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ENGAGE

Engagement Won't Retain Top Talent

To keep your best people during The Great Resignation, focus on drivers of retention instead of drivers of engagement.

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INTRODUCTION

For years, leaders of organizations have worked tirelessly to measure, monitor and implement strategies to enrich employee engagement. And rightly so. Over the past two decades, a vast body of research consistently shows that the more engaged the workforce, the more likely the organization is to enjoy business and operational success. So, building engagement is definitely worth the investment. However, that tide is turning.

Gallagher defines engagement as a pronounced state of enthusiasm characterized by effort, pride, and passion, which fosters a mutually committed relationship between employees and organizations. To quantify engagement, our consulting team uses seven survey items to measure the extent to which employees:¹

- Are proud to work for this organization
- Feel as though the organization's mission strongly resonates with them
- Believe they are important to the organization's success
- Willingly exert extra effort to help the organization be successful
- Experience a sense of satisfaction following their workday
- Are likely to recommend the organization to others as a good workplace
- Are not seriously considering leaving the organization to pursue other job opportunities

Since early 2020, a steady, significant, and ever-evolving mixture of medical, economic, social and political events has reshaped workforce structures and attitudes. We have seen employee perceptions about work change in ways inconceivable in 2019—including key changes in workforce engagement. During this period, engagement has dampened within the U.S. workforce.

Across the items used to quantify engagement, we see the greatest erosion by far in the item focused on “not seriously considering leaving a current employer to pursue other opportunities.” Drops in positive responses to this statement indicate that there has been, and continues to be, a build up of attrition risk and turnover within the labor force. Interestingly, this item showed a dramatically favorable increase in the early phases of the pandemic, meaning people were interested in staying during a time of great economic uncertainty. In the early months of the pandemic, this economic uncertainty was accompanied by sharply contracting job opportunities.

In combination, these conditions led to actively employed individuals simply staying put. However, as organizations began to regain strength, competition for talent reignited almost exponentially. This war for talent has led to record-breaking job growth, coupled with a deficit of available workers to fill demand. As a result, we see spiking curiosity among people to explore career opportunities within a remarkably fertile job market.

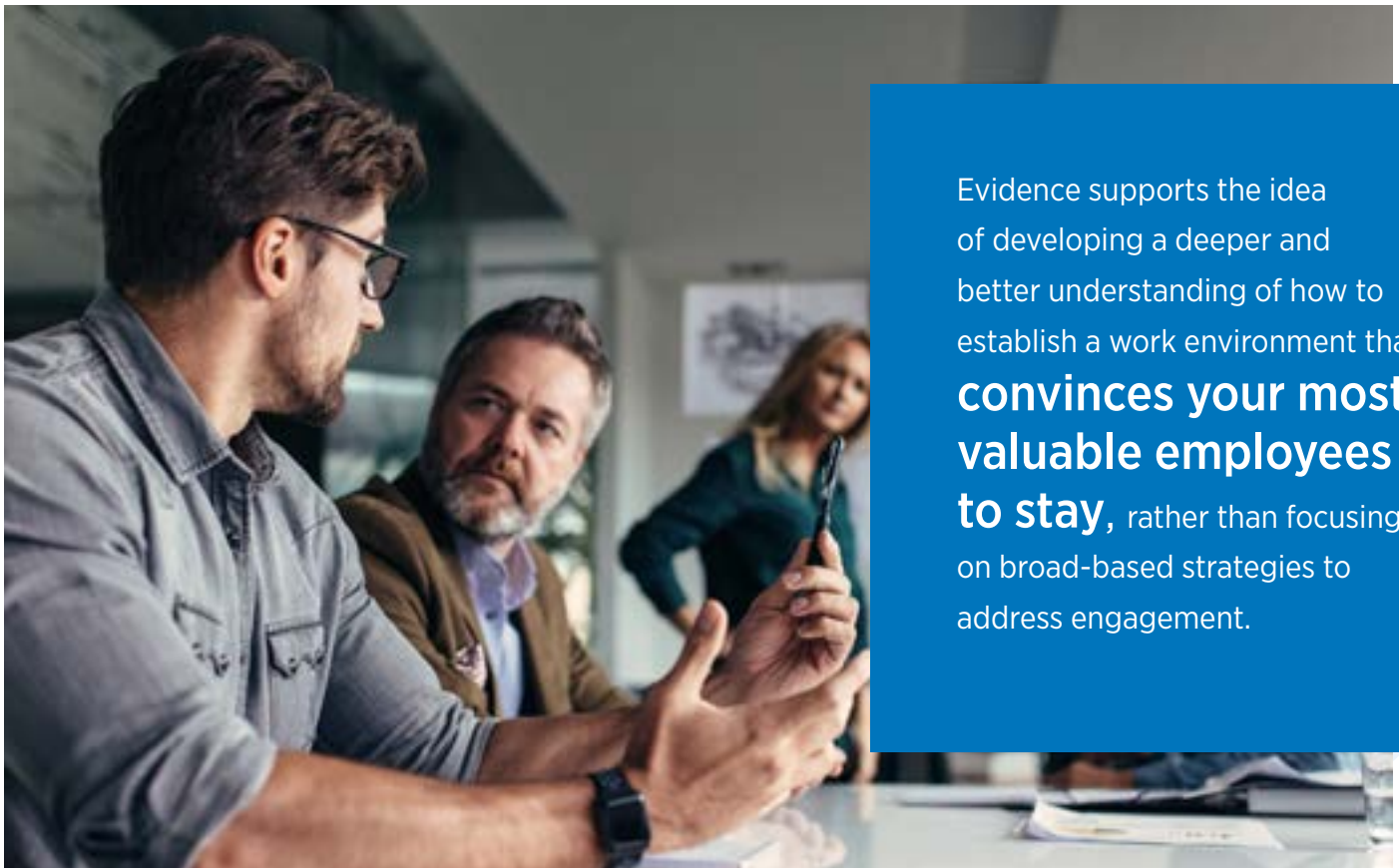
¹These engagement statements are intended to represent the concept of the survey items. They may not be the actual text used in a Gallagher workforce engagement survey.

