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FIXING THE TALENT MANAGEMENT DISCONNECT:

Employer Perception versus Employee Reality

Contents

Introduction

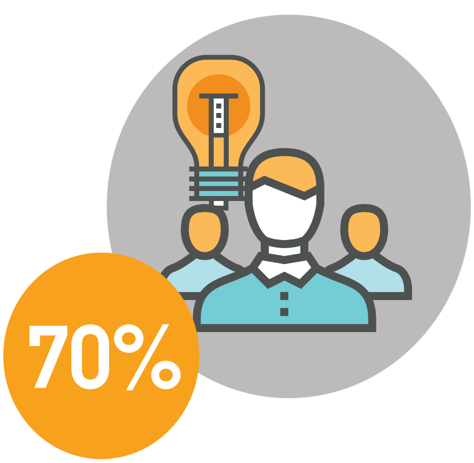
Most HR professionals probably have wished for a sneak peek into the minds of their employees at some point. If they just knew what employees were thinking, they could more easily design ways to recruit great candidates, develop the talent they have, and engage the entire workforce so employees are more likely to stay. Better yet, they would know precisely where to invest time and resources for the greatest return on their talent-management dollars. Instead, they're often forced to make educated guesses that unfortunately land far from the mark.

Such insight could be a game-changer in today's economy. Businesses are competing for talent in a U.S. labor market that has experienced an unprecedented seven years of growth and has brought the country to near full employment. According to *Strategic Drift: How HR Plans for Change*, a study conducted by The Economist Intelligence Unit (EIU) and supported by the ADP® Research Institute (ADP RI), three-quarters of senior executives now consider strategic workforce planning to be a critical issue for their companies. These executives expect the market for skilled talent will become tighter and top talent will become increasingly expensive. Rising staff turnover and job-hopping will be an ongoing, costly headache.

The competition for talent – and need for solid information – is of even greater concern to midsized businesses (defined as those with 50 to 999 employees), which have more limited resources to bring to bear. Midsized businesses are a key driver of the U.S. economy, representing just 1% of all businesses, yet providing more than a quarter of all U.S. jobs.

The Midsized Talent study, conducted by the ADP RI, provides just the kind of insight midsized businesses can use to gain an advantage in today's labor market. It compares how employers perceive talent-management issues – and how employees see those same issues. The differences are stark. Employers don't even know how many employees are interested in leaving their companies. Nearly half of employees are "open" if the right opportunity were to pop up – even if they're not actively looking for jobs. Clearly, when half the workforce is at risk of leaving (twice the number employers think are at risk), it is an issue worthy of attention.

If businesses don't know what attracts employees and persuades them to stay, they have little hope of being successful doing it. They're missing opportunities to make significant improvements that often require only shifts in attitude and emphasis. This study reveals key findings in the areas of recruitment, development and engagement to help employers attract and keep the best of the best.



The 2016 Midsized Business Owner study, conducted by ADP RI, found that 70% of midsized business owners believe that employee engagement is quite important to the success of their organization.

Section 1:

Recruitment: What Matters and What Doesn't

Technology isn’t the whole answer

As the number of communication channels explodes – with email, video chats, text messaging and more – employers may be overestimating the importance of technology and social media to candidates.

Prospective employees of all ages – even tech-savvy millennials – strongly prefer face time with prospective employers. But employers have less preference for communicating in person during recruitment and may find that technology provides convenient ways to screen large numbers of candidates on a tight schedule.

Social media’s impact during recruitment may be primarily on those candidates who are already interested in leaving their jobs. While not necessarily luring employees to apply, social media does make it easier for outside companies to contact the almost 50% of all employees who are not looking for a job but who are “open” to opportunities. Therefore, companies would be well-advised to keep internal opportunities as visible to current employees as the external postings that are catching their eyes—something employees say is not usually the case.

Employees say they don’t have good access to opportunities in their own companies. Though 60% of employers believe employees often hear about new job openings within the company, only about 30% of employees say they actually do. The ease with which employees can learn about outside opportunities while at the same time puzzling over how to advance where they are illustrates how social media can be a recruiting advantage—but a retention challenge.

Money matters – but less when employees truly want to leave

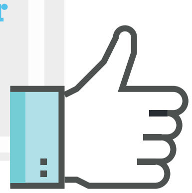
According to the 2016 ADP Employee Engagement Study, pay is the number one reason employees leave their jobs. But as findings from the Midsized Talent study reveal, employee consideration of pay can be somewhat nuanced. For example, the size of pay increase that a competing company must offer is relative to an employee’s level of current satisfaction. All other job factors remaining equal, the average employee would be enticed to leave with a pay increase of 12.5%. The more the employee wants to leave, the less money is needed. In fact, 47% of employees would consider an opportunity that matched their current salary or even paid less. Such findings show that multiple factors beyond salary are at play in the decision.

