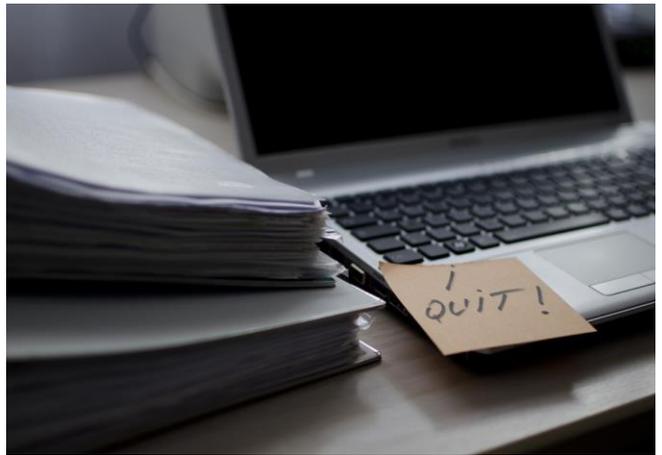**White Paper:**

I Quit

By Jessica Andrews

Costs, causes and how to combat attrition.

Whether a company sells, invents or builds, all businesses share one universal similarity: an organisation can't move forward without people. With the total cost of an employee leaving in excess of the employee's annual salary,[i] retaining staff and moving forward in harmony means the difference between flourishing and dying for any organisation looking to prosper in this economic world.[ii.] The cost of attrition is phenomenal and despite research into the area, it is still one of the biggest challenges faced by organisations. According to recent statistics from the Department of Labor, the average tenure of an employee in the U.S. is now just 1.5 years, so is this 'churn and burn dynamic' becoming the new norm, and is it a feasible structure for businesses to take? This paper looks into the root causes of attrition and how management can combat high levels of employee turnover.

The Costs of Attrition

General practice dictates that HR departments will maintain records of staff attrition, but measuring the cost of attrition to an organisation is complicated. The cost of losing an employee mainly depends on their position and role within an organisation, yet this is just one of a number of variables contributing to the overall cost of attrition. The actual costs are likely to be made up of the following elements:

- Cost of lost productivity - in both the individual role and the overall impact on the department
- Cost of lost knowledge and contacts
- Lost revenue, sales or goodwill
- Cost of covering the vacant position - this can be either the cost of employing a temporary staff members or the lost productivity for another staff member having to cover the role
- Internal cost of the staff loss and replacement - these are the time costs for the line manager and HR personnel involved in the exit interview, the administration of the leaver process (payroll/finance admin, HR admin etc.), drafting the job advertisement, initial review and sifting of CVs cvs, testing and interviews.
- Lost cost of any training the staff member has undertaken

- Cost of recruitment via an agency or referral fees (if applicable) - this is often as much as three months' salary
- Administrative costs associated with the new starter process (HR, finance, departmental costs)
- Training and induction of the new staff member
- Productivity lost while the new employee is learning the role; it can often take four to six months for the new employee to reach full productivity. If productivity raises from 0% to 100% over a six-month period, this costs the equivalent of a months' salary.

The only cost saving is in the salary cost while the vacancy is unfilled and the costs of losing a worker can typically be in excess of the annual salary of the person lost. Thus, a company with a 20% attrition rate will see a cost to the bottom line of 20% of total salary cost[iii] and with staff costs often at around, or exceeding 80% of operational costs, attrition has a huge impact on profitability. Additionally, organisations that lose chunks of their workforce are often left with other insecure employees who may be the next to leave – and a vicious cycle is born.[iv]

The Causes of attrition

Due to the fact that attrition is one of the most serious problems that threaten the stability and development of companies, being able to identify risk factors that can result in employees leaving a company is important and a way to proactively reduce and prevent attrition.[v] Turnover risk factors can generally be classified into the following groups:

1. *External factors* are those that are related to general economic development, policies, laws and regulations as well as demand in the job market.
2. *Internal factors* involve an employee's current salary and company incentive schemes, corporate culture and employee socialisation.
3. *Employee status* mainly involves age, gender, level of education, skill level, family situation, values, personality, state of health, personality, job satisfaction and other similar traits.[vi]

All of these factors combine to create the conditions that directly affect enterprise development and management, as well as an employee's own motivation to change jobs. Being aware of these interacting factors in employees is a way for managers to identify potential key causes of attrition in their company and start to tackle attrition at its root cause.[vii]

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Employees Need to Feel Fulfilled

A key factor in retaining talent is making sure employees feel fulfilled. Reports by the Society for Human Resource Management (SHRM), found that employees who are satisfied by their work are 87% less likely to change companies than their dissatisfied counterparts.[viii] These findings link to psychologist Maslow's 'hierarchy of needs' theory (1943), which state that people are motivated to achieve certain needs. When one need is fulfilled a person seeks to fulfil the next one in the hierarchy, and so on. This five stage model can be divided into basic needs (e.g. physiological, safety, love, and esteem) and growth needs (self-actualisation). A deficiency in our basic needs are said motivate people; we yearn to satisfy our unmet needs. This urge to fulfil such needs become stronger the longer that they are unmet - the longer a person goes without food the hungrier they will become.[ix] When one takes the time to consider this phenomenon applied to the world of work, it seems evident that a lack of fulfilment at work will lead to people becoming frustrated. For example, if an employee feels a need to have their hard work recognised, or to be given more responsibly that continues to be unmet, they will become frustrated. If this need remains unsatisfied for a long enough period, it may be a strong motivating factor in a person deciding to leave their job.

Additionally, Maslow's theory can shed light on ways for management to aid their employees in feeling more fulfilled. If a person is free from ordinary human concerns, such as food, shelter and being socially accepted, they can progress to "self-actualisation". Reaching this stage of their hierarchy of needs can allow employees to embrace a full-on commitment to their work, which in turn leaves them feeling fulfilled and working at their maximum potential. Before a person can reach self-actualisation, they must first satisfy their basic needs and the workplace can be used as a vehicle to achieve this. Giving employees space in the office to take a break, enjoy a free meal or burn off some steam is a vehicle for them satisfying their desires that fall lower down their hierarchal ladder. At Baker Stuart we have found time and time again that providing staff with alternative areas within the workplace, not just for work but also for use in their free time, can serve as part of a persons' vocational journey.[x] It is here that we start to see how workplace design can play a huge part in aiding employee fulfilment and reducing attrition. Indeed, as a company we have seen innovative moral building techniques in the form of free beer, hot meals, climbing walls, bus rides, smoothies and even computer games, pop up in companies as bosses look for novel ways of keeping morale high. In many cases it is the little changes such as allowing staff to leave at 4pm on a Friday, providing free coffee and remembering birthdays that have a large impact on staff morale and which aid employees in climbing up their personal hierarchical ladder.

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Self-actualisation
morality, creativity, problem solving, acceptance
employee has unlocked full potential

Esteem
confidence, achievement, respect to and from others
rewards schemes, progression, open & honest

Love/belonging
friendship, family, intimacy
good culture, agile working & flexible work hours, team events

Safety
security of: body, employment, resources, morality, family, health, property
gym, fair contracts, fair wages, HR department, health insurance, pensions

Physiological
food, water, sleep, homostasis
free food & coffee, kitchen facilities, restuarants, bars, water coolers, sleep pods

