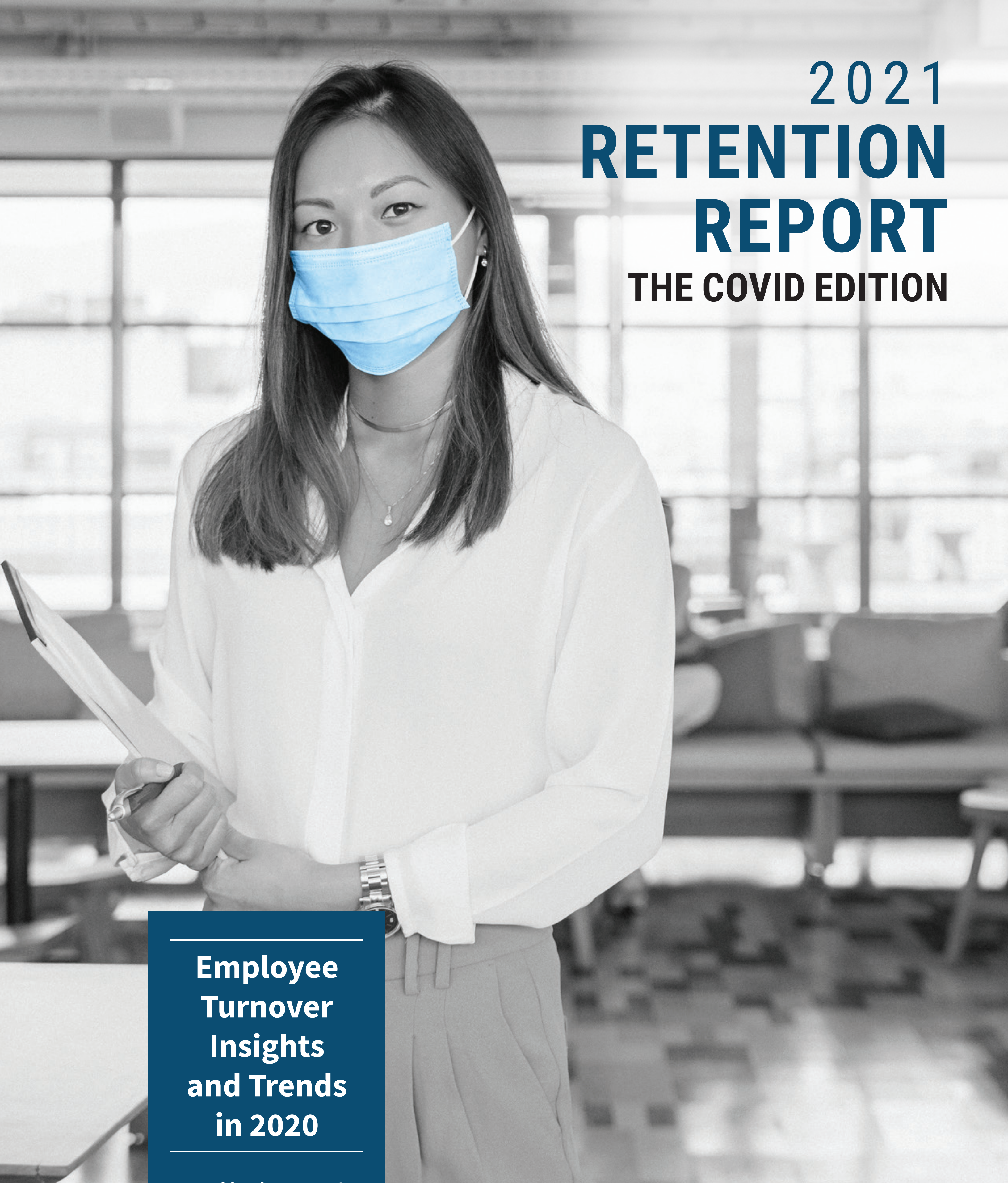

2021

RETENTION REPORT

THE COVID EDITION

Employee Turnover Insights and Trends in 2020

workinstitute.com/
retention-report

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Work Institute

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FOREWORD

DEAR EMPLOYERS,

As I reflect on 2020, it is obvious what a challenging year it was for all of us and particularly challenging for employees and employers. The influence of the global coronavirus pandemic on the workplace was unprecedented. For many employees, the pandemic meant serving on the frontlines. Healthcare, grocery, and transportation workers were just some of the integral forces in the fight against the virus.

As workforce researchers, we must admit that 2020 was a fascinating year. Factors such as the economy, job growth, and unemployment significantly impact the workforce at large and how employees behave. A global pandemic is rare (thankfully), but the opportunity to study human behavior in the workplace under unprecedented conditions was and continues to be a unique opportunity.

This year marks the fifth annual Retention Report published by Work Institute. The pursuit of understanding and explaining employee retention has been core to Work Institute for twenty years. Once again, we have a team of dedicated professionals working to bring this data to life and to author it on these pages.

We are especially proud to have involved students in this process again this year. This is our second year in partnership with the Center for Organizational and Human Resource Effectiveness (COHRE) at Middle Tennessee State University. We have a passion for giving students the opportunity to explore data from real circumstances. This Retention Report gives them a unique look at workplace behaviors they may not get to experience in the classroom. Thanks to Risa, Shelby, and Sarah for their extraordinary work and to Dr. Alexander Jackson for his guidance working with these students.

In planning for this year's report, the first things to jump out at us were the unique factors that influenced each quarter of the past year. Unlike previous reports where we looked at the entire year, we chose to break down 2020 into four quarters to look specifically at how the pandemic influenced the workforce and the workplace in each quarter.

We found that employees reacted to a rapidly changing environment and workplace by behaving in both predictable and unpredictable ways. Of note was the disruption on family dynamics such as child and elder care, health risk, education, and how workers adapted to these changing conditions. We also saw unprecedented numbers of employees exit the workforce via retirement. We also saw employers stepping up and changing to comply with safety protocols and went to great lengths to protect employees.

We added a new section this year on the predictability of reasons employees quit and are excited to share our findings with you. This research took over three years to complete and gives employers new insights into Reasons for Leaving, and more importantly new levers to improve retention in the workplace.

It is quite possible the catalyst of a global pandemic has changed the landscape of the workplace forever. We expect our readers to learn from this report and to think critically about how they can continue to adapt their workplace in what we now begrudgingly call our new normal.

Danny Nelms, President
Work Institute

EXECUTIVE SUMMARY

REASONS FOR LEAVING

Analyses revealed several of Work Institute's "Reasons for Leaving," including Health & Family, Retirement, and Involuntary saw an increase while Career, Job, Manager, Work-Life Balance, and Total Rewards saw a decrease in quarter 2 when the economic effects of COVID-19 began to take hold in the United States.

Most notably, departures for Health & Family and Retirement reasons saw increases in quarters 2 and 4.

There were several differences among the demographics and their reasons for leaving. Males and females saw increases and decreases in their primary Reason for Leaving at different rates and during quarters. For example, retirement was identified at a higher frequency for men than women, while Health & Family was higher for women than men.

There were also differences in 2020 based on age group and ethnicity, meaning the pandemic affected the demographics differently in relation to departures.

The number of interviewees who exited their organization for reasons categorized as "less preventable" was significantly higher than in previous years.

Health & Family, Involuntary, Retirement, Total Rewards, and Work-Life Balance revealed significant trends when comparing 2020 quarters to their equivalent quarters in 2018 and 2019.

CORE DRIVERS AND REASONS FOR LEAVING

Analysis of Work Institute's Core Drivers of Engagement and Retention showed interviewees who provided higher Core Driver ratings of Organization, Manager, and Job attributed their exit to one of the "less preventable" Reasons for Leaving while interviewees who provided lower ratings attributed their exit to one of the more preventable Reasons for Leaving.

Organization and Manager were the only Core Drivers whose ratings were significantly different during 2020 than either 2018 or 2019.

Conducting predictive analysis, the Core Driver ratings of Organization, Manager, and Job ratings all predicted more preventable Reasons for Leaving while Team ratings predicted less preventable Reasons for Leaving.

STATE OF THE WORKFORCE

IMPACT OF CORONAVIRUS ON THE U.S. WORKFORCE

UNEMPLOYMENT WAS VOLATILE IN 2020

The global pandemic had a major impact on the U.S. workforce. Entering 2020, the U.S. workforce enjoyed low unemployment, increasing labor force participation, and high job openings.

In February 2020, national unemployment was 3.5% and there were a reported seven million open jobs. Both of these indicators are signs of a robust and growing economy which created opportunities for U.S. workers at unprecedented levels. On January 30th, the World Health Organization declared the outbreak of COVID-19 to be a "Public Health Emergency of Global Concern."

What began as a very promising year for both the economy and the workforce was thrown into disarray with lock downs and requirements for employees to work from home. Healthcare and other essential workers were thrust onto the front lines. What played out over the course of 2020 was tumultuous and continues into 2021.

From January 2018 until March 2020, the U.S enjoyed sustained levels of historically low unemployment. Entering 2020, fewer than six million Americans were unemployed. In mid-March, the realities of the global pandemic began to change the U.S. workforce. Unemployment edged up to 4.4% in March and rocketed to 14.8% in April. Many industries were impacted differently. Restaurants, hospitality, and airlines were some of the hardest hit while manufacturing, healthcare, education, and financial services unemployment were less affected.

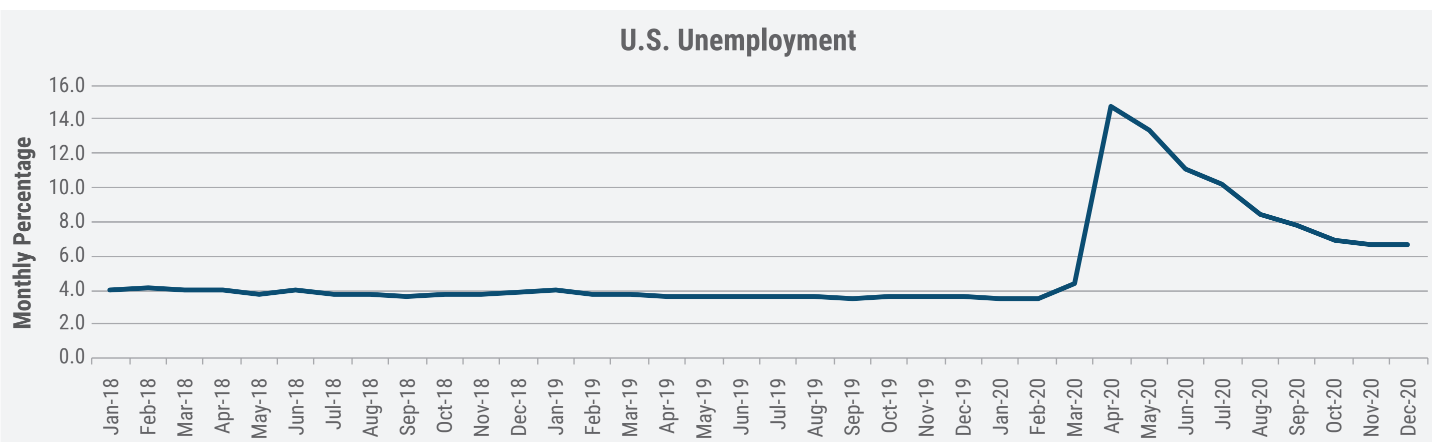
Unemployment stabilized at 6.7% in November and December of 2020 and further declined to 6.3% in January 2021. Job openings hit a high point of just over 7.5 million in January of 2019 and stayed at more than 7 million until November 2019. By April 2020 that number was less than 5 million. Job openings drive the unemployment rate. By December, the unemployment rate dropped to 6.5% while job openings increased to 6.6 million. Unlike the 2019 supply and demand issue in the workforce, we are currently seeing the opposite. We have more unemployed workers than open jobs. We are all left wondering how long this will persist. Factors that will influence this include the successful roll out of coronavirus vaccines and the continued recovery of the economy. Unfortunately, it is expected that industry sectors such as air travel and hospitality may not fully recover until 2024.

3.5%

February 2020 Unemployment Rate

14.8%

April 2020 Unemployment Rate



U.S. LAYOFFS

MILLIONS OF U.S. WORKERS LAID OFF IN 2020

Disruption was the norm in 2020. Millions of Americans were laid off due to the economic uncertainties brought on by the pandemic. Leading up to March of 2020, the U.S. workforce stabilized and organizations laid off fewer than 2 million workers monthly. That number averaged only slightly more than 1.8 million in 2018 and 2019. This number reflects a stable number of layoffs going back 10 years. The pandemic's effects in March of 2020 were significant. Nearly 11.5 million employees were laid off and in April an additional 7.7 million were laid off. This is reflected in the unemployment rate of 14.8% that we saw in April 2020.