Employees say they are more likely to hear about job opportunities at other companies (40%) than at their own company (30%).

29%

Only 29% of employees say seeing job opportunities on social media makes them think about looking for a new job.

53% of employees would take another job for the same or less pay



So what are they looking for?

Employees highly value the work itself and the work hours. These two factors can keep them in their current position—or attract them to a new job that has better work and hours. Although candidates may readily ask about the work itself as they express their interest in a position, they may be less likely to bring up work hours during the interview stage for fear of appearing unwilling to work hard. Employers know work hours are important to employees, but they think the time to discuss hours is during onboarding. In fact, work hours may be among the most important issues for the employer to bring up during an interview. A frank discussion of work hours may attract certain employees or avoid time wasted hiring a person who soon quits because the hours were unexpected.

Onboarding and the importance of buddies

The buddy system worked well in grade school, when students were encouraged to pair off to make unfamiliar situations easier to navigate. And as it turns out, it's still one of the top ways to help new employees make a smooth transition to their new jobs. Employers and employees say being assigned a buddy or mentor to provide guidance or support is a top contributor to successful onboarding. Employers underestimate the extent to which employees want to connect with coworkers during onboarding, particularly through meetings with peers and broader staff. Connecting employees with others during onboarding could go a long way in solidifying the employee's relationship with the company. In addition, 60% of employees feel it's important for companies to take time to effectively orient new employees to the policies, benefits, and culture of the company. They particularly want to understand company goals and work hours. Therefore, when work hours have not been set out in detail during the interview phase, a discussion about work hours during onboarding becomes even more important.

Top Factors Impacting Job Consideration

	Total EE	Milenials (A)	Gen X (B)	Baby Boomers (C)	Males (D)	Females (E)
The work itself	43%	38%	41%	50%AB	44%	42%
Work hours	37%	38%	37%	37%	34%	40%D
Flexibilty	28%	32%C	27%	25%	24%	31%C
Paid time off	26%	22%	30%A	26%	25%	27%
Cost of benefits package (health, retirement, etc.)	24%	20%	25%	27%A	23%	25%
Personal connections at company	23%	25%	23%	21%	24%	22%
Direct manager relationship	19%	19%	19%	19%	20%	18%
Company culture	18%	23%BC	15%	17%	21%E	16%
Scoope/options of benefits package (health, retirement, etc.)	14%	11%	15%A	15%A	14%	14%
Career development/ advancement opportunities	12%	18%BC	12%B	5%	12%	11%
Company reputation	10%	9%	8%	12%AB	11%	9%
Financial performance of the company	8%	8%	8%	10%	11%E	6%
Company mission/purpose	8%	8%	5%	11%AB	8%	8%
Diversity/inclusion of company	2%	4%	2%	2%	3%	2%

Section 2:

Development: Employees Need a Clear Path to Success

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Employers have a distorted view

Though employers and employees each rank talent management as the weakest area in overall company performance, the situation may be even worse than employers realize. Well over half of employers rate their talent management as strong, but only 40% of employees share their feelings.

Among talent management strategies, employers expect to get the biggest bang for their buck in performance management.

Yet, employees report distrust and confusion about this process. Another example of a disconnection point is that employers expect the least return on investment in employee career planning. Yet, employees say they will leave the company if they can't find career advancement where they are. With such misalignment, it's difficult to create a strategic plan for investment.

Leveraging the growth mindset

Growth and development matter to employees. The good news is employees would prefer to find these opportunities within their own companies. Employers can strategically tap into this growth mindset with talent-management practices that inspire employees and help them develop skills – which ultimately improves retention and drives overall company performance.

Although employers are confident that the path to advancement is clear and fair, fewer than half of employees feel this is true. The path to success seems cloudy to employees, who are not sure about their prospects to advance and what happens if they meet their goals. Many do not see a correlation between advancement and recognition, title, and pay. Of employers, 72% believe performance reviews provide important milestones for development and advancement, but only about half of employees feel the same. Just 15% of employees say they have been given defined development goals for their positions.

Closely tied to employee concerns about performance reviews and career development is a perceived lack of feedback and recognition for accomplishments. The 2016 ADP Employee Engagement Study found that 44% of employees say they are provided constructive feedback, 42% say they receive recognition for a job well done and 44% feel their managers support their career development.

Can training pay off?

