How to improve employee retention

- a guide for NZ managers.

Most New Zealand organisations are keen to re-build and accelerate in the aftermath of Covid-19, however many industries are held back by worker shortages.

In addition, record inflation is driving employees to search for higher wages to meet their rising costs of living. For many organisations, these pressures have taken employee retention from being a sound productivity improvement strategy to a top priority for survival.

This white paper is designed to help managers take control of employee retention within their team and potentially become a leading example for other areas of their organisation. We start with a summary of recent trends in employee turnover, the roles employees are most willing to leave and just how difficult it has become for employers to hire the people they need. With the case for focusing on employee retention clearly estabished, we move on to describe six proven retention strategies managers can start implementing with their own team today.

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1. What's been happening to employee turnover in New Zealand?

The 2021 NZ Staff Turnover Survey report, by recruitment and HR services firm Lawson Williams, provides a comprehensive picture of recent employee turnover trends in New Zealand. The full downloadable report shows results by industry sector, region and type of organisation.

Employee turnover refers to people leaving their jobs. This can be either voluntary or involuntary. From an employee retention point of view, the focus is on reducing voluntary turnover, which is when employees choose to leave. While involuntary turnover, or job losses, might be seen as increasing the number of people looking for work, this would only be the case if they're choosing to seek new employment in New Zealand.

Voluntary turnover typically increases when the economy is strong and involuntary turnover usually increases during economic downturns. However, in 2018 both voluntary and involuntary turnover increased. This was largely due to different industry sectors experiencing significant increases in different types of turnover.

So with that in mind, here are some highlights from the survey results.

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Voluntary turnover in recent years

In 2007 voluntary turnover was particularly high - 20.1%. Then the global financial crisis caused it to drop to 12.8% by 2009. By 2018 it was back up to 17.2%, as employee confidence returned, but then it quickly dropped to 13.8% in 2020 as the Covid-19 pandemic set in. Throughout this period, there was a growing focus on employee retention as a way to improve productivity.

Involuntary turnover in recent years

Involuntary turnover was low in 2007 at 2.9%, but quickly rose to 5% by 2009 due to the global financial crisis. By 2017 it was down to just 2.6%. The following year, 2018, it jumped to 4.2%. By 2020, as Covid-19 set in, involuntary turnover was high at 4.5%.

Interestingly, overall combined turnover declined slightly from 19.7% in 2019 to 18.5% in 2020. This was probably due to government financial support helping to keep businesses going and avoid involuntary turnover, plus the rapid decline in voluntary turnover as Covid-19 reduced employee confidence.

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First year turnover is particularly high

Perhaps the most concerning data from the survey was the average turnover in an employee's first year with a new employer. It has risen from a low of 17.2% in 2013 to 31.9% in 2018 and 31.4 in 2020. While you might expect that some of the 'last on' employees would be 'first off' when involuntary turnover is high, there is still a clear need to address many recruitment, selection and on-boarding processes. To illustrate this point, in 2017 - when involuntary turnover was at its lowest - the first year turnover was still at 28.4%. It means around one-in-four new hires were choosing to leave voluntarily during their first year with a new employer. That places a significant drain on profit and productivity. recognition has the same effects on the recipient and provides the same range of benefits to the organisation. Many employees are hesitant to praise those in leadership roles, for fear of appearing to seek favour. Outside of work however, it can be perfectly normal to praise your elders, specialists or people in authority. So once you give it the green light in your workplace, upward recognition can quickly become quite natural.

2. Did the 'great resignation' really happen here?

According to a November 2021 report on the AUT Wellbeing@ Work survey, more and more people were thinking about leaving their job voluntarily. From May 2020 to April 2021 the percentage with 'high turnover intentions' (most likely to leave) increased by a third - from 34.7% to 46.4% of those surveyed. That's nearly half of the employees with one foot already out the door. Over the same period, the percentage with no thoughts of leaving halved from 19.1% to just 9.2%.

AUT professor, Jarred Haar, explained that this was not a symptom of decreasing job satisfaction. Instead it was caused by a growing availability of jobs that were more appealing. This typically means jobs that offer more money, are more meaningful and provide more personal development.

Among the April 2021 group who were most likely to leave, there was little difference in male vs female, industry sector, manager vs employee, or ethnicity. But there was considerable difference when it came to profession. Data shows that 64% of labourers and factory workers had high turnover intentions, compared to 55% of health and support employees, 52% of sales and customer service employees, 39% of education employees, 37% of semi-skilled employees and 33% of employees in other professions.

