SHRMLabs | techstars_ Workforce Development Accelerator

REPORT ON

Employee Retention Technologies

September

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This report was prepared by SHRMLabs in partnership with Techstars Workforce Development Accelerator.

Introduction

A confluence of economic and labor market forces has elevated talent management to the top of the C-suite's strategic agenda. The COVID-19 pandemic caused a historically large number of employees to re-evaluate their career paths or job roles and resign their positions. At the same time, shifting demographic and labor force trends have led to previously unseen talent shortages across a growing number of industries.

The Great Resignation coupled with the "Great Talent Shortage" have combined to make employee retention a new priority for senior executives. A Gartner survey of C-suite's key issues in 2022-2023 found that workforce concerns like talent retention rose significantly as a priority for the second consecutive year, ranking ahead of even financial issues like cash flow, capital funding and profitability. Gartner projects companies will need to plan for a year-over-year employee turnover rate that is 50% to 75% higher than what they've experienced in the past.

A study by Executive Networks found that three-quarters of chief human resource officers (CHROs) now say talent retention and attraction are their top priorities. **The study found that more than 80% of global organizations are facing a significant talent retention problem.**

The direct and indirect costs of losing top talent today can prove crippling to many organizations. According to research from Gallup, the cost of replacing an individual employee can range, conservatively, from one half to two times the employee's annual salary. But those are only the tangible replacement costs of voluntary turnover. When top performers leave organizations, it also impacts innovation, customer relationships, productivity and the morale of those left behind. Factor in the tight labor market, and more senior leaders now perceive retaining good employees not just as a nice-to-have but as a survival issue.

An employee's commitment to an organization is influenced by a range of factors. Relationships with a direct manager, perceived fairness of pay, opportunities to grow and advance a career, the quality of a work culture, flexibility in work schedules, work friendships and more all impact the decision to stay with a company.

Keeping your best employees motivated and fulfilled by their work requires plenty of human

50-75%

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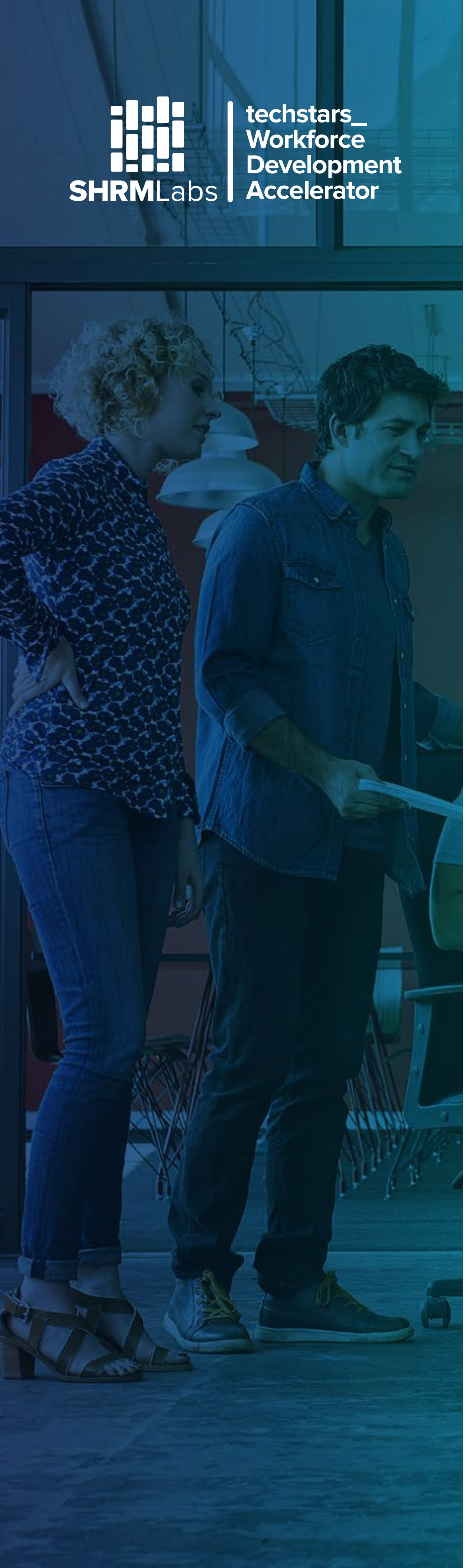