Layoffs started to decline in May. Although not fully recovered, we expect layoffs will continue to be stable barring any significant spikes in coronavirus cases. Organizations have largely been able to normalize operations and are dealing with the current employment and economic circumstances. Keep in mind this stabilization has been helped by the influx of government funds in the form of stimuli such as the Paycheck Protection Programs. Some businesses could see increases in layoffs in the coming months without continued subsidies from the U.S Government.

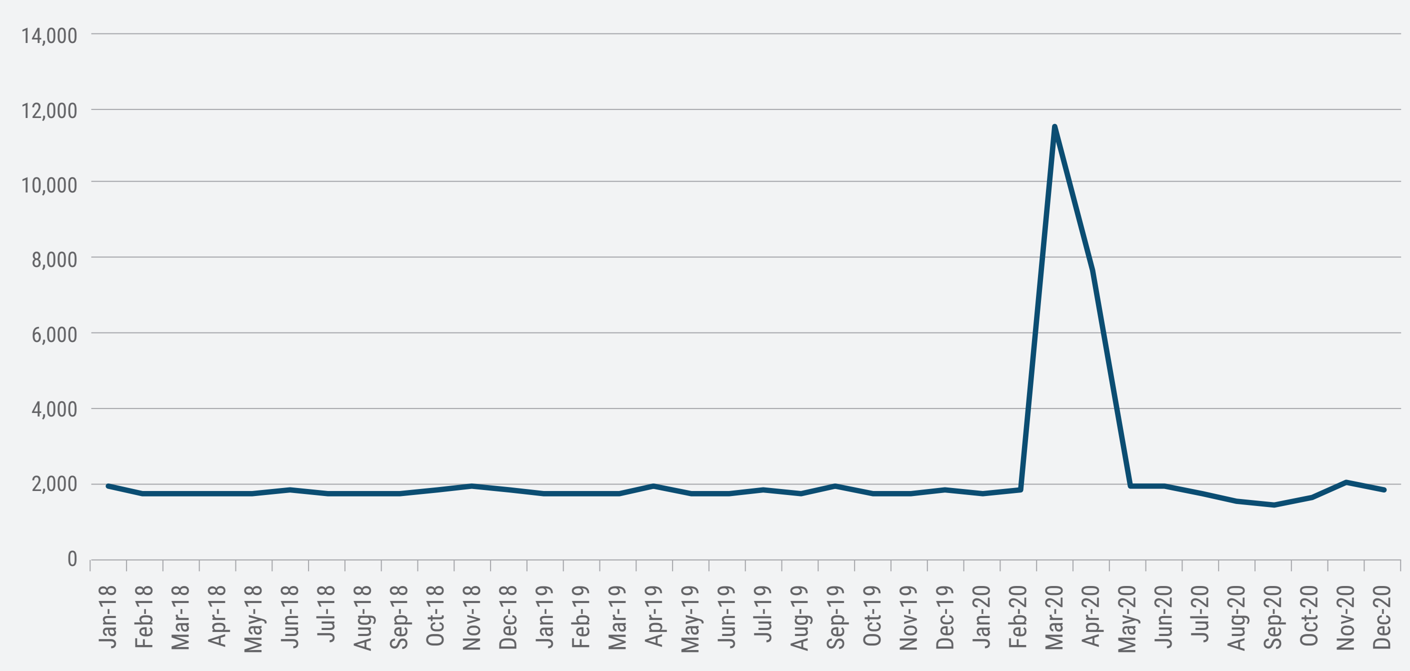
11.5 Million

March 2020 Layoffs

7.7 Million

April 2020 Layoffs

Layoffs & Discharges (in thousands)



U.S. VOLUNTARY TURNOVER

VOLUNTARY TURNOVER SHARPLY DECLINES, BUT QUICKLY RETURNS

Work Institute's annual Retention Reports have always focused on voluntary employee behaviors. Most voluntary turnover is more preventable by employers. Voluntary turnover climbed significantly from 2010 until a peak of 3.6 million departures in July of 2019. The pandemic brought a significant decrease in voluntary turnover. Fewer than 1.9 million workers chose to leave their jobs voluntarily in April of 2020 down almost 50% from the number just three months earlier. Unfortunately for employers, the trend did not last long and by December 2020 the number of voluntary terminations had already grown to just over 3.4 million.

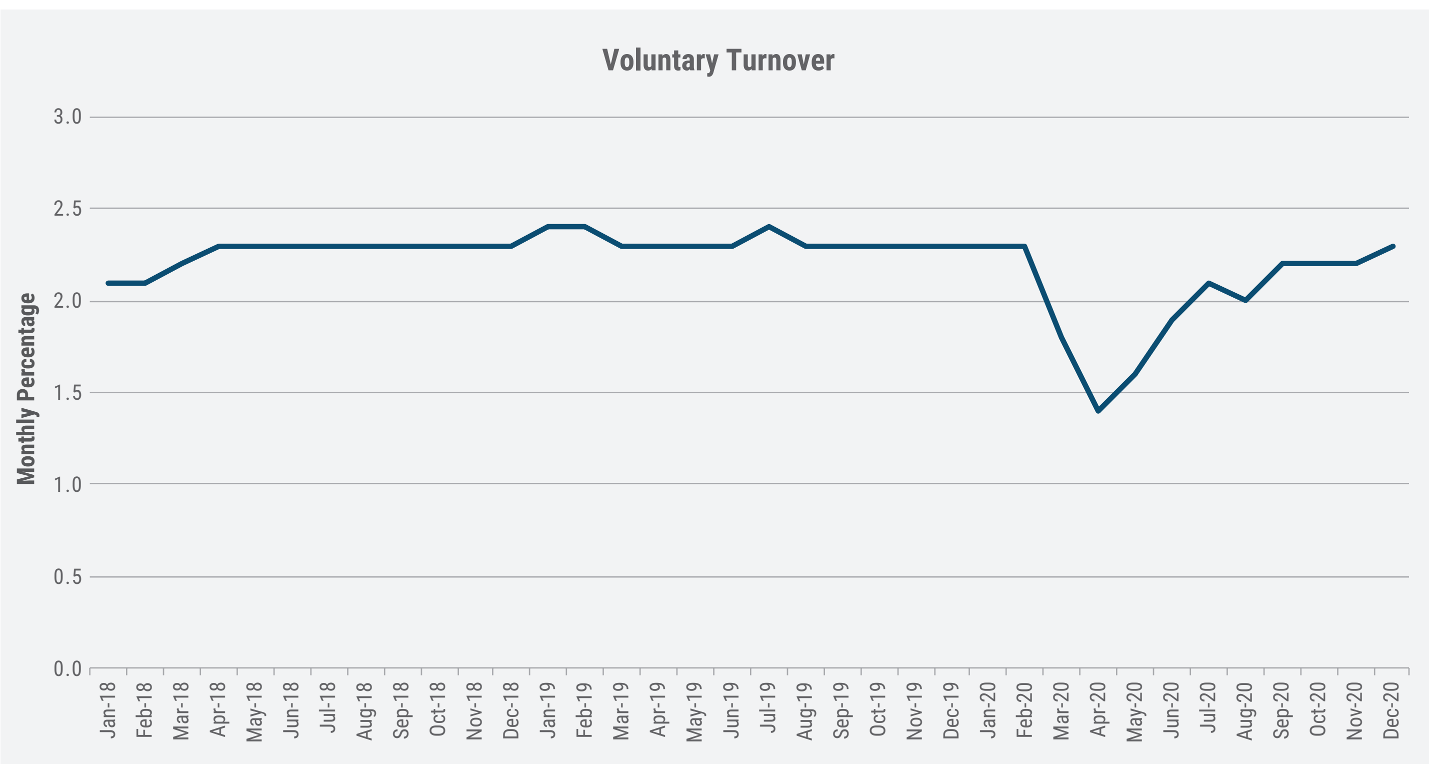
The question being raised by most workforce experts is whether there is bottled-up turnover that will occur as the economy improves, job openings increase, and unemployment declines. Work Institute suspects this is absolutely the case and many employers are at risk of losing a significant number of employees due to voluntary departures when certain factors improve. Employers must act now to understand where they are at risk and for what reasons employees will look for new opportunities when presented.

1.9 Million

April 2020 Voluntary Turnover

3.4 Million

December 2020 Voluntary Turnover



REASONS FOR LEAVING

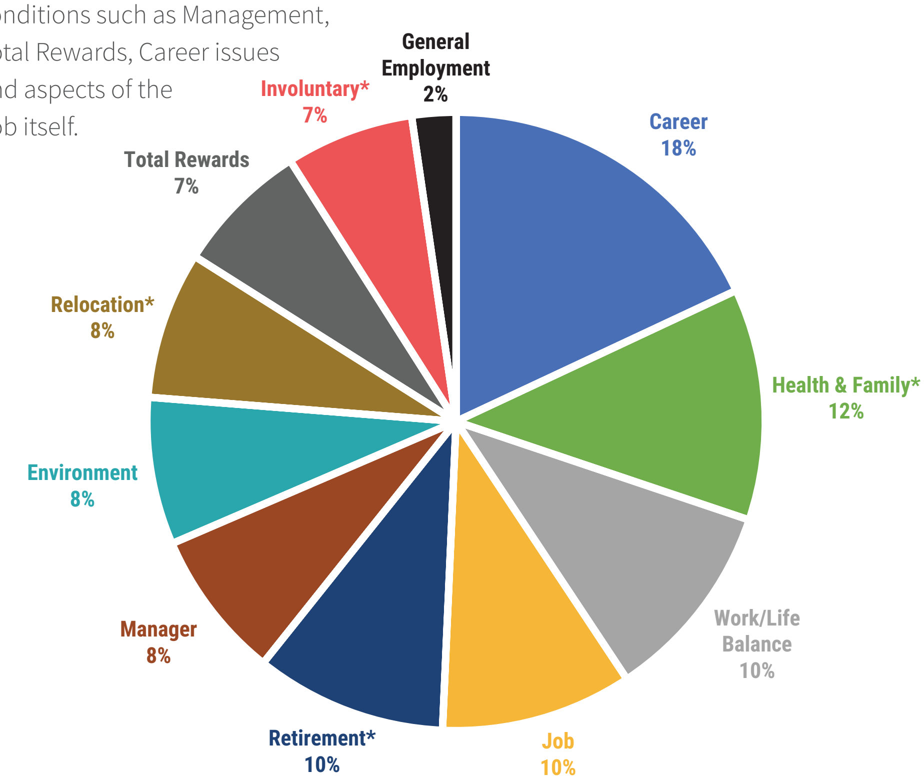
REASONS FOR LEAVING OVERVIEW

It is important to label categories of Reasons for Leaving with accurate descriptions. Previous Retention Reports included a category called Well-Being. After a careful review of this category description, it has been renamed Health & Family. There is little doubt Well-Being has become a critical factor in employee Retention and Engagement. However, our data indicates that Well-Being for employees spans several Reasons for Leaving and multiple categories. Unlike any previous year, Health & Family became more central to the employment decisions made by employees.

Since 2017, Work Institute has reported categories of why employees quit in two segments: more preventable and less preventable. There has been ongoing debate about this categorization. There were those who believed it possible that employer's inflexibility might be a root cause of many of the Health & Family reasons for leaving and it should remain a more controllable category. However, after interviewing leaders from several organizations, it was determined that most go to great lengths to retain employees who are faced with difficult decisions related to Health & Family. Therefore, we now include Health & Family as less preventable along with Retirement, Relocation, and Involuntary.

Nearly two-thirds (63.3%) of departures were for "more preventable" reasons. Work Institute continues to define these reasons as those related to modifiable conditions such as Management, Total Rewards, Career issues and aspects of the Job itself.

The year 2020 experienced an increase in "less preventable" turnover in comparison to the 2019 data (less preventable – 22.0%, more preventable 78.0% after the recategorization of Health & Family reasons), which is a testament to the turmoil in the workforce created by the global pandemic.