Companies don't believe they will see a high return on investment in training, yet employees want to advance and training may be the key. If employers don't see an ROI in training, it may be because the training they offer isn't helping their employees succeed. More than half of companies provide some form of general training, and although most employees (77%) report having some type of training available, only 40% say they participated in it during the past year.

Training is surely a challenge for companies, particularly due to budget constraints. Research by SHRM, *The New Talent Landscape: Recruiting Difficulty and Skills Shortages*, found that almost one-third of companies do not have any budget for training, and among those that do, over half indicate the budget is not increasing. If training could be brought into alignment with employee goals to grow and advance, changes in this area may have a broader talent management impact.

60% of employees are looking for growth in their current companies

72% of employers believe performance reviews are important milestones for development and advancement, but only 54% of employees agree.

15% of employees say they have defined development goals

44% of employees have received a performance review

Section 3:

Engagement: Keeping Employees Satisfied

Half of employees are open to leaving

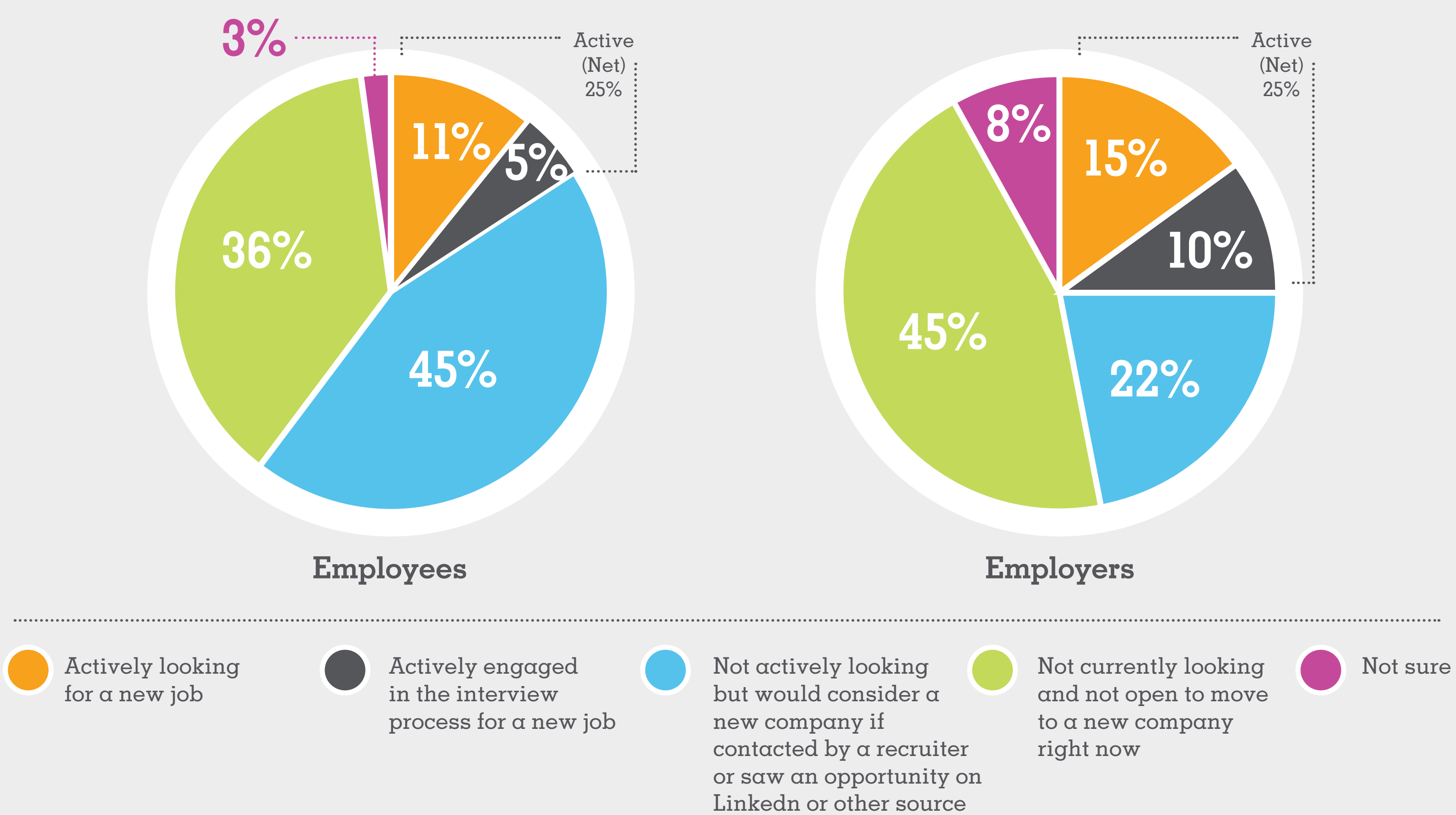
Employers substantially underestimate the number of employees who are open to leaving for a new job elsewhere. Nearly half the workforce – twice the number employers expect – would consider jumping ship if contacted with the right opportunity. These employees are not actively looking for jobs but would be fertile contacts for companies looking to poach otherwise contented employees. In order to ward off advances made by these competitors, an effective talent-management strategy requires a clear understanding of why employees stay in or leave their jobs and how to keep them engaged.