touch, such as managers having regular “stay” conversations with employees about their job expectations, development goals, well-being and stress levels, to ensure they feel valued and invested in by the organization. **SHRM Research found that most organizations (61%) miss out on the opportunity to conduct stay interviews for retention purposes.**

But HR technologies also play an increasingly integral role in employee retention strategies. For example, today’s workforce platforms and apps can supply HR and line managers with the kind of real-time, actionable data that allows them to intervene with new policies, strategies or tactics before pivotal talent can walk out the door.

Established and emerging HR technologies have grown more sophisticated. These technologies not only have the ability to gauge employee sentiment but now include next-generation software tools and platforms that help evaluate and improve pay equity; foster employees’ career development and internal mobility; support well-being and mitigate rising stress or burnout; and help managers recognize employees for their good work, as well as rebuilding workplace connections and camaraderie that were lost during the pandemic.

SHRMLabs interviewed leading HR technology analysts and HR executives to identify technologies that are proving most effective in supporting employee retention strategies. Driven by CHROs’ heightened focus on talent retention and attraction issues, industry vendors have been innovating and upgrading their technology platforms to include new capabilities designed to support a new strategic focus on employee retention.

The technologies profiled in this *SHRMLabs* special report represent tools that, when properly chosen, implemented and supported with organizational resources, can aid significantly in keeping pivotal talent engaged, fulfilled and committed to organizations in a time when the loss of good employees can have an outsized impact on the fortunes of a company.

1 Voice of Employee Platforms

Voice of employee platforms were once used to conduct annual employee surveys. However, these technologies evolved to allow a continuous listening approach for employers to gauge employee concerns and insights. HR and line managers use these platforms to stay on top of shifting employee sentiment and use real-time data to improve engagement and retention.

HR leaders use voice of employee platforms to send weekly, monthly or quarterly pulse surveys to employees to measure engagement levels, crowdsource and gather valuable worker insights on major initiatives, such as return to the office plans during the pandemic. These survey tools also can identify hidden or emerging issues that impact employee satisfaction and attrition.

A study from Lighthouse, an HR research and advisory firm in Huntsville, Ala., found organizations that regularly give employees a chance to share their feedback through these survey platforms are twice as likely to retain those workers as organizations that don't use the tools.

Experts say using such feedback platforms is increasingly important given the fewer touch points HR has to gauge employee sentiment amid the rise of hybrid and remote work.

Next-generation voice of employee platforms use AI-driven sentiment analysis tools that can automatically comb through survey responses and identify themes and trends that require immediate leadership attention or triage.

"These real-time analytics mean you don't have to wait for a human analyst to examine survey data," says Josh Bersin, a noted HR technology analyst and CEO of the Josh Bersin Co. in Oakland, Calif. **"The use of AI in these platforms helps provide almost instant results that managers can use to make changes that help boost engagement and retention on their teams."**

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Some of these platforms have added innovative new features designed to help stem voluntary turnover. One such tool is an ability to follow up confidentially with employees who leave comments or questions on surveys to gather more detail or to clarify concerns.

"It allows you to have [a] confidential, one-on-one conversation with the person who left the comment, while ensuring that person stays anonymous," says Ben Eubanks, chief research officer for Lighthouse and author of the book Artificial Intelligence for HR (Kogan Page, 2018). "It can be difficult for leaders to act on issues when there's not enough detail or clarity."