Theme in Turnover	Description	% of total
Career	Opportunities for growth, achievement, and security	18.0
Health & Family*	Physical, emotional, and family-related health issues	12.1
Work-Life Balance	Scheduling, travel, and remote work preferences	10.5
Retirement*	Personal decision to exit the workforce	10.0
Job	Enjoyment and ownership in manageable work	10.0
Manager	Productive relationship preferences	7.8
Environment	Physical and cultural surroundings	7.7
Relocation*	Physical move out of the proximity of the job	7.7
Total Rewards	Compensation and benefits promised and received	7.0
Involuntary*	Termination or layoff	6.7
General Employment	Covers miscellaneous issues not assigned to other categories	2.3

**Less Preventable Reasons*

REASONS FOR LEAVING TRENDS

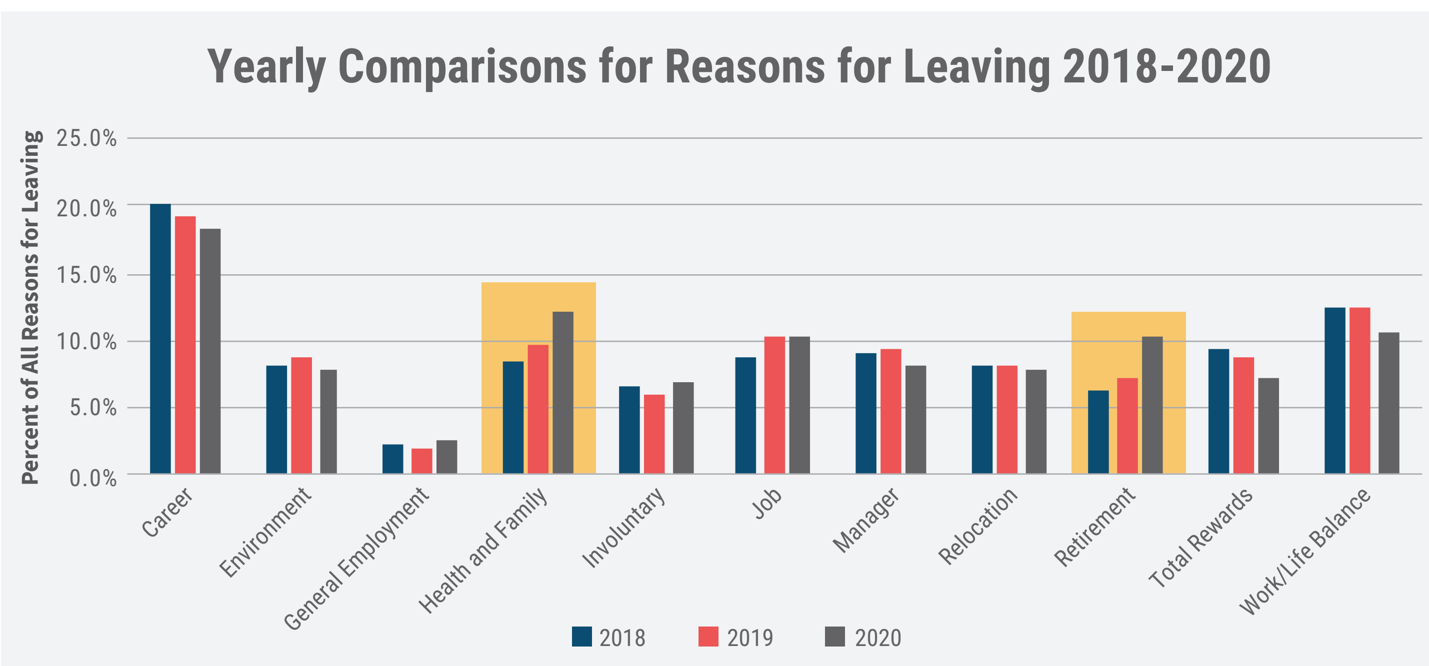
PANDEMIC CAUSES SIGNIFICANT SHIFT IN REASONS FOR LEAVING TRENDS

Even with all the challenges in 2020, Career issues continued to be the number one reason employees decided to quit their job. Almost 1 in 5 employees cited Career-related issues as the root cause of their decision to leave their organization. There has, however, been a declining trend related to Career issues with just over a 10% reduction in this category since 2018.

The two most notable trends for 2020 were in Health & Family and Retirement. Not surprisingly, many employees found it necessary to quit their jobs based on Health & Family reasons largely due to the pandemic. Parents had to care for children unable to attend school in-person, family members with high risk factors related to contracting coronavirus, and fears of personally contracting the virus were all major influences on employee decisions to quit. Slightly more surprising was just how many employees have chosen to leave the workforce completely and retire. Retirements increased 45% when compared to 2019.

A noteworthy trend also continued in Total Rewards. For years it has been reported by many that employees leave their jobs because of pay. This simply remains untrue and the number of employees citing pay as the root cause of departure has declined 23% since 2018. Employers' belief that employee retention is a pay issue has been and continues to be a false narrative.

With the expectation that voluntary turnover will increase substantially in 2021, employers need to identify the risk factors that currently exist in their organization to effectively keep employees. Categories such as Environment, Work-Life Balance, Relocation and Job are all expected to increase in the coming year as Reasons for Leaving.



REASONS FOR LEAVING: QUARTERLY COMPARISONS

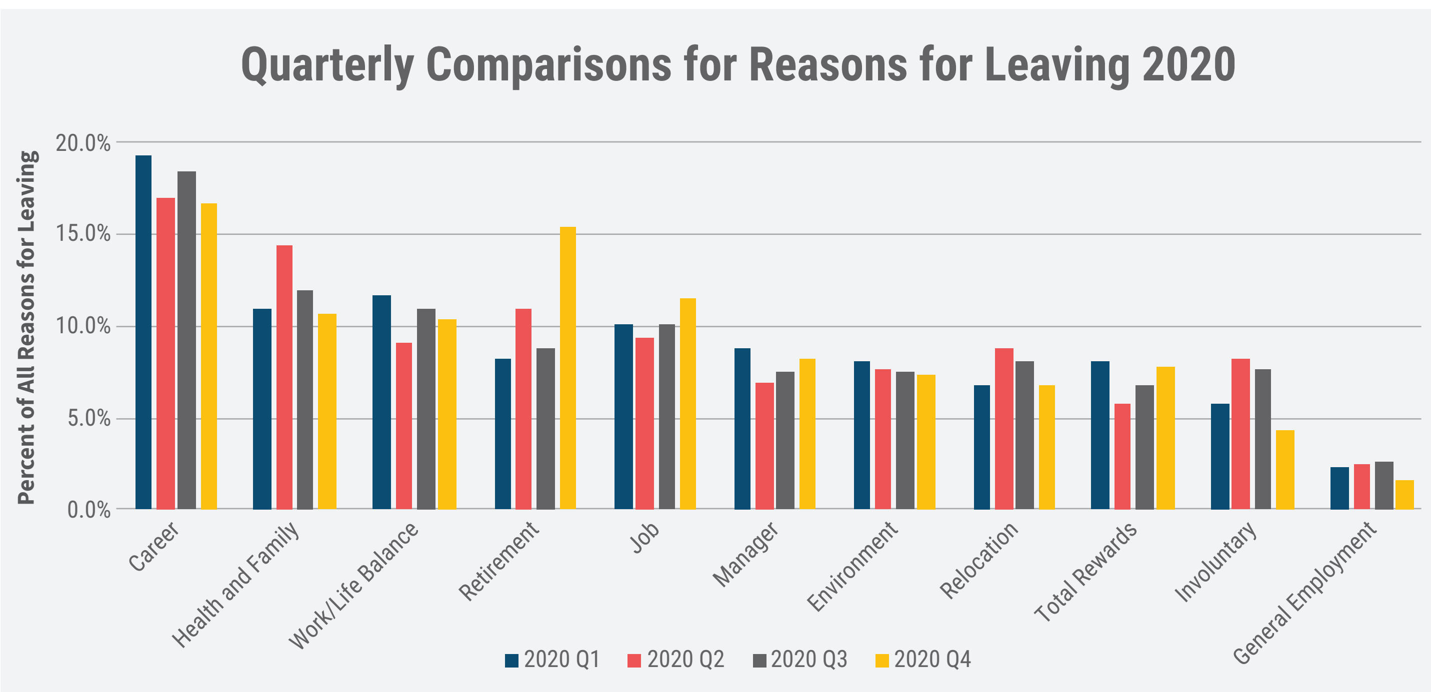
WORKFORCE CONDITIONS CREATE TURBULENT CHANGES IN REASONS FOR LEAVING

The volatility in the U.S. Workforce related to the global pandemic created unique conditions in each quarter of 2020. Work Institute sought to investigate the overall impact the pandemic had on Reasons for Leaving by quarter. Work Institute's analyses addressed whether the Reasons for Leaving in 2020 amidst the pandemic differ by quarter and if the pattern of Reasons for Leaving differ from previous years.

Analyses revealed that several of Work Institute's Reasons for Leaving, including Career, Management, Work-Life Balance, Total Rewards, Health & Family, and Retirement experienced a significant increase or decrease in quarter 2 when the economic effects of COVID-19 began to take hold in the United States.

Most notably, Health & Family and Retirement saw increases in quarter 2 and quarter 4.

Historically, except for returning or attending school, categories for leaving do not have seasonal trends. In 2020 however, there were significant differences by quarter due to the pandemic. We expect Reasons for Leaving will return to more normal patterns,including a significant increase in overall employee turnover.

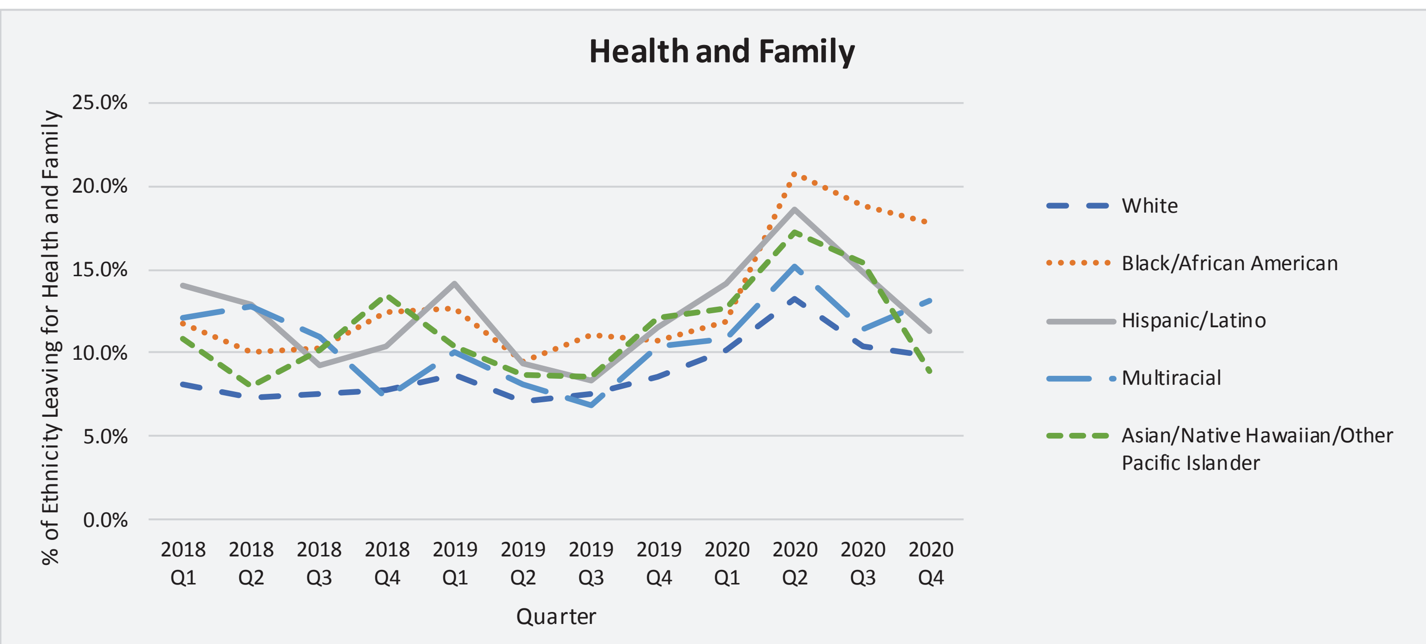


REASONS FOR LEAVING: ETHNICITY

MINORITY WORKERS IMPACTED DISPROPORTIONATELY

There have been many reports indicating the disproportionate effects of the pandemic on minorities. These issues ranged from contraction of coronavirus, mortality rates, and impacts on child-care. Work Institute chose to investigate specifically the Health & Family Reason for Leaving to determine if there was a disproportionate influence on certain ethnic groups. The findings were eye opening. Of workers who identified Health & Family as their root cause for leaving, there were significantly higher percentages of African Americans, Hispanics, and Asian Americans than White employees.

There can be many reasons why certain ethnic groups are disproportionately impacted in organizations. What is important is that employers seek out this information and work to intervene to combat these types of disproportionate outcomes. Certainly, there are often factors that are outside of employers control but understanding that minority employees are leaving at higher levels for certain reasons is something that must be understood and managed.