Whether these employees went on to resign or not, there is clearly a high percentage who were disengaged with their organisation and intending to move on. That typically implies a loss in potential productivity for New Zealand organisations, as employees are not fully invested in the organisation's success and the customer experience. As turnover increases so do the losses associated with recruitment costs, on-boarding support time, new employees coming up to speed, loss of organisational knowledge and experience, a drop in team morale and a potential snowball effect as others follow them out the door.

Clearly there is plenty of opportunity to improve employee retention in most New Zealand organisations and boost our productivity as a country, while also providing people with more rewarding and meaningful employment.

3. How difficult has it become to find and retain suitable employees?

The 2022/2023 Beyond Recruitment Economic and Labour Report provides useful insights into business confidence, recruitment and retention, labour market trends and salaries across 10 broad sectors in New Zealand.

The report confirmed a massive change in the difficulty organisations are having when it comes to finding suitable employees.

In 2018 47% of respondents said they were finding it easier to attract the talent they needed and only 6% said it was harder. But in 2020 there was a massive shift – 26% said it was easier and 27% said it was more difficult. That means just under half of the respondents had experienced no change. However, just one year later, only 3% said it was easier and a huge 86% said finding talent was now harder. In 2022 things only got worse, with 95% of respondents finding it harder to find the talent they needed.

In an October 2022 media release, Beyond Recruitment CEO Liza Viz said employers had responded positively to the challenge by focusing on understanding what employees want and making their organisation a better place to work. Their research showed that, in 2020, 49% of businesses surveyed had not tried to identify employee retention issues. Just two years later, the figure was down to 13%. That means an additional 36% of businesses (bringing the total to 87%) were taking the time to identify what was having a negative impact on their employee retention.

Identifying your employee retention issues is a fundamental starting point. If you're still trying to guess why people in your team might want to leave, or you think you know but haven't actually asked, you're now in a small minority of managers.

One of the main drivers for retention is employee engagement. It's a measure of how invested employees are in your organisation. Short, frequent and actionable engagement surveys let you prioritise improvement strategies and monitor progress.

To learn more, see our guide to employee engagement in New Zealand. It includes tips on designing and using employee engagement surveys, and a link to a free example from Canadian HR technology company Collage.

4. Six immediate retention-building strategies for managers

Here are six areas you can focus on to help reduce employee turnover. While some relate to processes before a new employee has even started, simply acknowledging that your existing team members may have had less than ideal experiences can be an important way to start rebuilding trust and engagement.

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1. Review your recruitment process

Job advertising, candidate search, interview and selection processes are often standardised by HR in larger organisations. If you feel they could contribute to some employees leaving early, you may be able to make some improvements yourself or at least discuss them with your HR specialists.

The main reasons new employees leave within a month or so are:
- The role was not what they expected
- They had a bad experience, usually due to their manager's personality
- The organisation's culture put them off

Most of these can be avoided by using a well-planned appointment process. Even if that means some people decide not to apply, it's better than the financial, productivity and reputation losses that can result when someone leaves before they've barely started.

Here are some tips on how to avoid this happening.
- Put time into an accurate job description and resist the temptation to oversell the role
- Allow time for shortlisted applicants to get to know the role's manager
- Describe the culture as it is, not just the vision the organisation is working towards
- If final applicants are happy to lose some anonymity, introduce them to others in a lunch area and leave them to chat

2. Enhance your employee induction experience

Employee induction involves much more than the new hire's first week or so. It hould begin as soon as they accept the role and before their first day. And induction needs to continue throughout their initial year, albeit with decreasing intensity.

It's important to see induction as something that applies to anyone taking up a new role in your team. This includes internal promotions and sideways moves, not just people who are new to the organisation. Reviewing your previous induction processes may also help identify gaps you can address for recent hires and existing team members.

An effective induction programme should:
- Make them feel welcome
- Build connections
- Define success
- Celebrate achievements

Before their first day
Once the successful applicant has accepted the role, a quick video call will get things off to a great start. This informal call can include their new manager, one of the interviewers, and a senior manager or two. You could follow this up with a welcome gift sent to their home - ideally something that shows you were listening during their interviews. You can also send information about the organisation, to start building knowledge and connections.

Nearer their start date, send a message about where and when you'll meet them on their first day, as well as helpful tips on things like transport, lunch options, what their day one schedule might include and even some idea of what most people wear. Ask them to come in at a time that's a little later than usual on their first day. This gives you the chance to make sure everything they need is up and running, you've had time to address any urgent issues and you're free to provide your new hire with your undivided attention.

On their first day
Arrange to meet them outside the building or in the foyer and make sure they have security access, even if it's a temporary card. Introduce them to a day one buddy colleague who can be their first point of contact for the day. The next priority is to get them up to speed on the organisation's communication channels and how to book meeting rooms etc.