Some technologies in this category also specialize in passive employee listening approaches, with an ability to analyze e-mail messages, calendar software and communication on collaboration networks like Microsoft Teams or Slack to give leaders insight on policies or behaviors that may contribute to low engagement or voluntary turnover. These tools typically operate on an opt-in basis, allowing managers and employees to capture data from their own digital communication channels that provide actionable insights.

"These solutions can show managers trends like whether they're communicating more frequently with some team members than others or recognizing some people more than others for their good work," Bersin says.

A soon-to-be-released study by SHRM reveals that HR professionals working for organizations that use AI-driven people analytics are more likely than those who don't to report that their organization has an increased chance of achieving its DE&I goals, remaining competitive in the current job market and meeting employee retention goals.

2 Internal Talent Marketplaces

One of the biggest drivers of employee retention is a belief by workers that they'll have opportunities to grow, develop and be promoted within an organization. A recent survey report by SHRM Research, Better Workplaces on a Budget, found the second most common reason for employee turnover is a lack of career development and advancement, second only to inadequate total compensation.

A technology that addresses this issue is the increasingly popular internal talent marketplaces. These platforms promote career development and internal mobility by advertising open jobs, side gigs or projects, available mentors, and on-the-job learning opportunities that allow employees to spread their career wings and employers to keep more high-potential employees in house rather than seeing them flee to other companies for new opportunities.

A study from LinkedIn found organizations that offer employees such growth opportunities through internal mobility retain workers nearly twice as long as those companies that don't.

Internal talent marketplaces use artificial intelligence to match open roles with employees, using the skills, education and experience those workers list in personal profiles. The platforms also create personalized career pathways that allow employees to learn what it's like to work in other departments. For example, employees can job swap one day a week for a set period with colleagues or work on temporary projects in other functions.

"Companies that have adopted internal talent marketplaces have found they're one of the most powerful engagement tools they've ever used," Bersin says.

Experts say these marketplaces can unlock hidden workforce productivity by allowing employees to pursue dreams and opportunities internally rather than seeking fulfillment by leaving the company.

"Some people are motivated to work on things outside of their core job descriptions and the confines of their current job," says David Johnson, a principal analyst specializing in the employee experience with research and advisory firm Forrester. **"That may worry anxious managers, but it's a good thing for employees and a good thing for the organization because you're not only keeping that person in house, you're capitalizing on their intrinsic motivation to learn and grow in new areas."**

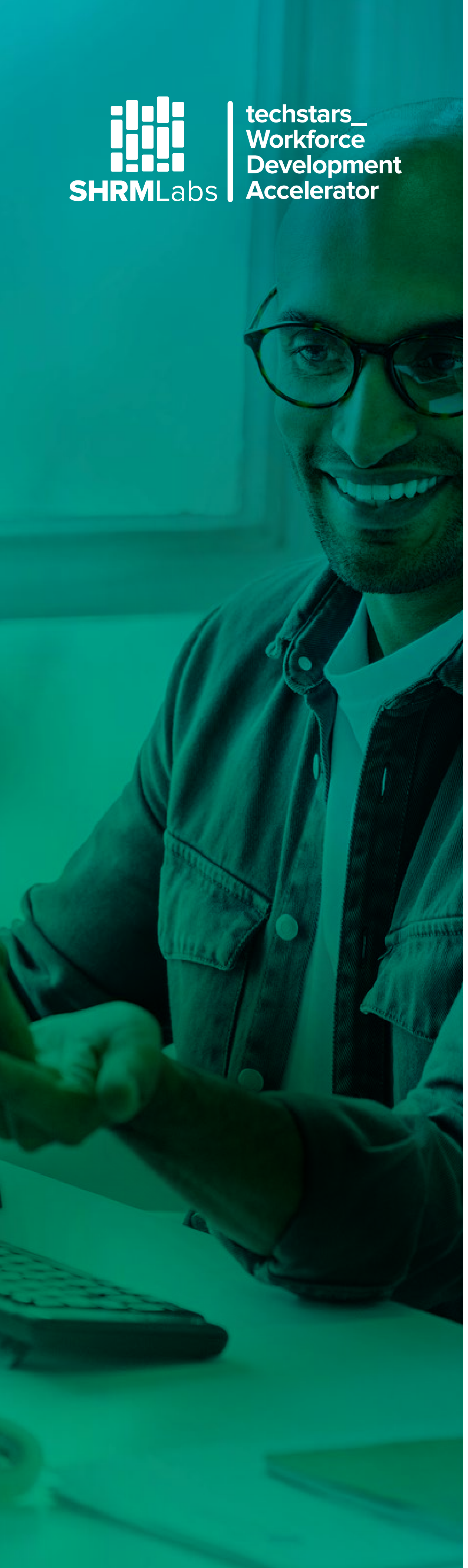
Cultural issues are key to making these internal marketplaces work, Johnson and other experts say. Senior leaders must discourage managers from “talent hoarding,” or keeping their top performers from pursuing internal transfers or promotions in the organization. A landmark study from the Institute for Corporate Productivity (i4cp) found that such talent hoarding not only increases the turnover of high-potential employees, it negatively impacts organizational performance. The lowest-performing companies in the i4cp study—as defined by profit and revenue measures—also showed that the highest incidence of talent hoarding occurs by managers.

