questions above is the key to building and maintaining a steady stream of applicants into your staffing supply chain. Remember, you want the top of your talent funnel to be very wide, so you have lots of people to consider overall. The goal for every position is to attract a sufficiently large applicant pool so you can be very selective.

STEP THREE: BE VERY, VERY SELECTIVE

The biggest mistake hiring managers make is continuing the 'attraction campaign' until the candidate has accepted the job, and sometimes until the new employee is already at work. They are so desperate to get someone in the door, they make promises they cannot keep or hide the downsides of a job. We call this 'selling candidates all the way in the door.' Do not overpromise in the attraction process. That leads right to the number one cause of early voluntary departures for newly hired employees—buyer's remorse.

It is better to leave a position unfilled than to fill it with the wrong person.

You need a fast and rigorous selection process using all the current best practices: online pre-screening, aptitude and personality assessments, behavioral interviewing, job previews and phased-in hiring (sometimes called probationary hiring).

There is only one real short-cut in selection. We recommend taking it early in the process: once you know you have somebody who really wants the job, try to scare that candidate away. Spell out all the downsides of the job, in clear and honest terms. Are there difficult people? Tough conditions? Is it dirty, scary, or uncomfortable? Is it frustrating? Hard to get things done sometimes? Is heavy lifting required (either literally or metaphorically)? Does it get boring? Is the excitement too much?

Once you've tried to scare them away, then see which candidates still want the job. Those who remain are the ones least likely to leave due to buyer's remorse.

STEP FOUR: STAY IN CLOSE DIALOGUE BETWEEN HIRING AND DAY ONE

If there is lag between hiring and day one for a new hire, it is important to keep that person engaged in the meantime and set them up for a solid start.

Maintain a high level of communication during the intervening time, not just from Human Resources or some other anonymous corporate office, but from the hiring manager(s) and the team the employee will be working with.

Have key people on the team reach out and schedule 1:1 conversations.

Send actual team communications for the new hire to review. Are there any ongoing matters in which internal communications can be shared? Could you include them in any team memos? Could you invite them (but not require them) to attend team meetings?

Is there any documentation they can begin reviewing before arriving? Paperwork they can complete before day one? Are there personnel lists you can provide? Is there a resource, online or otherwise, they can use to start familiarizing themselves with key people on their team and up, down, sideways, and diagonal in the chain-of-command?

Send them plenty of background material on the company and don't hesitate to include branded mugs, pens, apparel, and any other paraphernalia that will help a new employee show off their new job to friends, family, and acquaintances. This is not to over-hype the job, but rather to maintain the connection.

All of these communication options will help your new hires actively transition to the work, be accepted by their new workplace, and integrated into the team. Whatever you do, avoid radio silence during the intervening time between the job offer, acceptance, and day one.

STEP FIVE: STRUCTURE ON-BOARDING AND UP-TO-SPEED TRAINING

New hires almost always walk in the door with a spark of excitement. The question is: do you pour water on that spark, or gasoline? If you want to ignite the spark, focus on them from the moment they walk in the door. Day one is the most important day. Then week one. Then months one, two, and three.

Picture the United States Marine Corps and their on-boarding and up-to-speed training program for new recruits: Boot Camp. For thirteen weeks, recruits undergo intensive training, acquiring the physical and mental skills and sense of shared mission required to do a superior job. The Marine Corps doesn't pay much and the job is both difficult and dangerous. Yet, they are able to build forty thousand new Marines every year, with a washout rate that is so low it can hardly be measured.

You do not need obstacle courses or firing ranges in your own organization. What matters is replicating the intensity, the connection to mission, the feeling of shared experience and belonging, the steady learning, and the constant challenge. It means taking new employees seriously from day one, and every other day after that. The longer you sustain that intensity, the better.

STEP SIX: TURN EVERY MANAGER INTO A CHIEF RETENTION OFFICER

When people leave their jobs voluntarily it is almost always—at least in part—directly attributable to their relationship (or lack thereof) with their immediate leader, manager, or supervisor:

- Their manager fails to regularly keep track of what's going on, but still makes important or sweeping decisions which affect everyone on the team.
- Their manager fails to make expectations clear to individual employees.
- Their manager lets small problems go unaddressed until they turn into bigger, more complex problems.
- Their manager spends too much time talking about non-work matters, but fails to provide enough guidance, direction, and support when it comes to the work.
- Their manager engages the most when things are going wrong and people are already frustrated.

Managers with the greatest control over turnover—that is, when low performers are removed or guided toward improvement by the manager, and high performers want to stay—do the following:

- They are highly-engaged, so they know what's going on with the work at all times, and make better decisions as a result.
- They are in a regular, ongoing dialogue with every direct report, spelling out expectations every step of the way.
- They build authentic rapport by talking about the work: planning and providing regular feedback, troubleshooting, problem-solving, scorekeeping, and recognition.
- They do their best to reward people for their contributions, not just with money, but by offering more opportunities and flexibility when it comes to assignments, schedule, location or workspace, and other preferred work conditions.

Organizations with the greatest short, intermediate, and long-term retention rates among high-performing employees are not just those with the policies and programs to support the kind of dream job flexibility employees want. By far **the most important factor** is the investment in systematically training and requiring managers to engage, guide, direct, and support employees in their day-to-day experience at work. In manager-directed or -governed workplaces, manager buy-in, support, engagement, and facilitation is the key to success of any workplace flexibility practices intended to benefit employees. Without manager led execution, these programs risk becoming irrelevant at best.

THERE ARE NO SHORTCUTS

The effects of the Covid-19 pandemic will be felt in hiring and retention for years to come. Employers will have to work much harder to attract, hire, train, and retain the best talent today.

There are no shortcuts or quick fixes. That is more true today than ever before. Employers must commit to defining a clear value proposition, engaging with each and every new hire fully, investing in their training and development, and building a culture of strong leadership. Because if they don't, someone else will.

CONTACT US

Bruce Tulgan and RainmakerThinking can help you navigate the hiring challenges presented by the new hybrid workplace.

Please contact us if you would like to learn more about how:

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ABOUT OUR RESEARCH

RainmakerThinking has been studying relations between employers and employees since 1993. We continue tracking human capital management challenges and best practices in our ongoing research, which began with Bruce Tulgan's 2001 book, *Winning the Talent Wars*. More than half-a-million individual respondents have participated directly in our research, reflecting more than 400 organizations. Our work also consists of internal organizational and leadership assessments conducted year after year.

This 2021-2022 white paper is based on our most up-to-date data and findings.

ABOUT BRUCE TULGAN

Bruce Tulgan is internationally recognized as the leading expert on young people in the workplace and one of the leading experts on leadership and management. Bruce is a best-selling author, an advisor to business leaders all over the world, and a sought-after keynote speaker and management trainer.

Bruce is the author of numerous books, including the best-seller *It's Okay to Be the Boss*, *Not Everyone Gets a Trophy* and his newest book from Harvard Business Review Press, *The Art of Being Indispensable at Work*.

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