During their first week
Assign a different buddy from your team for each day of the first week, so your new employee gets a chance to connect with a range of people. Ensure their calendar is pre-populated with meetings during the first week with the main people they'll interact with in their role. You could also include information about various interest groups in the organisation, along with their contact details.

To begin defining success, meet with your new employee at some point during the first week to explain the organisation's goals for the year, as well as your department and

team's agreed deliverables to support those goals. Discuss what the new employee might deliver and come to some agreement on what their one, two and three month deliverables might be. You could also identify any training or in-house mentoring the employee might like.

For tips on continuing your induction programme into the first month, three months and year, see our article on How stop employees leaving in their first few months.

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3. ## Create a culture of recognition

Another great way to boost employee engagement, and therefore retention, is to openly recognise employees' contributions to team, department and organisation goals. This can include recognising clear examples of living the organisation's values.

According to most specialists, effective recognition needs to be frequent, prompt, personalised, specific, inclusive and visible. So waiting for something like 'team member of the month' isn't enough.

As a manager, the best way to get a culture of recognition underway in your team is to start modelling effective recognition yourself. You can also lead a team discussion about recognition. It could start with you saying something like: 'There's a lot of great work going on and I don't think we're always taking the time to pause and recognise each other's contributions.'

The team discussion could include:
- **What things should we recognise?** Contributions to team goals and living our values? This type of recognition helps keep the goals and values front-of-mind and frequently shows how your team is making them happen.
- **What are the features of great recognition?** Frequent, prompt, personalised, specific, inclusive and visible?
- **Who should give recognition and who to?** Anyone to anyone? Peer and senior-level recognition can be very powerful ways to boost employee retention.
- **How can we make it easier** for everyone to recognise colleagues more often and in the most effective ways? What are the barriers and how can we minimise them? For example, online solutions for teams with remote or flexible workers.

It's important that employees find the recognition rewarding. That usually means some tailoring of recognition for different employee preferences or providing choices. For example, some people might thrive on receiving an award on stage in front of hundreds of colleagues, but others would find it terrifying. Some may enjoy a bottle of wine, while others may not believe in alcohol consumption. Some may appreciate free flights for a weekend escape, while others may struggle with the environmental impacts. It's about considering people's values.

Team members don't have control of budgets, so it can be difficult for them to provide some sort of gift or reward with their recognition. One way to overcome this is for employees to recognise colleagues by using points that lead to rewards funded by team, department or organisation budgets. Encourage feedback

4. Encourage feedback

Employee engagement surveys in the form of regular pulse checks are a great way to identify potential team issues early, design improvement initiatives and measure progress. But to get the most honest results they typically need to be anonymous, so there's no personal connection.

One of the main reasons people leave is because of the relationship with their manager, so it's essential to take a genuine interest in each employee as a person. One way to do this is to schedule regular one-on-one meetings where the sole purpose is to learn more about each employee, so you can help them to flourish. Sometimes known as 'stay conversations', the goal is to gather meaningful input from your employees about their aspirations, strengths, frustrations, learning needs, challenges, work load and so on. Without this, you're basically flying blind when it comes to ensuring they feel understood, valued and supported. The conversation should include action points and an agreed time for the next follow-up meeting.

It helps to start the meeting with some specific positive recognition of where they have done well lately. If nothing else, this shows you take an interest. You can then restate the purpose of the meeting, which is to gather their feedback on how things are going and what they might need to ensure they feel successful and appreciated for their work.

Having suitable questions in mind before the discussion can help you provide structure and make good use of time. Here are some examples to help you plan.

Professional development:
- What areas of your work do you enjoy the most? Which areas are least enjoyable?
- What training or mentoring would you like? Would you like to provide mentoring for others?
- What are your career goals in the short and long term?

Connection with the organisation:
- What are the main things this organisation seems to value?
- What's the most unexpected thing you've learned about working here?
- What would you have liked to have known sooner about the way we work here?

Your leadership:
- In what areas would you like to receive more or less feedback from me?
- How do you prefer to have your achievements and input recognised?
- What would help you to feel more successful?

5. Develop your coaching skills

The opportunity to learn and develop is an important factor for employee retention. Most people place considerable value on an employer that enables career progression. Many are even prepared to accept a lower salary in return for working with some of the best in their field in an organisation that's known to upskill and promote motivated employees.

This goes well beyond providing an annual professional development course. At its heart is effective coaching from immediate managers and team leaders. But very few people are natural coaches. Like any skill, it's something you choose to learn, practice and continually improve. So here are some tips on how to improve coaching skills.