3 Pay Equity and Compensation Benchmarking Software

Compensation has re-emerged as a major factor influencing employee retention, a development driven by widespread labor shortages, inflation, hybrid work models and gender pay equity concerns. SHRM Research’s Better Workplaces on a Budget survey report found inadequate total compensation to be the No. 1 driver of voluntary turnover among employees, with 39% of HR professionals rating it the most frequent cause of attrition in their organizations.

According to SHRM’s *Bridging the Pay Gap: Why Pay Equity Pays Off* report, less than half of HR professionals (47%) say their organization is transparent with employees about how pay decisions are made, but more than 9 in 10 (94%) think it is important for organizations to do so. More states also have enacted pay transparency laws mandating compensation be disclosed on job postings, making pay even more of a competitive lever in attracting and retaining employees in many industries.

Pay equity and compensation benchmarking software can help HR and reward leaders set pay at optimal levels for keeping top performers and also ensure that women and underrepresented workers are paid fairly. The top providers of compensation benchmarking data provide HR leaders with current and accurate market pay data for a wide variety of jobs, titles, industries and Pay



equity software measures compensation disparities based on workers' protected identities, including gender, race, age, ethnicity and disability. Analytics in the best of these tools generate actionable insights that help assess root causes of inequities and suggest remediation plans, comparing pay across internal cohorts in addition to external market benchmarks.

"Pay equity software has become increasingly sophisticated and can show you if someone is underpaid or overpaid compared to peers in similar roles internally or externally," Bersin says