THE RISE OF “SEEKERS” AND THE DECLINING DIAGNOSTIC POWER OF ENGAGEMENT TO MANAGE THEM

Researchers have written a great deal about the recently escalating quit rates among employees. In fact, the pace of resignations has reached such a furious level, observers have labeled the trend, “The Great Resignation.”

Relying on an overall engagement metric to gauge the health and stability of a workforce during The Great Resignation poses particular risk. At best, the usefulness and reliability of engagement metrics has become highly questionable. Survey firms combine numerous questions to compute an overall engagement metric. In the case of Gallagher’s methodology, our team combines seven items to produce our engagement metric.

This means that an overall engagement score can come about through many different combinations. For example, a mediocre engagement score would arise if employees rate half of the engagement items excessively high and the other half excessively low. Employers would see a nearly identical engagement score if all seven items received mediocre ratings. Therefore, it is critical that we always unpack an engagement score to understand how it came about—digging into the underlying patterns of the individual items.



Evidence supports the idea of developing a deeper and better understanding of how to establish a work environment that **convinces your most valuable employees to stay**, rather than focusing on broad-based strategies to address engagement.

WHO ARE THE SEEKERS?

Different types of engagement impact the culture of any workforce. As you might imagine, employees fall into some range of engagement based on their survey responses. On average, workforces in most organizations are comprised of five different engagement types:

- **Highly engaged** employees answer all engagement items very favorably.
- **Moderately engaged** employees tend to assign mediocre scores to engagement items.
- **Highly disengaged** employees respond very unfavorably to all engagement items.
- **“Campers”** dislike nearly everything about their employer and their jobs, but are **not** interested in leaving. This group answers the engagement items very unfavorably, except the item focusing on intent to stay.
- **“Seekers”** respond very positively across all the engagement items, except one: they are actively seeking to leave their current organizations to pursue other opportunities.

Employers often find it unsettling to learn that seekers can comprise a sizable proportion of a workforce. Seekers tend to be higher-performing employees who make notable contributions. And yet they pose an extremely elevated risk for turnover—and actually do leave at rates far exceeding the average rate of turnover among other employees in their organizations.

Seekers appear very satisfied and openly proud to be part of the organization. They go above and beyond in their work, and are quick to assist with work outside of their immediate responsibilities. They also tend to show an openly strong connection to their employers. Seekers willingly tell anyone who will listen how wonderful the organization is.

