Human Resources &
Compensation Consulting

ENGAGE

Engagement Still Won't Retain Top Talent

What the newest data tells us about keeping your best people.

David Rowlee, Ph.D., Managing Director, Workforce Experience Solutions

Gallagher

Insurance | Risk Management | Consulting

Click any of the following items to jump to that section.

INTRODUCTION

New Gallagher data suggests that engagement efforts should pay off more readily in 2023. Why? Leading engagement and retention drivers have realigned following their deep divergence in 2021. Employer engagement tactics now can maximize resources and competitiveness.

It's been a tough couple of years. Human Resources teams working to retain top talent through traditional engagement strategies faced challenges as those efforts often missed the mark. Employers rode a wild labor market roller coaster since 2020. After a decades-long economic expansion, the pandemic upended business operations, driving historically high unemployment rates. By 2021, the job market began to rebound adding 4.5 million jobs in 2022 alone.[1] But employees' priorities had changed, sparking The Great Resignation and a race for talent.

To counter the worker deficit, employers focused on retaining existing talent through engagement strategies. Under "normal" economic circumstances, engagement strategies would have helped retain a desirable group we call "seekers." While highly engaged and satisfied with the company, this group can be tough to retain when they don't achieve their career or personal aspirations at the pace they believe they deserve.

Earlier engagement tactics didn't retain top talent, but that's changing

Gallagher data from 2021 showed that engagement and retention drivers shifted and diverged in response to pandemic-driven economic instability. Instead of a common set of workplace factors that created both engagement and retention, HR leaders needed two very different strategies throughout the pandemic period. As a result, HR leaders pursuing only engagement-focused drivers risked losing more than a quarter of their most engaged population—the seekers.

More recently, recession forecasts increasingly point to expectations for a delay or soft landing. As the economy normalizes, engagement and retention drivers have moved closer in alignment, including the strongest drivers. That's good news for HR leaders who now can focus activities to drive engagement **and** retention, maximizing resources and competitiveness.

Did your engagement strategy fail to support retention last year?

Take heart! Changing economic conditions have realigned engagement and retention drivers. In the 2022 report, *Engagement Won't Retain Top Talent*, Gallagher's proprietary research showed economic turmoil caused previously aligned engagement and retention drivers to shift and diverge. Effective HR leaders pursued two separate talent strategies—one to engage workers and another to help retain them. Download the whitepaper **Download the 2022 report** for an in-depth look at engagement and retention drivers during economic instability. Learn about "seeker" employees and the less desirable "campers," who dislike their employers and their jobs yet choose to remain.

[1]"December 2022 Jobs Report: A Strong End to 2022." DOL Blog, 6 Jan. 2023.

In this follow-up to our 2022 retention drivers report, we explore ways the changing economic environment influences engagement and retention drivers, and what their realignment means for an effective retention strategy.

The percentage of employees looking elsewhere has dropped, but retention still is vital

Recent economic data indicates the job market remains strong, but shows signs of cooling. Technology and other companies that ramped up staffing in response to, or coming out of, the pandemic are beginning to downsize—including some large employers. As economic conditions return to a pre-pandemic state, so has the percentage of seekers in the workforce—those showing the highest engagement and satisfaction, but who may be looking for better opportunities.