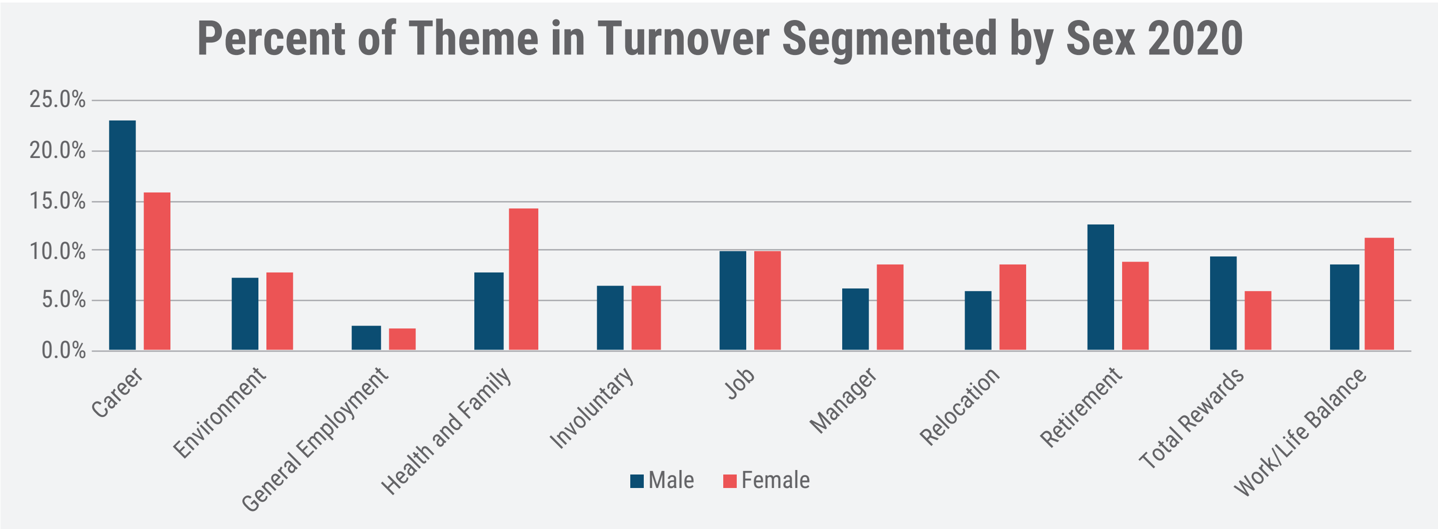
MINORITY WORKERS LEFT THEIR JOB FOR HEALTH & FAMILY REASONS AT A MUCH HIGHER RATE THAN THEIR WHITE COUNTERPARTS

REASONS FOR LEAVING: SEX

MALES RETIRED AT HIGHER RATE THAN FEMALES, FEMALES LEFT AT HIGHER RATES FOR HEALTH AND FAMILY

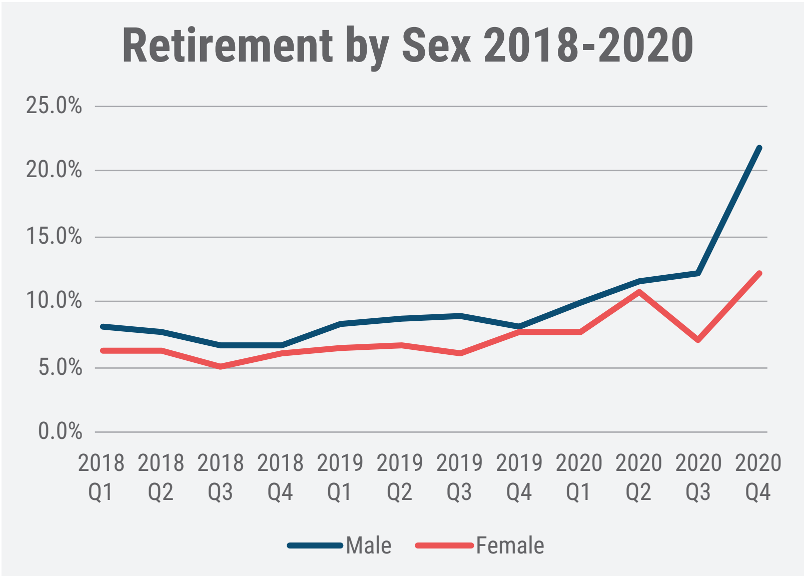
The biggest differences by interviewee sex were found in Career and Retirement where men reported leaving for these reasons at higher percentages than women, and Health & Family where women reported a higher percentage than men.

It is interesting that a slightly higher number of men leave for Total Reward reasons and conversely a slightly higher number of women leave because of Manager behavior.



RETIREMENT BASED ON SEX

Each of the Reasons for Leaving was examined across a three-year period at a quarterly level for demographic differences. Differences of frequency of reasons for leaving were investigated by sex. Similar patterns of frequency of turnover theme were found across demographics for all but two instances. Females saw a more dramatic increase of leaving for retirement in 2020 Q2. Males increasingly left for retirement in 2020 Q3 while females saw a decrease in retirement rates for 2020 Q3. Males left for retirement at a significantly higher rate in 2020 Q4.



REASONS FOR LEAVING: LENGTH OF SERVICE

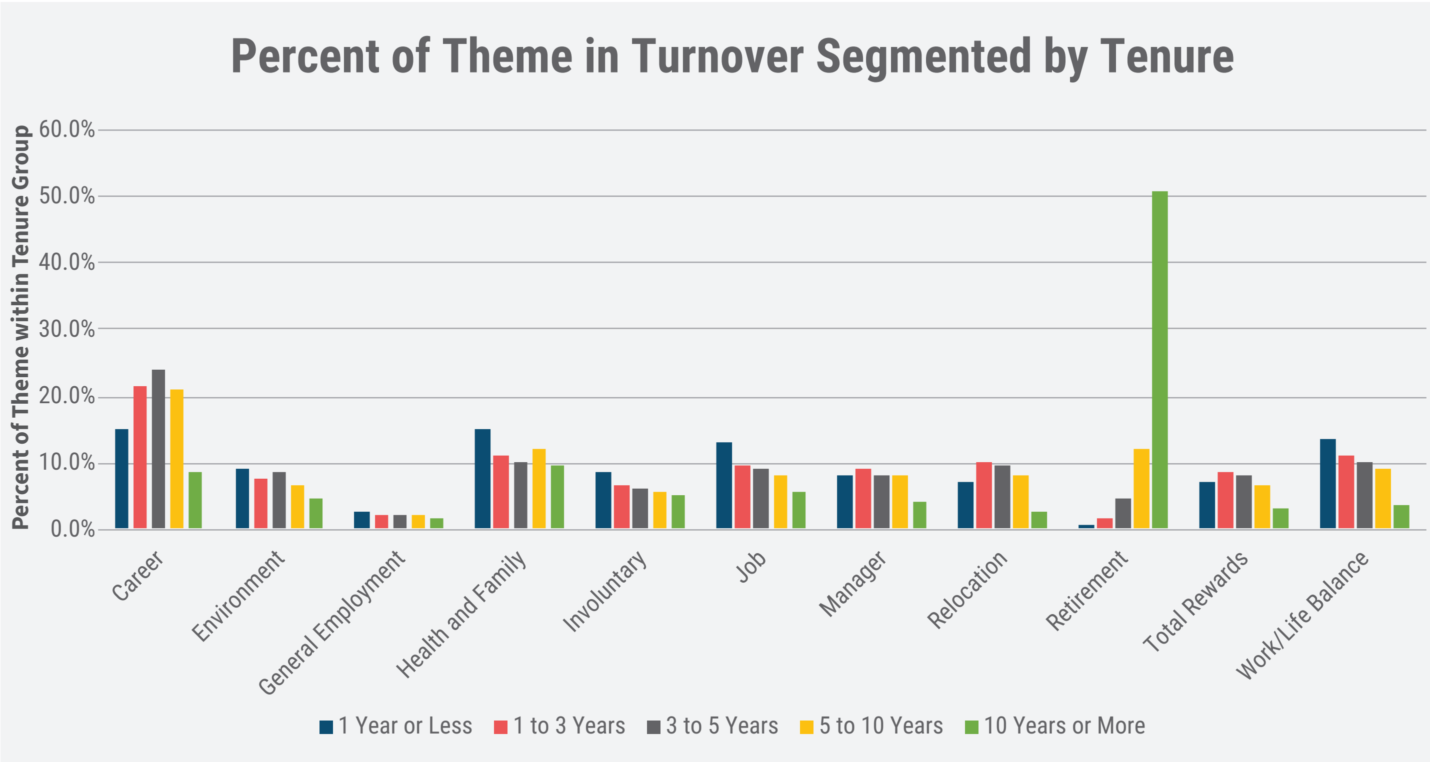
FIRST YEAR TURNOVER FURTHER DECLINED IN 2020

First year departures have been a recurring theme since the inception of the Work Institute Retention Report. By far the highest levels of turnover in organizations occur in the first year of employment. Most organizations identify first year turnover as one of its most pressing concerns especially in the healthcare field where costs of employee acquisition and training are high. First year departures hit a four year low in 2020 at 33.7%. This is an 11% reduction from 2019.

There was a sharp increase in departures during quarter 4 for employees with 10 years or greater of service with their organization.. This increase corresponds with the higher number of terminations for those "60 and Older", a demographic that likely makes up a substantial part of the "Greater than 10 Years" tenure category.

Quarters 2 and 3 contained the beginning of the pandemic in the United States as well as the highest percentage of turnover for those with 1 to 3 years tenure at their organizations.

There is one important note about the correlations between age and Length of Service. Too often we assume that those with longer lengths of service are also older and therefore the reasons for leaving will be consistent. When we look at themes like Career and Relocation, we see that age and tenure have almost no correlation as we might expect.



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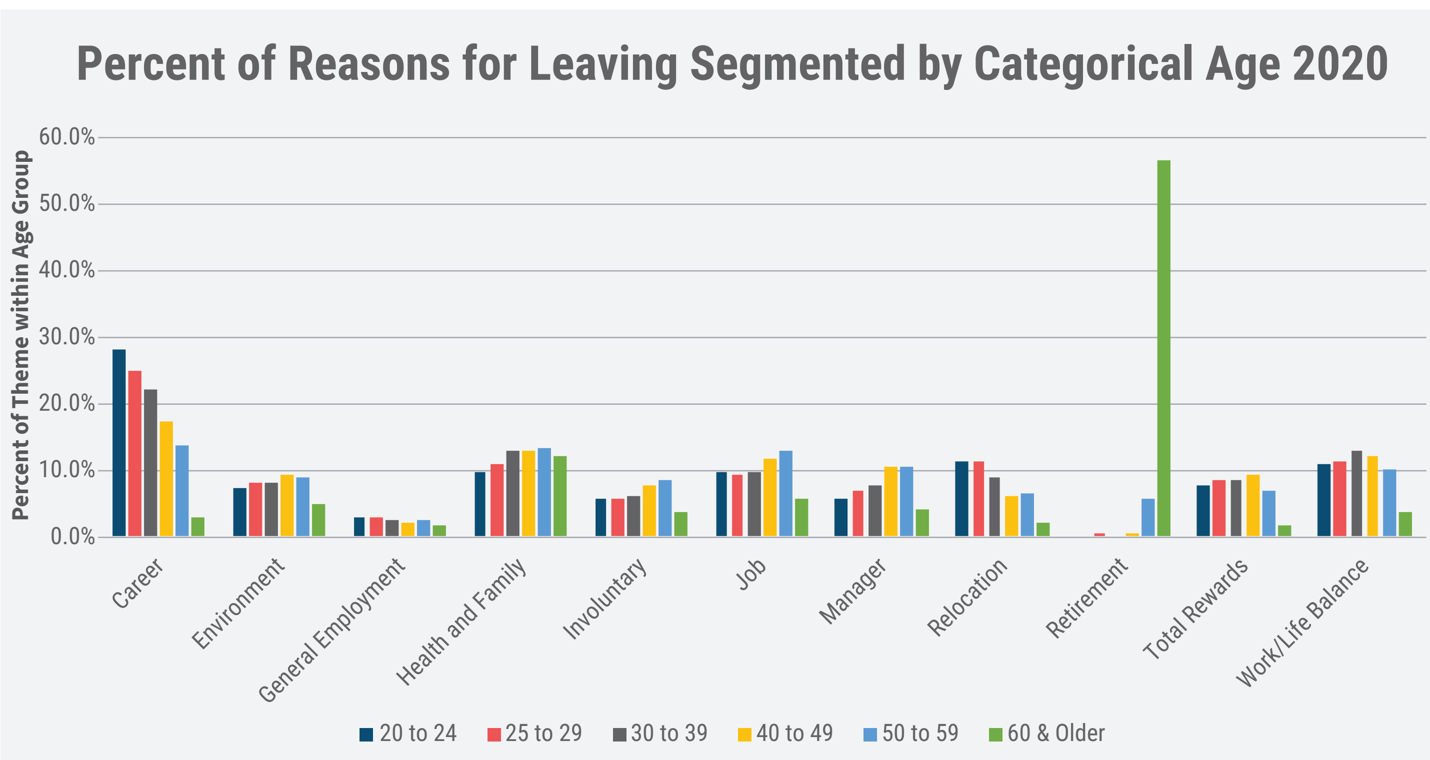
REASONS FOR LEAVING: AGE

OLDER WORKERS LEAVE THE WORKFORCE

Employee departures continue to be consistent by age group over the past three years. The largest percentage of employees that leave for both more preventable and less preventable reasons is the 30-39 age category. Unlike categories such as Career and Retirement that are influenced greatly by age, those in the 30-39 range are more consistent across all Reasons for Leaving.