Seekers believe that a job change is necessary to achieve their career aspirations at a pace they deserve.

Losing seekers is detrimental. Leaders should consider this group as talented, model employees who are difficult to replace. In fact, Gallagher's research shows that seekers tend to be most linked to business and operational excellence. For example, customers who deal with seekers commonly assign the highest experience ratings.

The seeker group illustrates the importance of unpacking engagement scores to fully appreciate how the scores have come about. For example, an overall engagement score for seekers—that is, all seven engagement items averaged together—is much higher than a typical engagement score. In other words, if your workforce were comprised exclusively of seekers, your overall engagement score likely would place your organization in the top third or top quartile of engagement scores nationally. Such a rating would give you a false perception that your workforce is very stable.



The table shows how seekers rate the engagement items, and how an overall engagement score can fail to diagnose turnover risk by masking a low intent to stay.

Seeker Engagement Item Rating Pattern	
Are proud to work for this organization	Very High
Feel as though the organization's mission strongly resonates with them	Very High
Believe they are important to the organization's success	Very High
Willingly exert extra effort to help the organization be successful	Very High
Experience a sense of satisfaction following their workday	Very High
Are likely to recommend the organization to others as a good workplace	Very High
Are not seriously considering leaving the organization to pursue other job opportunities	Very Low
Average of All Items Compared to National Normative Data	Very High

Without deeply exploring how an overall engagement score has come to be, leaders will miss crucial patterns of risk. When organizations describe losing talented employees, the exodus of seekers represents a major contributory factor.

LOSING SEEKERS IS A MAJOR LEADERSHIP CONCERN

In the 2021 Gallagher Workforce Trends collection of survey reports, more than 3,500 leaders spanning many different industries, geographies and company sizes identified their top human resources priorities. Seventy-three percent of these leaders selected “attracting and retaining talent” as a top-most priority, underscoring the grave concerns around achieving a stable workforce.²

By all accounts, it is fair to say that their retention concerns are well-warranted. Prior to 2021, the U.S. Bureau of Labor Statistics data showed that 2019 exhibited elevated levels of U.S. workers quitting jobs. Once the pandemic struck the United States and dampened job opportunities, quit rates plummeted. However since 2021, quit rates have hit record highs, eclipsing previous highs documented in 2019.

Not surprising, the proportion of seekers corresponds to these data trends beautifully. For example, Gallagher data shows the percentage of seekers among the U.S. workforce reached 19% in 2019. That is, one in five workers fit a seeker profile. The proportion of seekers dropped by more than 40% in 2020 to a national proportion of only 11%, the lowest rate since Gallagher has monitored this group. In late 2021, seekers burgeoned to a national proportion of 23%. This rate continues to increase into 2022, meaning that approximately one in four employees fits a seeker profile today. Organizations now face a record-breaking risk of hemorrhaging their most talented employees.



²Gallagher 2021 Benefits Strategy and Benchmarking Survey; <https://www.ajg.com/us/workforce-trends-organizational-wellbeing-strategy-2021/>

TO REDUCE THE NUMBER OF SEEKERS, FOCUS ON RETENTION DRIVERS, RATHER THAN ON DRIVERS OF ENGAGEMENT

Leaders of any organization must understand and manage key drivers of engagement. When those drivers improve, leaders can expect higher levels of enthusiasm, satisfaction, passion, and job effort. While we strongly advocate focusing resources into improving key drivers of engagement, these efforts are unlikely to prevent seekers from leaving.



Seekers are already mostly engaged. They are enthusiastic, satisfied, and passionate. They would recommend the organization as workplace, and they willingly exert immense effort on the job. Therefore, when leaders focus on improving the key drivers of engagement, seekers will remain about the same or possibly become slightly more enthusiastic, satisfied, and passionate. However, they still will leave you. Why is this?

It all comes down to behavioral science. Important differences exist between factors that drive “engagement” and those that drive “intent to leave.” Remember that the modeling technique to determine key drivers of engagement focuses on determining what workplace experiences influence employee engagement—seven items averaged together to produce the engagement score. When we model key drivers of “intent to leave”, the single item from the engagement metric is the focus. Therefore, the modeling allows us to isolate the factors that specifically and uniquely influence the “desire to stay,” or leave.