Why employees stay or make the move

When it comes to those factors that can push away or keep talent, employers tend to focus on business areas that are easily quantified, such as the scope and cost of benefits packages. But employers are strongly disconnected from the actual issues that employees say will push them away, especially the impact of the direct manager relationship and culture. They also consistently underrate the importance of the work itself and work hours.

At an individual level, an employee considers many factors when deciding whether to stay with a current employer or leave for greener pastures. Although it may seem logical that swanky work spaces or generous perks would tip the scales, employees generally have much more basic wants, and the reasons they stay at a job are not always the same reasons they have for leaving. Many of these factors can be addressed with more effective talent management.

Search Status: Employer Perception vs. Employee Reality



Reasons to Stay (Excluding Compensation)	
1. The work itself	43%
2. Work hours	37%
3. Flexibility	28%
4. Paid time off	26%
5. Cost of benefits package	24%
Personal connections	23%

Reasons to Leave (Excluding Compensation)	
1. Poor direct manager relationship	36%
2. Work hours	27%
3. Work itself	26%
4. Poor company culture	26%
5. Lack of career development opportunities	24%

A poor manager can drive a good employee out the door

When compensation is excluded from consideration the top reason employees leave is because of a poor direct manager relationship. Ongoing management training at all levels can help reduce this risk.

Employees will stay at a job if they like the work and will leave if they don't, so companies should consider this issue carefully. The 2016 ADP Employee Engagement Study found more than three-quarters of employees say it is important that they enjoy their work. By having awareness of this, employers can work to improve employees' experience of the job in several ways. For example, employers can ensure nothing gets in the way of employees doing great work, which may mean providing better computers and more interesting responsibilities. And when employees feel purposeful about their work, they become more satisfied with the job. As mentioned previously, the work itself is so important to employees that it should be a key discussion highlighted during recruitment.

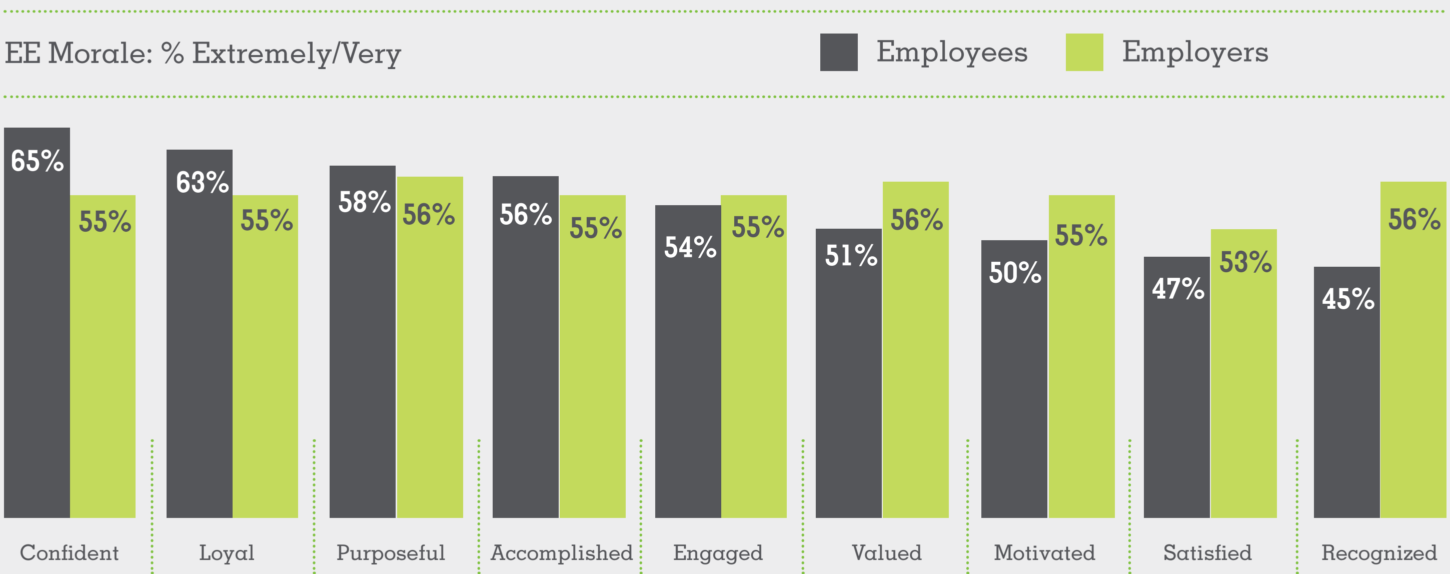
While also important during recruitment and onboarding, work hours continue to be pivotal in whether employees stay or go. It may be difficult for employers to monitor how many hours salaried workers are actually working. Employers may want to assess work hours regularly and determine whether employee preferences have changed. Make it widely known if employees can request changes to their hours.