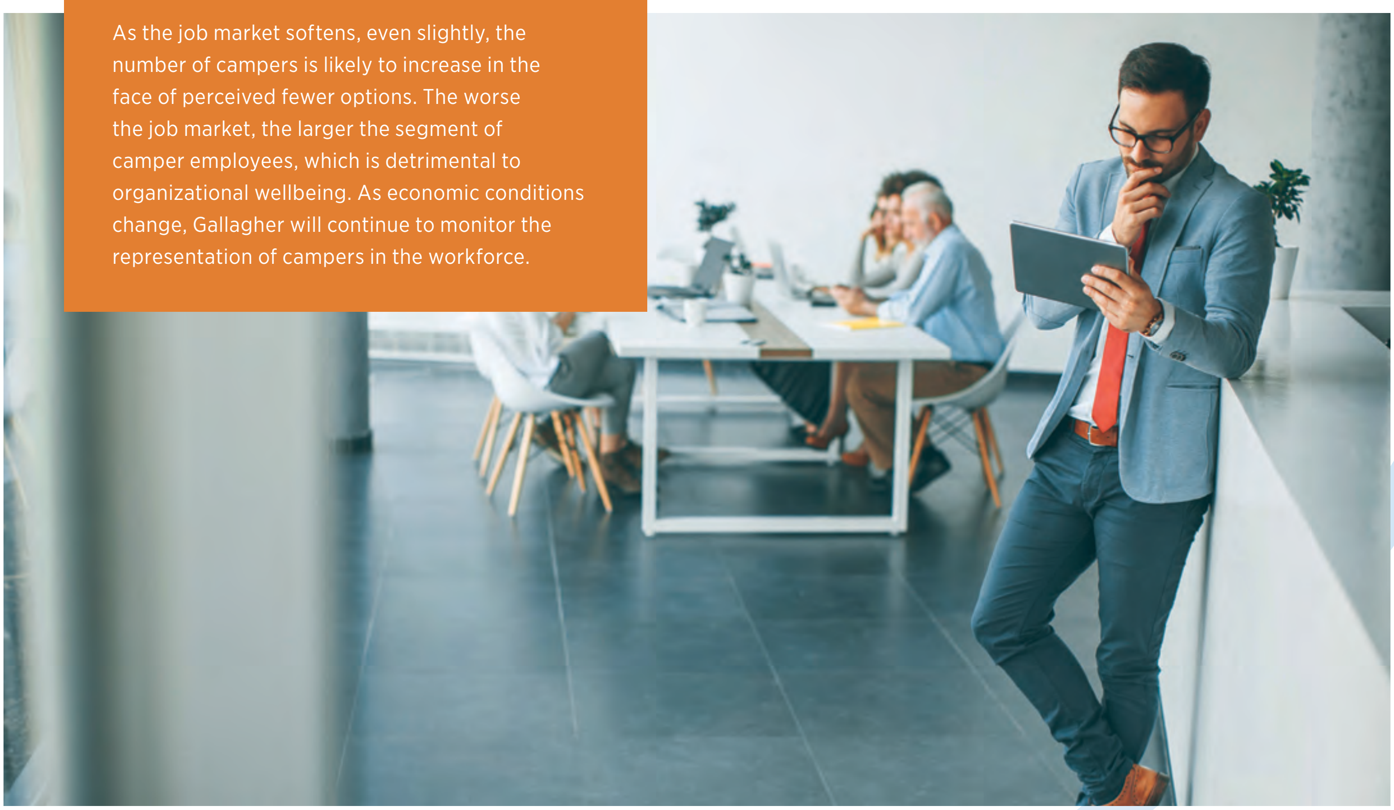
Today, seekers represent roughly 19% of the workforce—a nearly 25% drop from the 2022 proportion level of seekers in the workforce.[2] This change represents a highly significant drop that can't be explained by chance. In other words, the proportion of seekers in the workforce is meaningfully different now. For employers, the percent drop in seekers represents a huge win toward retaining valuable talent in a highly competitive labor market. We anticipate the percentage of seekers will remain at about this level until the next economic disrupter. A deep recession, for example, will cause the job market to dry up and the number of seekers to drop. Even a mild recession likely will mute the job-changing activities of seekers.

While the number of seekers has declined, the job market continues to exceed expectations. This situation puts organizations at risk of losing their best employees. Seekers know their market value and will pursue a new position if their current employers fail to meet all their needs. Talent retention remains employers' top organizational and HR priority.[3] Yet leaders know engagement is important to overall organizational wellbeing.

Keep an eye on "campers"

Employers gauging the impact of the economy on their seeker population may also want to keep an eye on their "campers"—those who remain, despite high dissatisfaction with their employers and their jobs.

As the job market softens, even slightly, the number of campers is likely to increase in the face of perceived fewer options. The worse the job market, the larger the segment of camper employees, which is detrimental to organizational wellbeing. As economic conditions change, Gallagher will continue to monitor the representation of campers in the workforce.



[2]2023 *National Workforce Benchmarking Database*, Gallagher.

[3]Gallagher Benefits Strategy & Benchmarking Survey 2022.

SHIFTING ENGAGEMENT AND RETENTION DRIVERS IS GOOD NEWS FOR HR LEADERS

In 2022, the primary drivers of retention centered on resiliency and wellbeing. Conversely, engagement drivers emphasized instilling confidence in the organization and its leaders. The impact of this divergence meant that HR leaders could not assume their engagement strategy would also drive retention. Overburdened HR teams focused on remote work policies.[4] Constrained by limited resources, teams struggled to pursue separately targeted engagement and retention strategies.

As economic conditions shifted in the past 12 months, so too have the drivers of employee engagement and retention. For 2023, we find significant changes and realignment among top engagement and retention drivers. This is good news for HR leaders because there now is more similarity than a year ago between workplace factors that build engagement and those that boost retention.

With the realignment of engagement and retention drivers, HR leaders can leverage more easily the crossover between the two. Nonetheless, HR leaders should not lose sight of differences, making the mistake of approaching engagement and retention as a single, wholly aligned outcome. Further, engagement and retention drivers may differ by workforce composition, geography and industry.