The differences between factors that drive engagement and those that drive intent to stay are dramatic. In fact, they are so different that if you work only on improving drivers of engagement, you are likely missing the mark when it comes to creating stability among your workforce.

MONITORING AND MANAGING THE EVER-CHANGING ENGAGEMENT AND RETENTION DRIVERS

So, how different are drivers of engagement compared to drivers of retention? This is an important question, and the answers change constantly. During periods of “normal” economic circumstances—no significant political/geopolitical or social upheaval—drivers of engagement and retention actually tend to mirror each other and shift less.

However, during periods of great challenge and turmoil, such as the global pandemic, drivers of engagement and retention shift much more rapidly and diverge sharply. Such findings suggest that during “bad times,” what broadly builds engagement will not necessarily lead to employee retention. Keep in mind also that drivers of engagement and retention differ by workforce composition, industry and global geography.

At this point in 2022, drivers of **engagement** at a thematic level tend to include:

- Confidence in the organization and its products/services
- Trust in senior leadership
- Relationship health and overall connectivity with managers/supervisors
- Sound career development pathways

However, drivers of **retention** focus more on a mixture of resiliency and wellbeing factors, including:

- The ability to manage and control work pressure, such as work volume
- Equitable distribution of work
- Ability to balance work and personal obligations
- Appropriate staffing to handle work
- Feeling supported by others and knowing where to turn for support
- Benefits aimed at work flexibility
- Access to effective tools and resources to manage work efficiently



IDENTIFY AND TARGET THE DUAL DRIVERS OF ENGAGEMENT AND RETENTION

As noted, drivers of engagement and drivers of retention change constantly. Because of this, smart leaders will evaluate engagement and retention measures regularly to ensure that their people strategies remain correctly focused. To help, Gallagher offers the dual approach of studying engagement and retention as separate analyses. Our research in this area equips our consultants to recommend scientifically-based adjustments to people strategies that will optimize engagement and retention.

It might sound daunting to realize that in today's workplace, engagement-building strategies may call for different actions than retention strategies. That said, the pathways for building engagement and retention do share some similarities. In many companies we work with, a small handful of items tend to directly impact both engagement and retention. As a result, by focusing on these items, leaders can stimulate the enthusiasm of the workforce, while also rebuilding stability among seekers.

For example, items related to employees feeling a sense of dignity and respect, and that their contributions are both recognized and appropriately valued, tend to build both engagement and retention.

Another curious finding is the degree to which the workplace factors that drive retention have become largely synchronized by global geography. This also is the case with drivers of engagement. For example, prior to the pandemic, it was common to see very different workplace issues stimulating engagement among workforces of different countries and regions of the world. We saw a similar finding for drivers of retention.

However, throughout the pandemic, our research with clients shows that stimulating engagement or strengthening retention often can be accomplished with more common global strategies. So, while it likely requires different tactics to build retention versus engagement, it is more likely that multinational companies will be able to adopt "systemic" strategies (one enterprise-wide strategy for retention and another enterprise-wide strategy for engagement), rather than navigating the overwhelming complexities and intricacies of building out county-by-country approaches.



For example, regardless of whether teams work in Europe, North America, Asia, or other global geographies, it tends to be the case that workforce engagement grows through confidence in the organization and leaders along with career development opportunities. Leaders best stimulate retention, however, through the management and control of workplace pressures.

In summary, two points are key.

- The first is that **drivers of outcomes such as engagement and retention do not remain static over time.**

Because engagement and retention drivers shift routinely, organizations must regularly analyze these outcomes separately to determine how to modify their engagement and retention strategies appropriately.

- The second point is that **engagement drivers and retention drivers are different.**

Given the present market conditions, the prevailing Great Resignation, and the increasing percentage of seekers comprising the workforce, engagement has lost its rank as the most important metric to monitor. Instead, savvy leaders will pivot their focus to deeper explorations on the drivers of retention and, for now, prioritize them above engagement-building strategies in the current unstable environment.

Gallagher is ready to assist you in determining the presence and weight of seekers in your workforce. Our team can derive your retention drivers, determine how they differ from your engagement drivers, and develop a strategy to respond to your organization's retention and engagement drivers.

Contact a Gallagher expert to learn more about the ways we can help you and your team to face the future with confidence.

Contact us to connect directly with an expert.

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