We continue to emphasize the Reasons for Leaving by age based on the erroneous narrative created around how "generations" behave in the workplace. Work Institute's research continues to reveal that Reasons for Leaving are most influenced by career stage rather than a product of so-called generational differences. Employees in their 20s and therefore early in their career, leave for Career reasons most often. But unlike the common narrative that "millennials" leave for Work-Life Balance issues at a higher rate is not true. Employees in their 30s and 40s leave more often for Work-Life Balance issues. Once again, employers cannot be influenced by false narratives that workers should be labeled and therefore treated differently due to age or generation.



REASONS FOR LEAVING: THEMES

Work Institute groups Reasons for Leaving into ten categories that represent fifty-two different reasons an employee leaves the organization. These employee turnover themes are categorized as "more preventable" and "less preventable."

Reasons as a Percent of Theme describes the percent that a sub-theme accounts for the overall theme. It can be used to help readers interpret themes in turnover. For example, when Career is presented, what exactly does that mean? What is the composition of that theme?

Reasons as a Percent of Subtheme explains the percent each sub-theme accounts for within the overall themes. It can be used to identify individual reasons that are problematic.

Percent Change Since 2018 is interpreted as either the increase or decrease change in the proportion of interviewees citing any particular reason this year as opposed to in 2018.

All 11 Reasons for Leaving were analyzed and compared on a yearly and quarterly basis from 2018 quarter 1 to 2020 quarter 4. The themes that produced significant or interesting yearly and quarterly trends (Health and Family, Involuntary, Retirement, Total Rewards, and Work/Life Balance) are broken down by subtheme and further interpreted below. Three of the five themes that produced interesting trends are labeled "less preventable."

MAJOR FINDINGS

- **The top three subthemes as a percent of all subthemes given – as opposed to reasons for leaving themes – are Retirement (10.0% of all reasons), Shift/Schedule (7.7%), and Base Pay (6.1%).**
- **The three subthemes with the largest gains, appearing more frequently now than in 2018, are work-related health (66.7%), child/elder care (60.0%), and non-work-related health (52.0%).**
- **Health and Family Reasons for Leaving experienced great fluctuation since 2018 with 3 out of 3 Reasons for Leaving changing by more than 50%.**

REASONS FOR LEAVING: CAREER

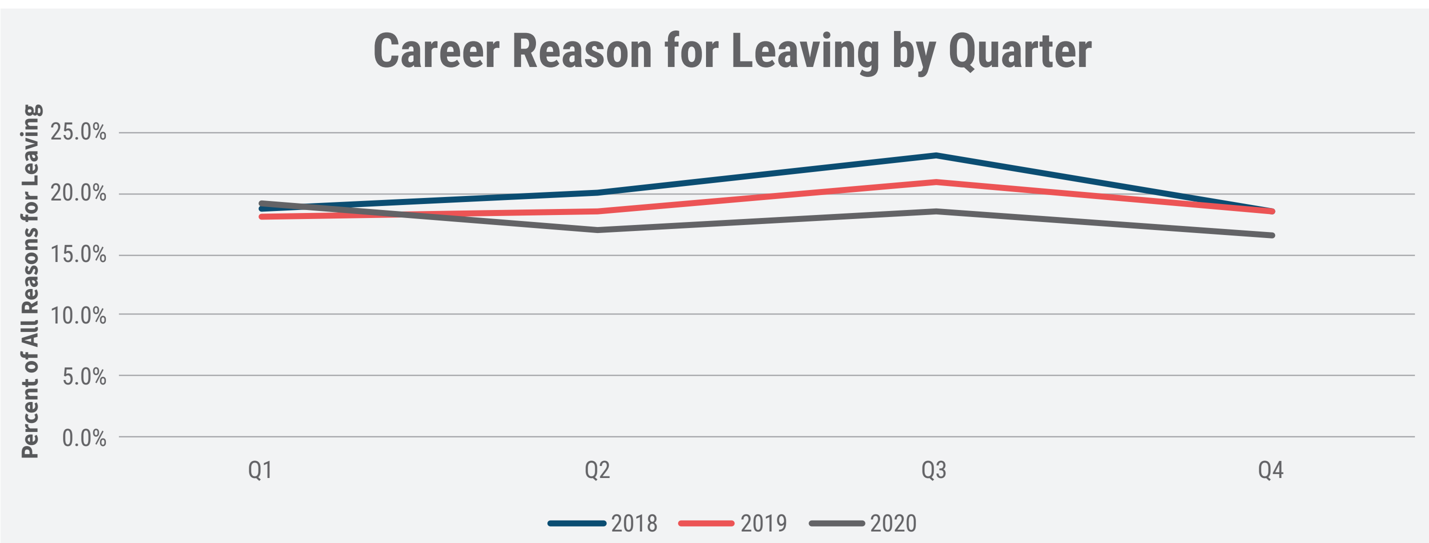
EMPLOYEES STILL QUIT ORGANIZATIONS THAT DO NOT OFFER OPPORTUNITIES TO GROW IN A PREFERRED JOB AND CAREER

While Career reasons saw a decrease in 2020 from 20% in 2019 to 18% in 2020, it is still the number one most cited reason and has been for the past eleven years.

The five Career subthemes lie within the top 50% of all Reasons for Leaving subthemes in 2020.

However, with the overall downturn in voluntary terminations, Career-related issues saw a significant downturn in the 2nd quarter. There was a decrease in departures due to Development in the 2nd and 3rd quarters, then a return to a more normal trend in quarter 4. Overall, it is important to note three of the four sub-themes have all increased since 2018 with the only reduction seen in different Career as a reason. Due to the decrease in 1st year departures, this could be explained as organizations doing a more effective job of hiring, including providing effective realistic job previews.

In 2018 and 2019, School as a Reason for Leaving resulted in a significant increase and peaked in quarter 3 when the collegiate fall semester begins. However, there was not as significant of an increase in 2020. Fewer employees reported leaving their job to start or return to school.



Career Reason for Leaving Subthemes			
Reason for Leaving	Reason as a Percent of Theme	Reason as a Percent of All Subthemes	Percent Change Since 2018
Development	31.3	5.6	8.3
Different Career	26.8	4.8	-14.4
School	20.4	3.7	2.0
Promotion	11.6	2.1	10.1
Job Security	6.7	1.2	<0.1

REASONS FOR LEAVING: HEALTH & FAMILY

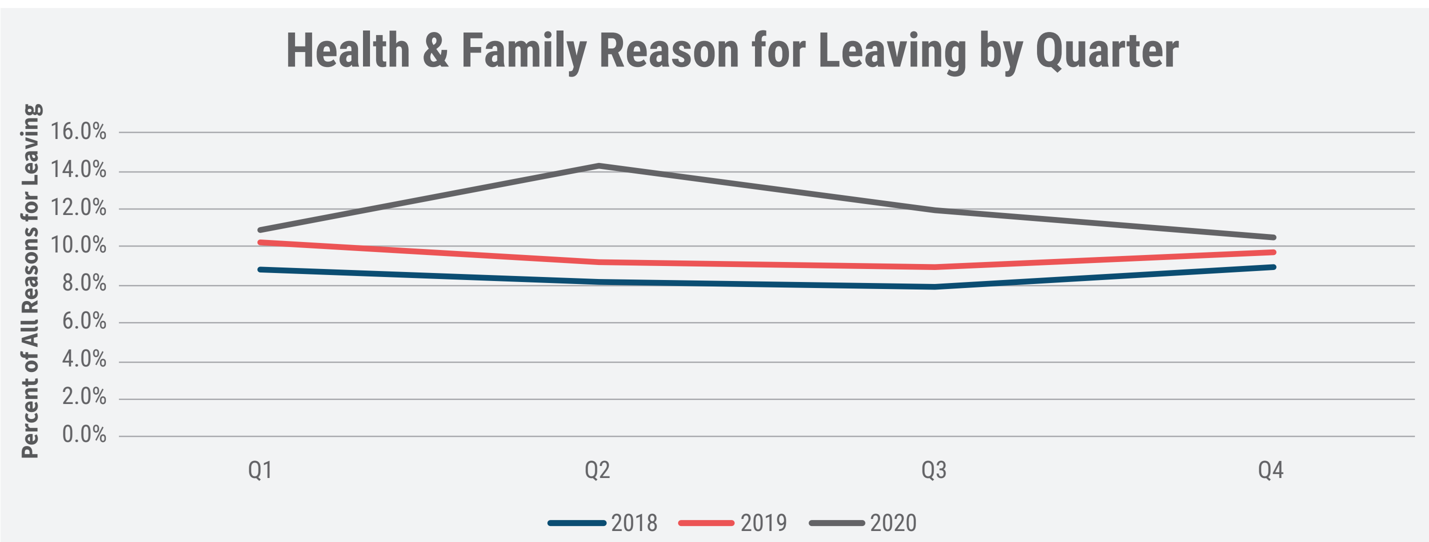
EMPLOYEES LEFT TO TAKE CARE OF THEIR OWN HEALTH AND THEIR FAMILY'S HEALTH

Health and Family showed the biggest spike as a Reason for Leaving in 2020 when compared to previous years and soared in quarter 2 of 2020 which coincides with when the pandemic hit the United States.

After the initial coronavirus spike, Health & Family reasons decreased, but remained higher than in previous years.

Child/Elder Care accounted for 3.1% of all Reasons for Leaving, and Non-Work-Related Health accounted for 2.9% of all Reasons for Leaving.

All three sub themes (Child/Elder Care, Non-Work-Related Health, Work-Related Health) saw more than a 50% increase since 2018.



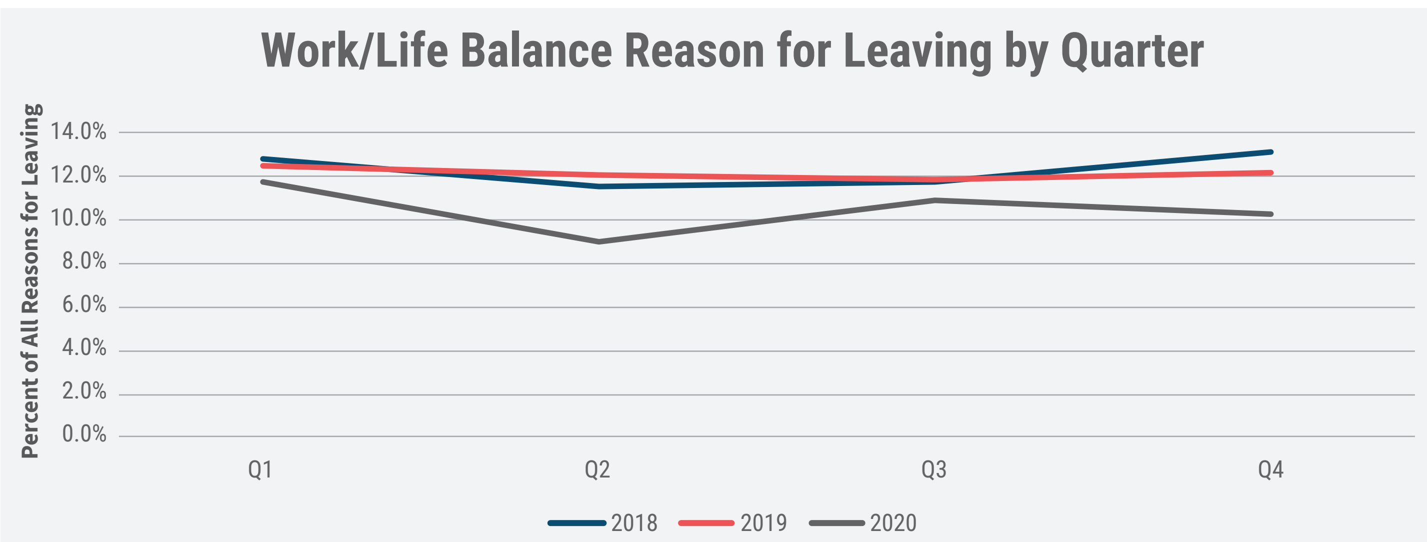
Health and Family Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Child/Elder Care	33.1	3.1	60
Non-Work-Related Health	31.0	2.9	52
Work-Related Health	4.2	0.4	66.7

REASONS FOR LEAVING: WORK/LIFE BALANCE

WORK/LIFE BALANCE REASONS FOR LEAVING WERE LOWER OVERALL THAN IN PREVIOUS YEARS

The Work/Life Balance theme was one of the more volatile in 2020. Commute and Work Travel had approximately a 20% decrease for reasons in turnover since 2018. When the pandemic hit the United States at the beginning of the second quarter, employees immediately started to work from home. The drop in popularity of Commute as a subtheme shows this. It is important to note the decrease in Work/Life Balance reasons in quarter 4. After increasing in quarter 3, there was a significant decrease in quarter 4. We believe this trend may continue with the work from home arrangements many employees have been advocating.