Identify areas for improvement: Self-assessment, employee and manager feedback, and working with a coaching specialist can all help you identify your coaching strengths and weaknesses. Establishing where you're at also provides a platform for measuring ongoing progress.

Practice asking questions: In the race to provide solutions or to share our point of view, we can overlook the power of asking questions. It's something you can easily practice socially and in the workplace. You can ask questions to clarify what you have heard; seek the reasons behind what someone is teling you; explore how they feel about an issue; and provide space for them to suggest solutions. Asking thoughtful questions also shows you're actively listening and keen to understand more fully.

Build your feedback skills: Good feedback should be frequent, timely, specific and meaningful. It should also link to team and organisational goals and values. So the occasional 'well done team, good work today' doesn't really count. It's important to check the recipient's view on things as you go. This allows you to tailor your feedback to the recipeint's true needs. Here's an example: 'I thought your presentation to the team this morning was clear, concise and well researched. It will certainly help everyone to understand the reasons behind the project's goals and their role in helping to make it a success. It was a great example of helping everyone to work as a team. How do you feel it went?'. This 'state-and-check' approach helps to create a discussion and prevents you from delivering a monologue that could be way off the mark in terms of the recipient's point of view.

Find a coaching coach: You don't have to build your coaching skills on your own. Ask your coach to help you build the skills required. If they're not a good coach, approach someone in the organisation who is and ask them to mentor you for a while. Using an external coach may cost money, but it can be the most effective and least time consuming approach. Given the strong influence good coaching has on retention, the ongoing financial and productivity benefits can make external coaching support a smart investment.

6. Focus on the whole person

People spend a large percentage of their time working. It's much more engaging when they feel safe bringing their whole self to their workplace, instead of pretending their beliefs, dreams, struggles, family life, hobbies and interests don't exist. Collaboration, productivity and employee retention thrive on understanding people's strengths and making the most of diversity. Here are a few suggestions to help you get started on letting people know it's OK to bring their whole self to work.

Lead by example: Start by gradually bringing more of your whole self to work. If you're taking time during the day for something personal you're happy to share, then tell people about it. And show an interest when others start to bring more of themselves to work. Let people know about your work/life boundaries and make it clear you're not available 24/7. Don't wait to be the last to leave each day, just because you're the manager.

Create time for social interaction: It's often said that a team that plays together, stays together. Encouraging social interaction ranges from creating a fun workplace to organising regular events. You don't have to come up with the ideas yourself, it's often better to let your team take the lead. You could start by agreeing to some purpose-focussed guidelines.

Every team is different, but here are a few ideas to help get your thinking started:
- Start a weekly book club
- Ask everyone to bring a photo of them as a baby and run a guess-the-baby competition
- Start weekly team meetings with a quick round table of 'a big event in my life this week'
- Enjoy an off-site cooking class together
- Volunteer as a team to help a local charity
- Hold a household (family/flatmates) picnic at a local park

Encourage full use of available leave and support: Making sure your team members fully understand their leave entitlements and how to access other forms of support is a great way to show you care about their whole self.

This can include:
- Discussing ways to make the most of paid time off
- Explaining how the organisation tries to ensure prime leave dates are shared equitably
- Letting people know that you believe mental health is important
- Discussing ways to manage stress and access available support
- Making it easier for people to work from home or with flexi-time when they have personal matters to attend to, such as sick children, ageing parents with medical appointments or to meet a tradesperson for urgent home maintenance

Get help to address roadblocks: If there are sticking points that mean some employees do not feel safe bringing their whole self to work, you may need to draw on specialist expertise. For example, this might involve discussing the recognised benefits of a diverse workforce and how important it is to the future success of the organisation and its people. Diversity discussions and training can be challenging and uncomfortable for some people, including managers. The good news is there are specialists available who can help you assess where your team is at and lead a tailored programme to increase self-awareness, understanding and a desire to make difference work.

5. Next steps

Hopefully this white paper has given you some relevant ideas to help you build employee retention in your team. The most important step is to make a start. Change one or two of the straightforward fundamentals as soon as you can, then focus on creating a workable plan to assess and steadily improve employee retention in your team. Finally, remember to get help and support from wherever you can.

If you're looking for an immediate way to provide employees with a choice of attractive benefits, take a look at the Boost employee benefit programme. It increases engagement and retention by giving employees access to generous discounts from their choice of more than 40 top brands. The range includes insurance, DIY, homeware, gym memberships, holiday providers and more. It costs as little as $10 per employee a year and there's an app you can customise with your brand.

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