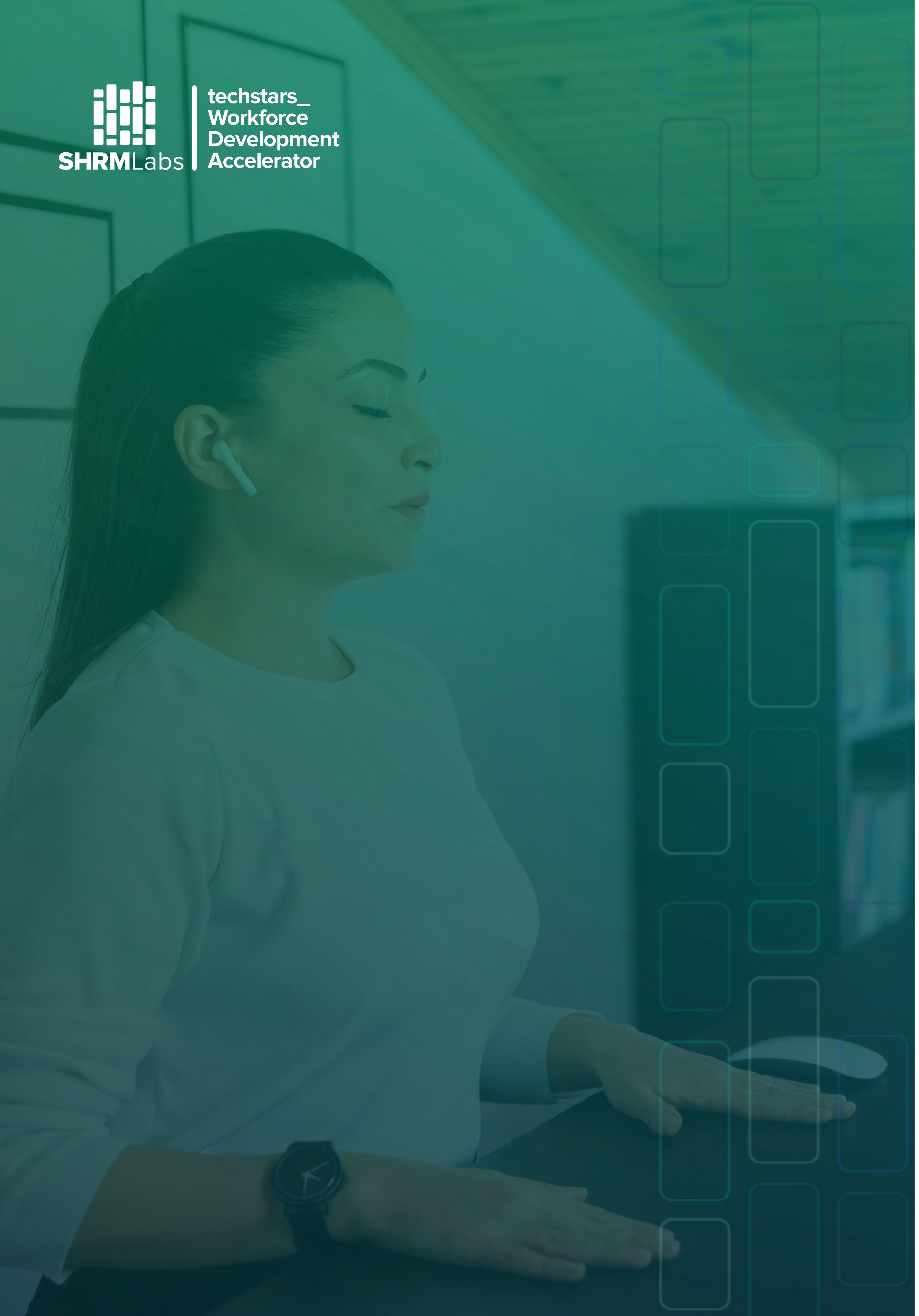
4 Predictive Analytics Tools

Predictive analytics tools help HR and line managers assess the flight risk of employees by tracking and measuring factors that commonly drive voluntary turnover. Often embedded as part of human capital management technology suites, flight risk indicators assess factors like job tenure, pay levels, performance ratings, engagement scores and more to predict the probability of employees leaving an organization.

The 2022-2023 SHRM State of the Workplace Report reveals that 26% of employees intend to pursue a job in another organization in 2023. Red-flag indicators like time in role without a promotion, compensation below market averages, growing absenteeism, disinterest in development opportunities and long commuting distances all play a role in determining flight risk. Predictive analytics tools use algorithms that correlate the pattern of employees who voluntarily leave organizations with those of existing workers who stay to evaluate the odds of turnover.

Experts say that while such data can be helpful in alerting managers to the potential flight risk of top performers, there are risks in using the approach. Predictive analytics can sometimes produce false positives and also influence managers' attitudes about employees once flight risk information is known. A leader might, for example, be less likely to give developmental opportunities or pay increases to workers they suspect may soon be leaving the company.

One way around potential pitfalls is to use aggregated rather than individual flight risk data to craft strategies that can improve employee retention as a whole rather than targeting specific individuals projected to leave. Experts say looking at flight risk data in the aggregate can help managers look more holistically at their teams and make needed changes to help improve engagement, satisfaction and retention.