Shift/Schedule accounted for 8.4% of all Reasons for Leaving after being at 12% in both 2018 and 2019.



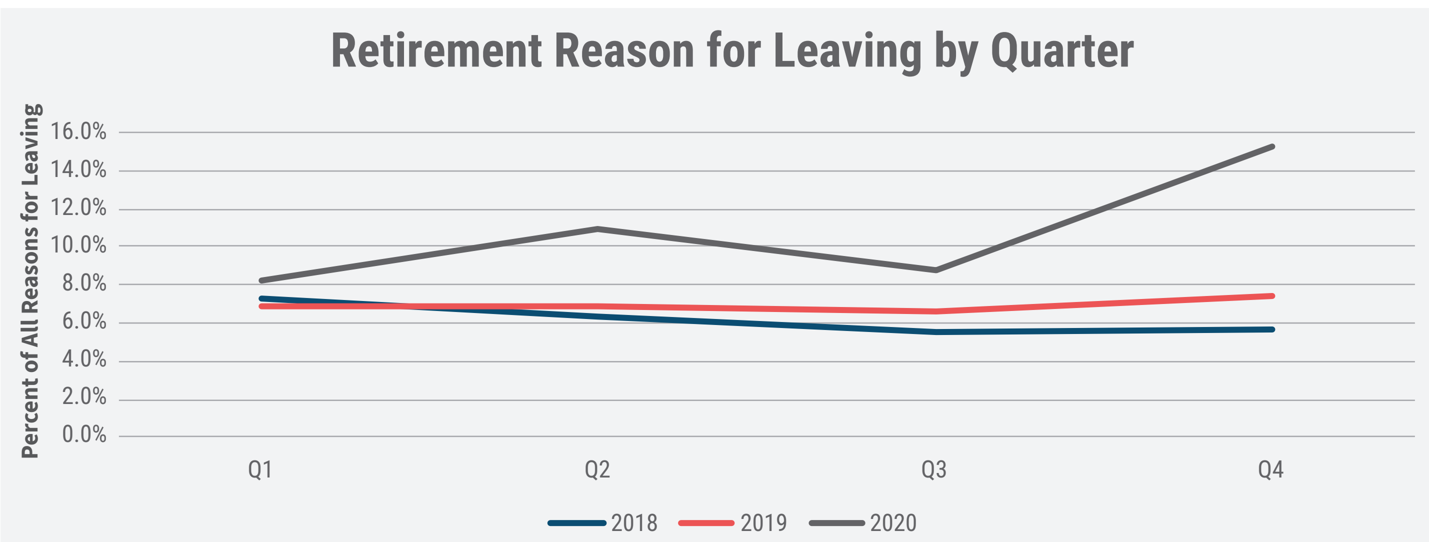
Work/Life Balance Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Commute	21.9	2.8	-23
Shift/Schedule	72.9	8.4	-10.5
Work Travel	3.9	0.5	-20

REASONS FOR LEAVING: RETIREMENT

RETIREMENT SAW A SURPRISING, YET NOT UNEXPECTED SPIKE

Retirement saw the most dramatic increase as a Reason for Leaving when compared to all other reasons in 2020. This is a surprising spike, but not unexpected. Many essential workers reached a point where continuing to work in a pandemic compromised workplace was no longer worth it. There were also some employees who welcomed working from home, while others did not enjoy or want to work from home long-term.

Retirement shows a unique pattern compared to 2018 and 2019. There is a small increase in 2020 quarter 2, but a much steeper increase in quarter 4 2020.



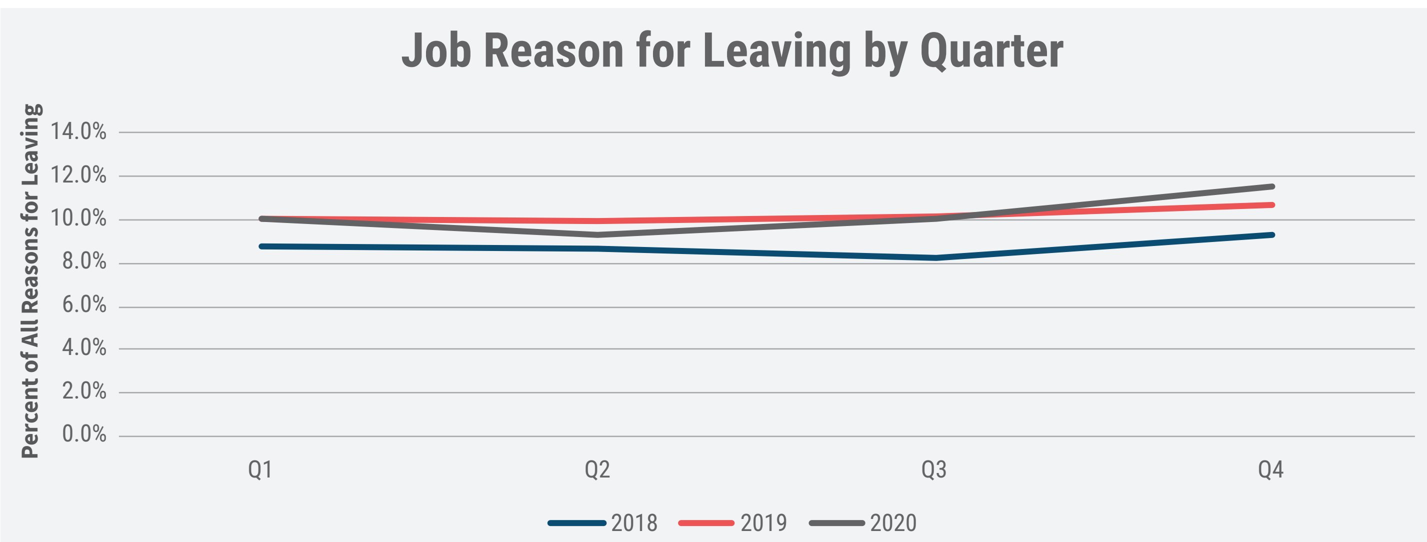
REASONS FOR LEAVING: JOB CHARACTERISTICS

WORKLOAD AND STRESS WERE THE MAIN CULPRITS FOR JOB REASONS FOR LEAVING

More employees cited Job as their reason for leaving in quarter 4 of 2020 than in any other quarter in the past 3 years.

Overall, the Job Reason for Leaving illustrated a similar pattern in 2020 to those seen in 2018 and 2019 with little change from quarter 1 to quarter 3 and an increase in quarter 4.

Although Workload/Stress is down slightly as a sub-theme since 2018, it is clear the pandemic caused significant stress in the workplace. This trend could continue or even get worse in 2021. Employers must create a less stressful job environment to reduce unnecessary turnover.



Job Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Workload/Stress	23.1	2.3	-7.2
Availability of Resources	9.4	0.9	-26.2
Training	8.5	0.9	-4.5
Characteristics/Type of Work	6.4	0.6	-36.6
Empowerment in Job	1.5	0.2	-28.6
Products/Pipeline	0.1	<0.1	-93.3

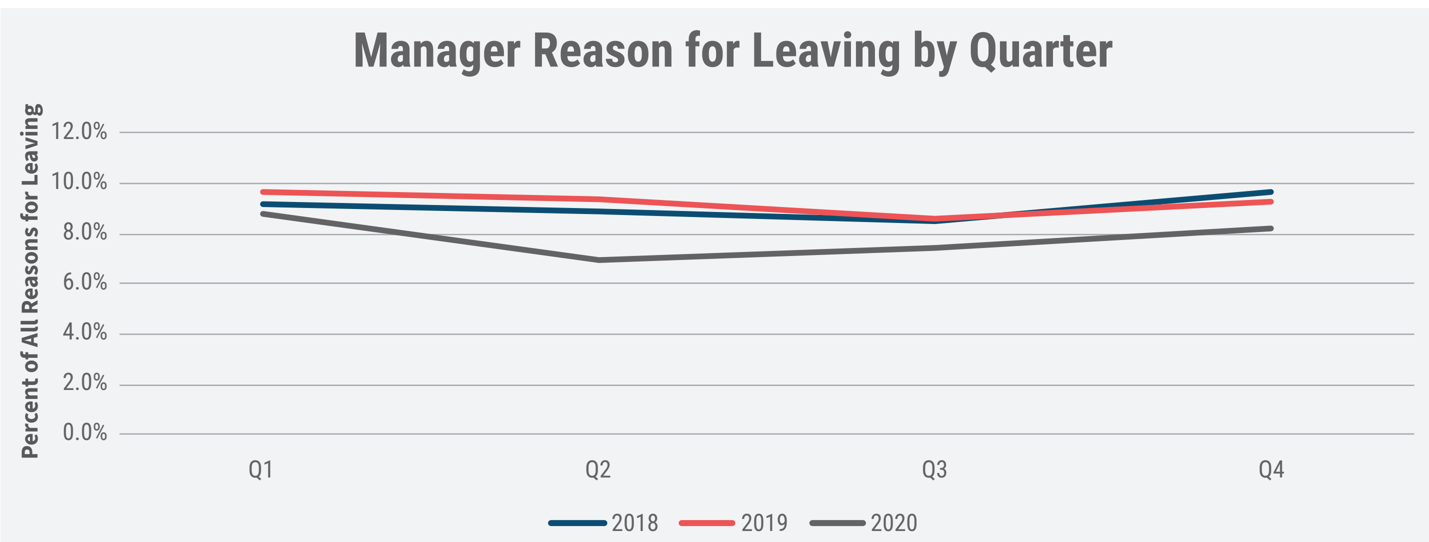
REASONS FOR LEAVING: MANAGER

MANAGER AS A REASON FOR LEAVING CONTINUED ITS DOWNWARD TREND

Manager as a Reason for Leaving continued its downward trend in 2020 beginning and ending at percentages lower than those of 2018 and 2019.

Employees may have felt the need to settle for or accept manager behaviors they normally would not have had there not been so many unknowns associated with job availability because of the pandemic. Managers may have improved during the pandemic. Communication levels increased as the pandemic affected the workplace. Job changes forced additional manager involvement. As many employees worked from home, Managers had less contact on a daily basis.

There was a noticeable decrease in Manager-related departures from quarter 1 to quarter 2 of 2020.



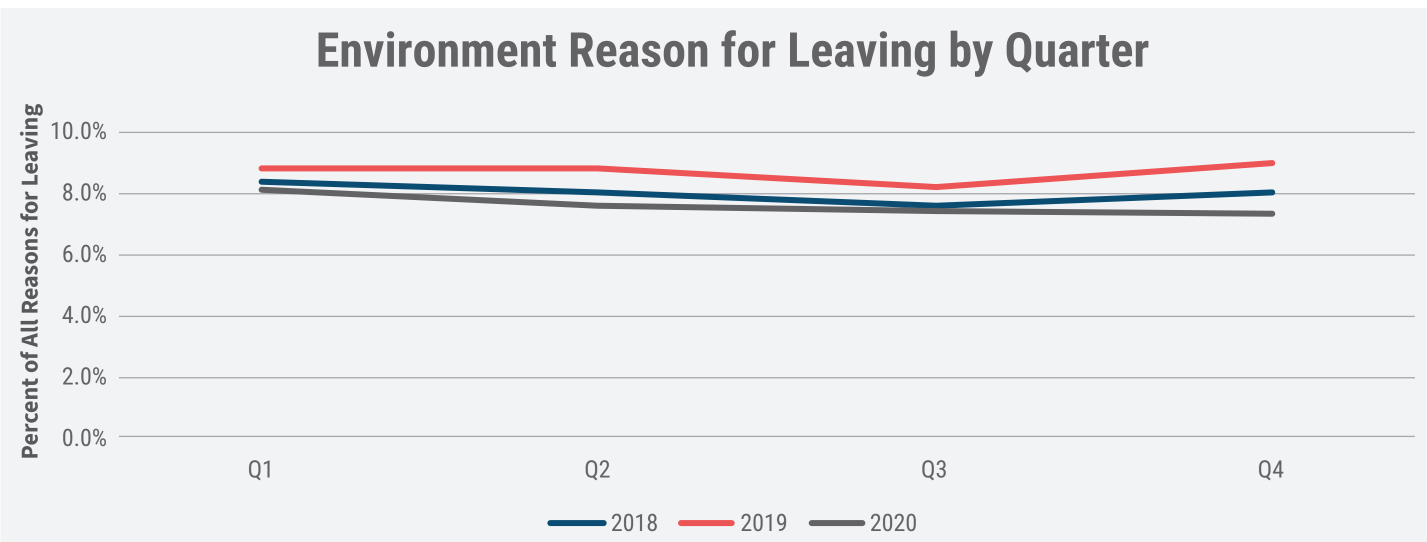
Manager Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Professional Behavior	30.3	2.4	-25.2
Support	20.0	1.6	-2.0
Knowledge and Skills	4.1	0.3	-54.0
Communication	13.9	1.1	39.0

REASONS FOR LEAVING: ENVIRONMENT

CO-WORKERS AND ORGANIZATION CULTURE NEED TO FIT EMPLOYEE EXPECTATIONS.