Embrace the crossover of drivers, but don't ignore the differences

Gallagher researchers annually evaluate the drivers both of engagement and retention. Because drivers of key outcomes routinely shift over time, annual research ensures that our workplace experience surveys incorporate items that matter most to building highly engaged and stable workforces. Based on data from Gallagher's extensive national database of employee survey results, our analysis shows the following results on the right with highlighted overlapping drivers.

The current primary drivers of employee engagement, in order of influence:

1. **Sound career development pathways**
2. High confidence in the organization and its products/services
3. **Trust in senior leadership**
4. Experience a culture of respect and inclusivity
5. Relationship health and overall connectivity with managers/supervisors

The current **primary drivers of employee retention**, in order of influence:

1. **Sound career development pathways**
2. Management of workload stress; i.e., work-life balance and support
3. **Trust in senior leadership**
4. Compensation
5. Feeling recognized and respected for work contribution

4 "The 12 Biggest HR Trends in 2022." Blog.SHRM.org, 30 June 2022.

Engagement-retention alignment points to the importance of career development

In one year, **career development pathways** rose from the fourth-ranked driver of engagement to the number one spot. This top-ranked engagement driver also tops the list of retention drivers. Career development was not a key retention driver in 2022 when resiliency and wellbeing factors, characterized primarily by work stress management, largely drove retention.

Trust in senior leadership represents a second significant crossover in drivers for 2023, ranking third both for engagement and retention. Like career pathways, trust in senior leaders is new to the list of retention drivers, ranking high for engagement in 2022. The alignment of these two leading drivers is encouraging for time and resource-challenged HR leaders who now can leverage the crossover between engagement and retention.

During times of uncertainty, drivers of engagement swing from employee-centric interests to broader company concerns. Examples include a shift from focus on relationships with team members to concerns about whether leaders can navigate a crisis and allow the company to survive. Confidence in senior leaders is a classic engagement driver during turbulent times. In fact, one of the earliest scientifically rigorous analyses of workplace attitudes showed similar patterns present during the Great Depression when worker satisfaction tied closely to the belief that organizational leaders could pull them through the crisis.[5]

With the height of the pandemic behind us, we're seeing a return to more localized employee interests including career development. However, as we remain in an environment of economic uncertainty, the presence of trust in senior leaders among the top retention drivers is not surprising. People want to work for an organization where they believe its leaders will effectively guide it through challenging times.

There now is more similarity than a year ago between **workplace factors that build engagement and those that boost retention.**

[5]Richard Stephen Uhrbrock (1934) "Attitudes of 4430 Employees," The Journal of Social Psychology 5:3, 365-377.

PRIORITIZE CAREER PATH DEVELOPMENT FOR THE MOST EFFICIENT STRATEGY

The past year has seen significant changes in what drives engagement and retention in the workplace. In response to an easing of pandemic-driven turmoil, engagement and retention drivers have realigned following a year of divergence. Providing employees with a sound career development path is the top driver of engagement and retention. This realignment is welcome news for HR leaders because the roadmap for an aligned engagement-retention strategy now becomes much more straightforward—potentially reducing team workload stress.

Don't forget that seekers comprise approximately 20% of the workforce—your most desirable employees—and pose higher risk of leaving. Seekers are organizational climbers. They will go elsewhere if they can't see career growth opportunities in their current roles. Often highly skilled, seekers can be difficult, time-consuming and expensive to replace.

Based on current economic projections, any upcoming US recession likely will be mild, bringing little risk of a labor market meltdown. A softening of the job market will help reduce the number of seekers or at least keep it from rising.

While career development opportunities should be front and center in your retention strategy, no single driver offers a magic potion for retaining seekers. Their ability to control work-life balance remains an important factor, as does trust in senior leadership, compensation and recognition. Use the information in this whitepaper to devise a multi-faceted retention strategy that compliments your engagement efforts.

Gallagher can help

Understanding your seeker population is the first step to developing a strategy to retain this vital workforce segment. Gallagher's Workforce Experience Solutions team can help you assess the presence of seekers and construct a retention strategy grounded in tactics that address current economic conditions. All while supporting your organizational strategy to help you face the future with confidence.

Contact Gallagher to learn how we can help you and your team develop or fine-tune your people strategy using surveys, analytics, benchmarking, reporting and consultative guidance.

Connect with an expert.

800.821.8481

ATTRACT DEVELOP **ENGAGE** REWARD

Solutions for **All the Above**

To explore more content like this, visit AJG.com.

Gallagher

Insurance | Risk Management | Consulting