Employees want to have flexibility in where and when they work, but they also want work-life balance, which has more to do with being able to disconnect from work than the work environment itself. More than 70% of employees expect to be able to disconnect when they leave work.

What about those high-profile perks much celebrated in the news, such as tuition reimbursement and on-site health care? They seem to have a limited ability to retain workers. Though 49% of employees say unlimited vacation is a perk that makes a difference, far fewer name any other single factor would make a difference in whether they would work for a company. While unlimited vacation may not be practical for all companies, employers may consider that even a few extra holidays could help incentivize employees to stay.

Company culture – one of the top reasons employees leave – is often measured by employee morale. In other words, happy employees make committed team members who typically stick around longer. However, the issue of morale is more nuanced than most employers realize. They fail to perceive a distinction between emotions that are intrinsic to an employee (such as loyalty and confidence) and those that result from the employer's behavior (such as feeling valued and recognized). A majority of employees feel confident and loyal, but not more than half say they feel valued and recognized. This discrepancy points to an opportunity for employers to improve the ways they recognize employees.

EE are more loyal and confident at work than ER expect, but less valued, motivated, satisfied and recognized than ER imagine.



Boomers are generally more positive and satisfied at work. No differences by age emerge in feeling of being valued,motivated, recognized.

No differences emerge in how EE feel at work by size segment.

Section 4:

Tying It All Together

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Companies that may have pleaded ignorance in the past can no longer do so as it relates to what employees want in talent management. The message is clearer than ever—employees care about their work and want to advance—and employers must act on this if they hope to keep employees from leaving for perceived better opportunity elsewhere. To attract and keep top talent, HR leaders can remember what resonates most with employees:

1) The work itself

Time and again, employees reiterate the importance of the actual work they do. To align expectations of the scope of work for a given role, provide company context and practical examples during interview discussion of the job description. As you keep defined job duties in mind, also recognize flexibility in the work environment matters. Beyond working remotely, employees also want to be able to disconnect in order to have work-life balance.

2) Clear expectations from and a strong relationship with direct managers

When workers aren't sure what's expected of them, they are more likely to become unhappy and less productive at work. According to ADP's 2016 Engagement Study, only half of employees have a clear understanding of their goals and objectives each year. But happy employees are more than three times as likely to feel they have this understanding than are unhappy employees.

Better clarity from managers regarding what's expected can be a happiness boost that leads to a productivity payoff. Conversely, a poor direct manager relationship is a top reason employees cite for leaving.

3) Feeling like they matter to their companies

Satisfied employees feel like their feedback makes a difference and that they contribute to their company's success. They want to feel valued, motivated, empowered and recognized; relatively inexpensive efforts by the employer, such as an extra day off or team breakfast, go a long way toward making workers feel appreciated.

Happy employees aren't just more pleasant to be around—they're more productive, too. In research from the University of Warwick, happy workers experienced a productivity spike of 12%, but if they were unhappy while working, their productivity dropped 10%.

4) Having time available to participate in relevant training

Employees who have role-specific training available stick around. Trained employees are more positive about leadership and talent management performance. But even if the right training is available, employees may lack time during the workday to take advantage of it. HR leaders can most effectively encourage growth by providing on-site educational programs that work with employees' schedules.

5) Believing they have a fair and clear plan for growth

If employees either can't discern or don't have confidence in defined steps for upward career movement, they become open to opportunity elsewhere.

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Research Methodology

The ADP Research Institute conducted a 15-minute online survey among 800 employers and 1,415 employees at midsized companies. The survey fielded in September 2016. Midsized companies were defined as those with 50 to 999 employees. The employee sample includes a representative sample of the U.S. working population, age 18 and above. The employer sample includes talent decision makers, comprised of representatives from HR and other departments.

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