While Organization Culture is still the number one theme in Environment Reasons for Leaving, Safety as a Reason for Leaving slightly increased in Q2 2020 and remained elevated throughout the remainder of 2020. This is clearly a direct result of the pandemic. Although many employees began working from home and were able to avoid potential exposure, a large number of industries and therefore employees were designated as "essential" and were required to work. It is clear that many employees saw the risk of exposure to be too high. There is a 153.8% increase in Safety since 2018.

Coworkers and Facilities/Physical Environment Reasons for Leaving remained fairly stable in 2020.



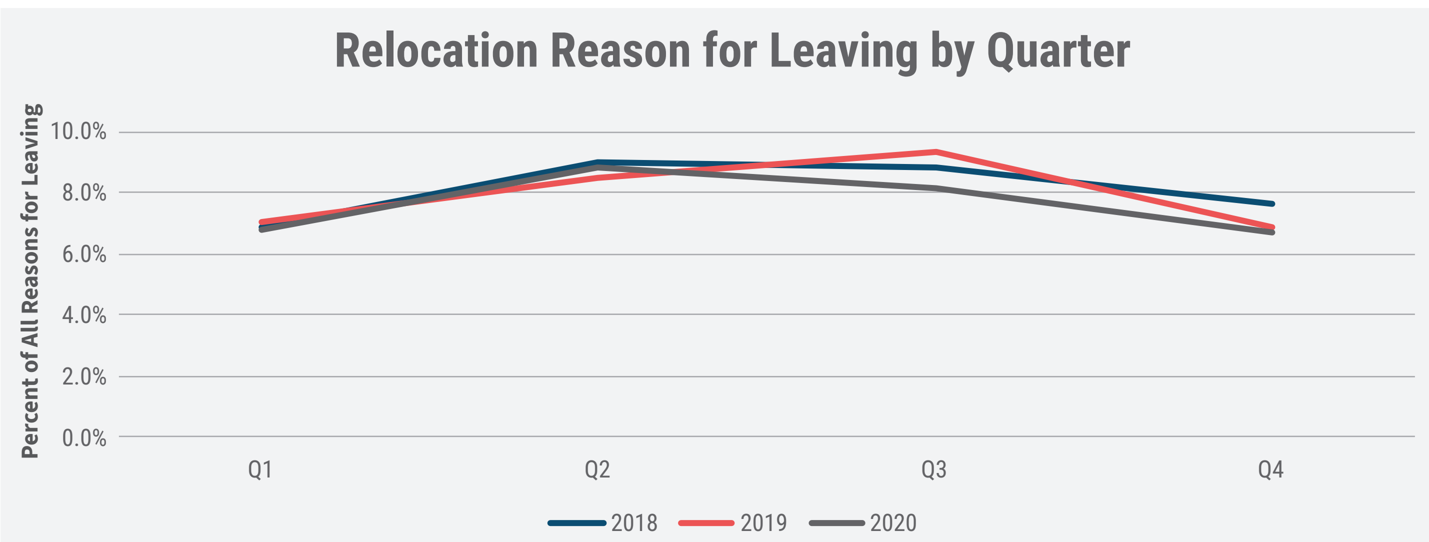
Environment Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Organization Culture	48.5	3.7	-10.2
Facilities/Physical Environment	14.5	1.1	2.8
Mission/Values	4.1	0.3	-21.2
Safety	9.9	0.8	153.8
Coworkers	18.3	1.4	-9.0
Diversity	0.4	<0.1	33.3

REASONS FOR LEAVING: RELOCATION

FEWER RELOCATIONS IN 2020 DUE TO PANDEMIC

Relocation was the only less preventable Reason for Leaving that did not experience a change in trend in 2020 even though it was a more popular Reason for Leaving in 2020.

The three Relocation subthemes lie within the top 50% of all Reasons for Leaving subthemes in 2020.



Relocation Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Employee Initiated	77.4	6.0	5.0
Company Initiated	0.7	0.1	-50.0
Spouse or Partner Initiated	17.3	1.3	-23.1

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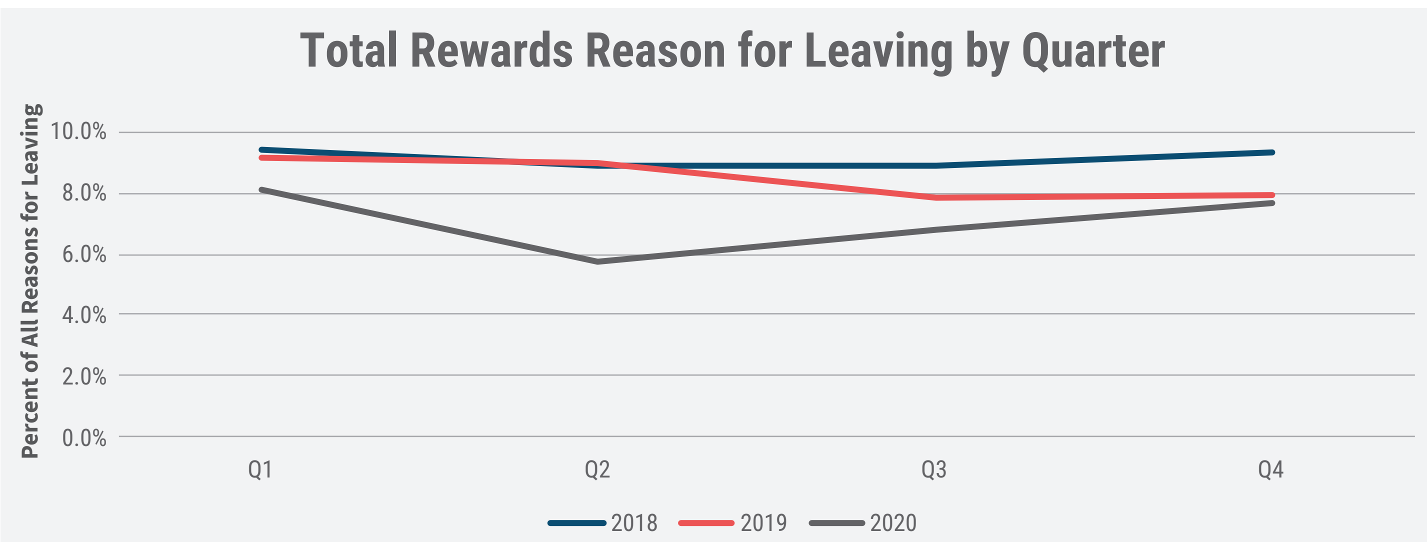
REASONS FOR LEAVING: TOTAL REWARDS

EMPLOYEES CITED TOTAL REWARDS LESS IN 2020 THAN PREVIOUS YEARS

Overall, Total Rewards as a Reason for Leaving was lower than in previous years. Base Pay had a 24% decrease since 2018. Base Pay accounted for 6.1% of all reasons for leaving.

When the pandemic reached America there was panic and fear which likely caused employees to stay where they were and hunker down. However, in the 4th quarter we do see an increase in Total Rewards as a Reason for Leaving.



Total Rewards Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Base Pay	87.2	6.1	-24
Benefits	11.4	0.8	-20
Bonuses	0.7	<0.01	-99
Commissions	0.2	<0.01	-99

Note: Bonuses and Commissions went from .1 to <.01 causing a large percent change

REASONS FOR LEAVING: INVOLUNTARY

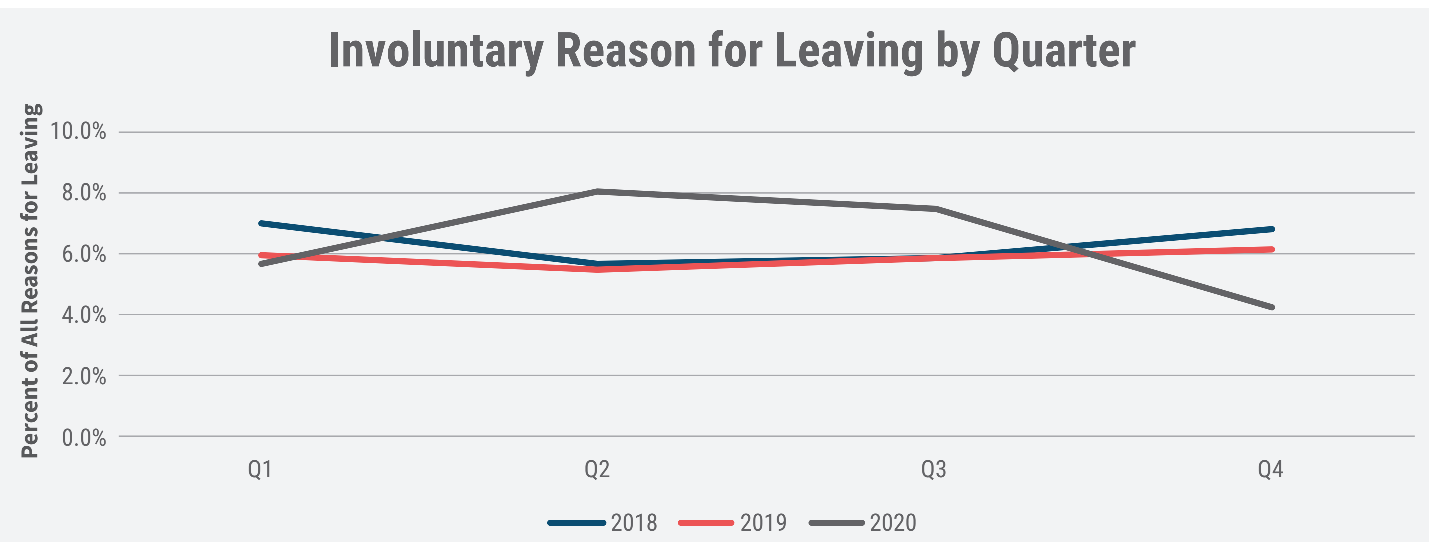
INVOLUNTARY REASONS FOR LEAVING SURGED IN Q2 AND Q3

2020 had a drastically different pattern compared to 2018 and 2019, especially during the second and third quarters when the United State's faced the most widespread lockdowns.

The subtheme General Termination had an increase of 100% over 2018.

Most subthemes showed a similar pattern in departures. However, Laid Off/Elimination demonstrated a steep increase in quarter 2 and decreased throughout the remainder of 2020.

Laid Off/Termination accounted for 2.8% of all Reasons for Leaving in 2020.



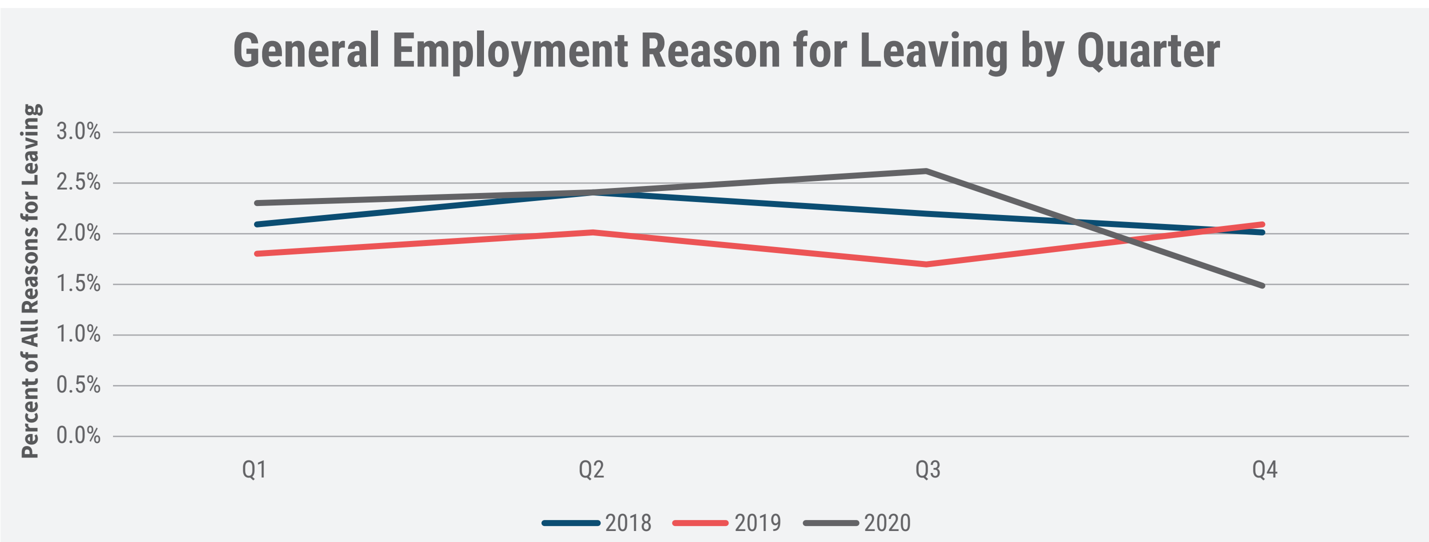
Involuntary Reason for Leaving Subthemes			
Reason for Leaving	**Reason as a Percent of Theme**	**Reason as a Percent of All Subthemes**	**Percent Change Since 2018**
Contract Work/Internship	0.5	> 0.1	0
General Termination	14.3	0.9	100
Laid Off/Job Elimination	46.8	2.8	6.9
Unsatisfactory Performance	8.3	0.7	-14.3
Violation of Company Policy	8.6	0.5	20

REASONS FOR LEAVING: GENERAL EMPLOYMENT

MISCELLANEOUS REASONS DECLINED SLIGHTLY IN Q4

General Employment is a "catch-all category" that allows more survey response data to be salvaged – as opposed to being categorized as "other" and removed from the sample.