The introduction of such novel measures to increase fulfilment and productivity of staff are relatively recent, and many firms are slow on the uptake of, or even resistant to, this movement. Workplaces were created during the technological advances of the industrial revolution, but they have remained largely unchanged for the past 120 years. We are now undergoing another period of significant technological change and this has led to changes in the way we work. It is time that the workplace took another step forwards in line with this. A perfect storm is brewing, fuelled by novel and emerging technologies and changing workplace demographics - and the different attitudes and skills of the new generation are fanning the flames. The traditional office is being swept away. The new generation entering the workforce is bringing with it a new energy, flexibility and enthusiasm and this energy needs harnessing by providing an office environment that inspires and accommodates them. This new generation of 'knowledge' workers now make up 48% of the workforce and the workspace needs to be viewed as an investment to unlock the capital value of this ever growing worker segment. Knowledge workers enjoy more autonomy than other workers; much of their work is invisible and goes on outside the office or inside their heads. Due to this, knowledge workers are equipped to adapt very easily to agile working techniques and allowing agile working is one of the first steps in unlocking the full potential of the workforce, making them happier and, ultimately, more likely to stay in their job long term.[xi] Facilities managers need to provide a work environment that supports workers and allows for both the sharing and development of knowledge and skills.[xii]

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Good Office Design Can Reduce Attrition

So how can office design make employees less likely to jump ship? Good office design is enormously important in keeping employees happy and, ultimately, reducing attrition. Nowadays many offices are open plan for financial reasons, yet it might be time for companies to consider the costs of attrition and productivity rather than cost-savings on property. Like an antibiotic prescribed too freely, many office design concepts have been employed so extensively and dogmatically that their intended benefits of collaboration and cost-savings backfire. As the design firm Gensler concluded from a survey of over 90,000 workers, when an open office sacrifices focus to collaboration, both suffer[xiii] and the high costs of attrition due to discontent employees can far outweigh the savings on property that open plan offices provide.

Adapting the open-plan office is a good place to start in increasing workplace contentment, but this is unlikely to be enough on it's own to discourage attrition. When choosing an office layout, many other factors need consideration. At Baker Stuart we have seen first-hand, how a multi-layered office design which provides comfort and practicality for staff in all areas, can increase happiness, productivity and staff loyalty. We have found a few of the most effective areas to focus on in an employee centric workspace to be temperature, seating and lighting. Often it's these most basic human needs that are neglected, and this has been shown time and time again in our workplace surveys. It's not as simple as providing a fantastic workplace for the higher levels of a workplace hierarchy - if a workplace doesn't cater for the lower levels of the pyramid there are no fundamental foundations in place for employees to build upon. Sufficient heating or cooling is vital for a happy office environment and poor seating is another factor that can cause enormous discomfort and discontent. If an employee spends most of their day sat at their desk, then their chair needs to be comfortable and ergonomic. Lighting is also an often overlooked element in office design, but it can play a large role in the mood of staff. People in today's world are becoming increasingly conscious about health and style, and companies who invest in the quality of their offices can gain a distinct competitive advantage over other firms in retaining key staff and encouraging the best people to work for them.[xiv]

Combining these elements with wellness and wellbeing programs that are tailored to individual office needs and culture can make a giant leap in combatting attrition. Philosophers teach us that we should 'talk less and listen more' and the age old manta rings true when applied to the modern office and 21st century worker; reducing attrition in the workplace can be as simple as listening to what staff want. These insights can then be used to make staff feel valued and to provide them with what they need to be productive and, ultimately, to reduce attrition.

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<table>
<tr><td>**About Baker Stuart**</td><td>**Baker Stuart** are a specialist consultancy providing a personal, bespoke and comprehensive service to occupiers. Being focused solely on the workplace this has allowed us to develop expertise in depth in the analysis of our Clients' businesses, the creation and delivery of effective real estate strategies and corresponding office environments.

We provide a range of consultancy services including workplace analysis, workplace consultancy, real estate strategies, project & programme management, project procurement, furniture consultancy, contract administration, design management, change management, facilities management, CAD/CFM and relocation consultancy.

We have an award winning track record and have helped businesses both public and private sector, from SMEs to multinationals to use the working environment as a catalyst to drive positive behavioural change.</td></tr>
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