5 Digital Wellness Platforms and Apps

Continuing effects of the COVID-19 pandemic, growing employee workloads caused by labor shortages and downsizing, inflation and other factors have combined to negatively impact employee well-being in unprecedented fashion. *Gallup's 2022 State of the Global Workforce* report found that stress among the world's employees reached an all-time high last year, topping previous highs registered in 2020. The *2022-2023 SHRM State of the Workplace* Report shows that 72% of organizations have been dealing with mental health concerns.

HR leaders are responding by investing in digital wellness platforms and apps that help employees cope with rising stress, burnout and mental health issues. These tools allow workers to access support anytime, anywhere and offer new options for those intimidated by the still-real stigma of publicly seeking assistance for emotional or psychological issues.

These solutions include things like meditation apps and videos that help employees cope with work-induced stress, sleeplessness or poor nutrition; financial wellness platforms; wearables that can track heart rates, skin temperatures or allow employees to self-report moods; online fitness or yoga classes; apps that alert employees when they need to take time out to recharge or to avoid technology fatigue; and virtual sessions with licensed therapists. Many of these digital tools can be integrated with existing benefits technology platforms and wellness programs.

Studies show HR leaders continue to invest in digital wellness tools with the belief that improving employee well-being may not translate directly to lower health insurance premiums, but that these solutions can help boost productivity, reduce health risks and improve employee retention. Research from the Business Group on Health (BGH) found the average budget for well-being programs among large employers increased in 2022, and the amount spent per employee on wellness grew by 60% among midmarket companies.

But digital wellness tools continue to have an awareness problem. According to the BGH study, only 15% of U.S. employees reported being aware of their employer-sponsored stress management programs, signaling a need for improved promotion and communication about those resources.

6 Employee Recognition Software Platforms

Employees who regularly receive meaningful recognition for their good work are less likely to seek greener pastures and stay longer with organizations. A joint study by Gallup and recognition platform provider Workhuman found that when recognition practices hit the mark with employees, 56% are less likely to look for external job opportunities and 73% are less likely to feel burned out on the job.

Recognition software platforms help HR professionals meet the challenge of delivering employee recognition, not only for quality work but to acknowledge life events like service anniversaries, weddings, babies or birthdays—or even for onboarding completion. These software portals manage recognition messages and the delivery of things like gift cards, certificates, points and digital badges. Most platforms are now easily integrated with everyday communication networks like Slack or Microsoft Teams, e-mail systems and web browsers to make recognizing peers easy and efficient.

These technologies have the ability to amplify and "elongate" recognition moments for employees—both peer-to-peer as well as top-down recognition—through use of features like social walls, where an online thank you can receive likes and comments from colleagues throughout the company.

Many platforms also have tools that guide users in how to provide recognition to others in meaningful rather than perfunctory ways, as well as an ability to send automatic nudges to remind busy managers to take time out to recognize direct reports for their good work.

Conclusion

Retaining top performers will only continue to grow as a priority for senior executives given historically high labor shortages, demographic shifts like early retirement, and fundamental changes in how and where work is performed. Many of the factors influencing an employee's desire to stay with an organization can be addressed through human intervention, such as the C-suite changing workplace policies and practices, improving work culture and managers making greater efforts to ensure their best employees remain fulfilled and motivated by their work.

But technology plays an increasingly important role in helping leaders retain workers. New platforms and apps can deliver real-time data on changes in employee sentiment, track inequities in pay or development opportunities that drive turnover, provide digital tools to boost employee well-being in a time of escalating stress, and ensure workers feel recognized and appreciated for their hard work and results.

By wisely choosing, implementing and promoting employee adoption of established and emerging technologies, HR leaders can help their organizations alleviate the costly epidemic of voluntary turnover and keep more good employees who are crucial to driving and sustaining organizational success.

SHRMLabs

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