General Employment does not consist of any additional sub-themes.



CORE DRIVERS AND PREDICTIVE ANALYTICS

INTRODUCTION

CORE DRIVERS AND REASONS FOR LEAVING

For the past three years, Work Institute conducted further research on the four Core Drivers of Engagement and Retention. These include Organization, Team, Manager, and Job. In previous Retention Repots we published findings related to the predictive capabilities of the Core Drivers on Intent to Stay. Further research results now enable us to report the predictive value and assurances of the Core Drivers on specific categories of Reasons for Leaving.

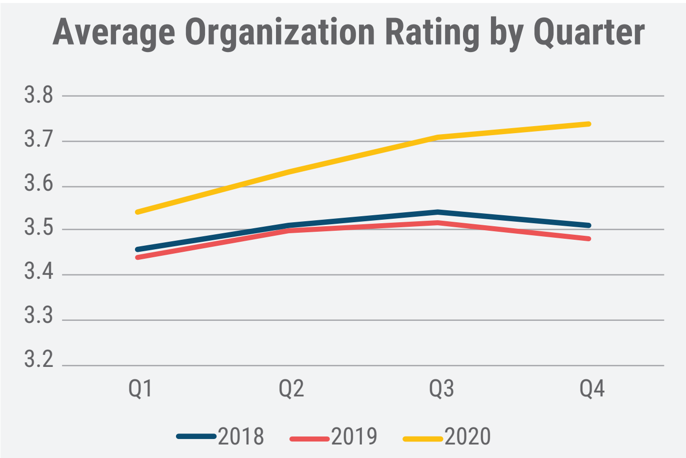
Many organizations use exit study data to focus on the reason's employees choose to exit their organization. Acting on those very reasons remains an urgent requirement. However, it is also important to identify additional levers to be used to create urgency for action and have an impact on reducing more preventable reasons for departure.

The first objective in our analysis was to investigate whether employee perceptions of the Core Drivers were different in 2020 than in previous years. Our hypothesis was that Ratings of Organization and Ratings of Manager would likely decline due to how organizations and managers responded to the pandemic. Surprisingly, the opposite was true. Ratings of Organization and Managers improved in 2020 compared to the previous two years.

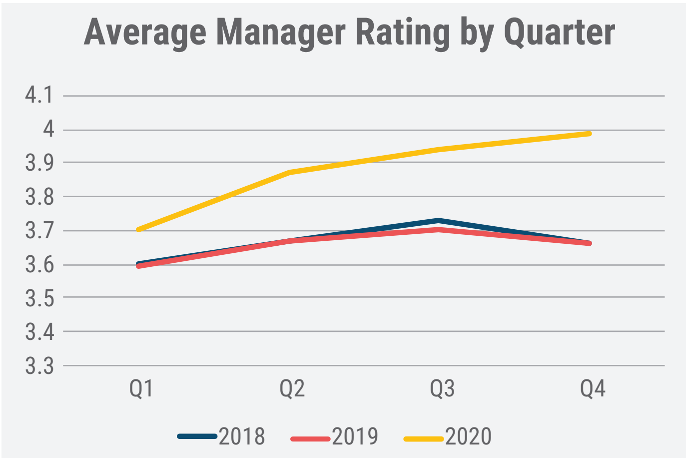
Organizations and Managers were largely forced by the effects of the pandemic to allow remote working and to step up communication efforts. These factors could have been seen as positive by the employees and therefore improved ratings.

It is also possible that due to the large number of employees who were working remote, many managers became less a factor in their day-to-day activities leading to fewer negative perceptions.

The important takeaway is there were improvements in manager perceptions as 2020 progressed. Based on the predictive analysis on the following page, this could have a significant impact on reducing more preventable Reasons for Leaving.



Rated on a 5-point scale



Rated on a 5-point scale

PREDICTIVE ANALYTICS

BOTH ORGANIZATION AND MANAGER ARE MOST CRITICAL

Work Institute research was conducted to investigate whether ratings of the Core Drivers by departing employees predicted specific reasons they departed their organizations. **Overall, Organization, Manager, and Job ratings all predicted more preventable Reasons for Leaving while Team ratings predicted less preventable Reasons for Leaving.**

Work Institute evaluated each Core Driver and the Reason Categories predicted by each Core Driver summarized below.

CORE DRIVERS			
Organization as Employer	**Manager**	**Team**	**Job**
Environment	Career	Relocation	Career
Involuntary	Environment	Retirement	Job
Job	Involuntary		Manager
Manager	Job		
Total Rewards	Manager		
	Work/Life Balance		

The Core Drivers of Organization and Manager are the most predictive and therefore the most critical. Not surprising, the Manager Core Driver is the most predictive of the more preventable Reasons for Leaving Categories.

This research places a whole new value on the exit study methodology and the relationship between employee and manager. For years, the popular narrative has been employees do not leave companies. Work Institute's research confirms this to a degree but offers up an entirely new perspective on the role of the manager in an organization.

The Manager must be held accountable for their own behaviors and how they manage Team members. Critical however, is their responsibilities beyond just their immediate role. Duties must be extended to additionally include stewarding employee perceptions of the organization. The manager is the person most responsible for setting the tone for their organization's climate, for mentoring employee's careers, for adapting the job to fit team members, for finding new and creative ways to help employees improve their Work-Life Balance, and for regularly measuring, remediating, and developing the employee-employer relationship.

Employees do not leave managers. Employees leave Managers AND Organizations.

To create the conditions where productive employees stay with an employer, organizations must support their managers with measurement, remediation and development tools and flexibility to meet employees where they are and create the conditions where employees want to stay.

WHAT IS NEXT FOR EMPLOYERS?

RETENTION REQUIRES IMPLEMENTING SPECIFIC PRACTICES TODAY

In 2020 there were some promising signs that retention efforts began to pay off.

- More preventable Reasons for Leaving were reduced from previous years.
- Perceptions of Employer and Manager edged up in what was certainly a challenging year.
- First-year departures were down substantially compared to previous years.
- Career, Manager, Total Rewards, and Work-Life Balance Reasons for Leaving were all lower than in 2019.

However, these signs are clouded by the pandemic and how it influenced the workforce. Now more than ever, employers must be diligent in listening and reacting to what employees say would improve the workplace and their intent to stay. There is pent-up employee turnover just waiting for the effects of the pandemic to recede and the increase of job opportunities.

Today's specific practices that must be implemented:

- Implement Stay Studies. Although training managers to conduct Stay Interviews is a positive step, there are factors that also make using an outside objective third-party more effective in uncovering retention and engagement risk in the workplace. Employers must identify the specific risks to employee turnover and then act on those study findings.
- Implement Onboarding Studies. Although first-year departures were lower in 2020, the early stages of employment remain the most critical. Getting feedback from employees early in the employment life cycle is critical to ensuring that onboarding efforts work, and employees are not at risk in the early stages of employment.
- Implement Exit Studies. New research published in this Report has made exit interviews an even more critical element in the listening process. The ability to measure Core Drivers and to hold managers accountable to improve those measures has proven to reduce more preventable Reasons for Leaving. Implementing a scientifically sound exit interview conducted by an outside objective third-party AFTER the employee leaves is necessary to collect the data to improve retention. Acting on both reasons for leaving and core drivers will improve retention.

Lastly, new research proves how valuable the employee/manager relationship is to employee retention. It is time to re-frame how we define the responsibility and influence managers have in the workplace. They not only manage the day-to-day activities of employees, but they also steward the company mission, vision, and values that employees want to be aligned with and understand. Managers hold the keys to help employees fulfill their occupational purpose by mentoring them in their career aspirations and help them develop both personally and professionally to achieve their individual goals. **Development of managers must be at the center of every employer's strategy.** Without highly effective managers, employers are not likely to achieve their objectives and are certainly going to bear the brunt of the high cost of turnover and employee disengagement.

ABOUT WORK INSTITUTE

Established in 2000, Work Institute is the leader in employee retention programs, employee engagement strategies and workplace solutions. Our workplace experts help companies attract & retain talent, improve performance, diminish risk, and manage human capital cost by improving workplace conditions.

Through our commitment to asking the right questions, matching research and analysis to the client's needs, Work Institute provides employers with employee retention and engagement programs that drastically improve overall employee satisfaction, reduce costs, improve retention, and promote profitable growth.

Work Institute's surveys and interviews marry sound scientific methodology with meaningful conversations. Asking the right questions makes a huge difference in the quality of data collected and the insights needed to drive higher employee retention and engagement.

Work Institute is the leading authority in workforce intelligence and retention. Utilizing evidence-based research methods that capture "the why" behind employee thoughts, feelings, and behaviors, Work Institute helps organizations improve employee engagement, performance, and retention.

Work Institute provides employee research, consulting, action planning, development courses, and evaluations of organizations of all sizes including many Fortune 500 clients across multiple industries and geographies.

RESEARCH AND CONSULTING SERVICES

Recruitment Studies
Onboarding Studies
Engagement Studies
Stay Studies
Exit Studies
Pulse Studies
Vulnerability Studies
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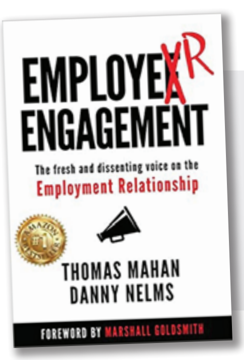
DEVELOPMENT SERVICES

Leadership Training & Development
Pre-Hire Assessments
Development Assessments
Developmental Coaching
Remedial Coaching
Technology Knowledge & Skill Assessment
Focus Groups
Communication Services
On-Line Training Modules
Group Facilitation
Action Planning Workshops
Action Research Workshops



For more instructional detail on Retention and Engagement Management check out Dr. Thomas F. Mahan, Founder and Chairman, and Danny Nelms, President, best selling book ***EmployER Engagement: The Fresh and Dissenting Voice on the Employment Relationship.*** Available through Amazon.

ABOUT THE AUTHORS

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Danny Nelms is the president of Work Institute and the co-author of *The Why Factor: Winning with Workforce Intelligence* and *EmployER Engagement: The Fresh and Dissenting Voice of the Employment Relationship*. His twenty-five years of experience have given him the ability to influence corporate climates and human capital initiatives in areas including organizational improvement and effectiveness, leadership development, performance expectation, talent acquisition, executive coaching, succession planning, and mergers and acquisitions. Mr. Nelms earned his MBA at the Massey College of Business at Belmont University.

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William leads Marketing Operations for Work Institute where he has focused on all inbound and outbound marketing efforts since 2010 including lead generation, content development, SEO, advertising, website management, and customer relationship management. William's experience and knowledge in content development and leadership development give him the experience necessary to help create and promote the annual Retention Report. William received his Bachelor of Arts with a focus on Management and Leadership from Trevecca Nazarene University in Nashville, TN.

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Katherine is the Vice President of Client Success and Operations at Work Institute. Katherine has over ten years' experience helping organizations build evidence-based research strategies to manage their turnover and engagement strategies by advising them on how to translate employee feedback into meaningful action. Katherine is a graduate of Vanderbilt University where she studied both Human and Organizational Development and Human Resource Development.

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Shelby graduated Summa Cum Laude with a Bachelor of Art in Psychology and a minor in Business Administration from Western Kentucky University in December 2018. Shelby is currently a second-year graduate student in the Industrial-Organizational Psychology master's program at Middle Tennessee State University. She is a Project Associate for the Center for Organizational and Human Resource Effectiveness (COHRE) and is currently helping develop and analyze a faculty workload survey for Tennessee University Faculty Senates (TUFS).

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Sarah graduated with a Bachelor of Science in Psychology from the University of Maryland in 2017. Sarah is currently a second-year graduate student in Middle Tennessee State University's Industrial/Organizational Psychology master's program. She is currently a Project Associate for COHRE where she has proctored and scored assessments for a state government agency's selection process. In addition, Sarah has been working for the Office of the University Provost where she has created and implemented evaluation interviews.

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